



APG Group Annual report 2021

Disclaimer

This annual report contains outlooks and other views on future performance and results, which are based on current expectations and assumptions regarding developments and other factors which affect APG. The actual future performance and results may differ materially. This disclaimer fully applies to all future-oriented statements included in this report. The original financial statements were drafted in Dutch. This document is an English translation of the original. In case of any discrepancies between the English and the Dutch text, the latter will prevail.

Foreword



Clear choices

It may be a coincidence, but exactly one hundred years after ABP, the largest pension fund in the Netherlands, was set up — and from which APG emerged — the Netherlands is embarking on unprecedented and rigorous pension reform.

APG plays a significant role in this. As the country's largest pension administrator, with seven other pension funds in addition to ABP as clients and some 4.8 million pension holders, we have a duty to do so. We see it as our task to use all our expertise to build a transparent and future-proof new system.

And to think that the Netherlands already has one of the best pension systems in the world, built on a sense of solidarity that connects young and old, rich, and poor, working, and non-working people. This will remain intact in the new pension system, and we are delighted about that. APG believes in solidarity and collectivity: that is how we make more possible for the individual participant. It is no accident that poverty among the elderly is much less prevalent in the Netherlands than in most other Western countries.



It is going to be important. The deadline for pension funds to switch over to the new system is January 1, 2027, but we expect some of our clients to do so earlier. Suddenly, it is not so far away anymore: we have three years to build up a completely new policy and capital administration to which the data and the accrued capital for those millions of participants will be transferred safely and smoothly.

In the current system, it is reasonably certain what the final pension amount will be. In the future, this will fluctuate with economic developments and investment returns. The “Pension of the Future” will be a long-term pension pot that is also transparent and personal. Participants will gain insight into their own pension assets, which will lead to more questions. We provide the information participants need to understand their own pension in plain and simple language.

As a pension administrator, APG will become even more of a modern communications and IT company, with a different organization in the background in which our pension administration and asset management activities will grow closer together. This transformation, which has already started, will affect the entire organization. The changes are so great that we have to make clear choices. The new system is the top priority. This means, among other things, that we will put certain projects on the back burner for a while, retrain or reskill employees, and recruit digitally trained people. We already started doing this in 2021. Since then, “the store is open as usual” and we must not relax the services we provide at any time. We will, of course, continue to strive for maximum pension value for our clients’ participants and we will do everything we can to achieve a healthy return. We are committed to keeping the quality of our administrative processes in order, even during these changes. Naturally, we will also do this at the lowest possible cost.

New pension law

Although we have to pull out all the stops, we are still facing many uncertainties; APG is not alone in having to make clear choices. One is that the new pension law, which is expected to take effect in early 2023, is still being discussed by the politicians in The Hague. Moreover, with negotiations on this still underway, it is not yet clear how the new regulations will be designed. However, the main outlines have been established. Our main concern is that no unnecessary complexity should be added in the next phase of the process; that would not be in the interests of the participants and it would complicate APG’s work. Naturally, we will inform and support the parties in this. Here, too, the motto is clarity.

It is all about the participants, that is the most important clear choice. They must be confident that the new system is there for them, and that their pension is well cared for. And that APG — on behalf of the pension funds — is there for them. We want to help people, help generations. We build sustainable, good income for today, tomorrow, and beyond at the lowest possible price per participant. Together with the funds, we help people to become financially fitter. This will play an even more important role with the new pension, in which everyone has a personal “pot.”

Social responsibility

We also contribute to a world that is worth living in. With the assets that we manage for our pension funds and their participants, our investors make a difference. Last year, we saw these pension assets under management grow from €573 billion at the end of 2020 to over €636 billion at the end of 2021. This makes APG an organization that has a major influence on our future and can contribute to solutions. We see that as our responsibility to society. All the knowledge and expertise we have in the field of sustainability brings with it a responsibility. We will follow trends in society even more closely and we will look more explicitly at how investments measure up to the UN Sustainable Development Goals. We will prove that we belong to the world's top in terms of responsible investment, and with good reason.

APG itself has set a good example and taken significant steps in the area of sustainability and corporate responsibility. We moved in Amsterdam to Edge West, the most sustainably redeveloped building in Europe, with the highest possible BREEAM rating. In addition, we “greened” our mobility policy in 2021: we are going to travel less. The train is now the standard for distances up to 500 kilometers, and air travel is only permitted if there is no other option. For all air travel, we search for the flights with the lowest CO₂ emissions.

Of course, mobility has also changed at APG due to COVID-19. Working from home has become part of the work pattern. From now on, the offices will be used in a different way: much more as a place where we meet or, more importantly, where we meet and inspire each other. More than ever, we realize that we like having colleagues around us, at least for part of the workweek. But APG is fortunate that it is a close-knit club of committed and enthusiastic people. It is also an important reason why we performed so well in 2021.

Financial Fitness

We ended the year with a good operating result, better than the social return we pursue. Not only did we see our clients' pension assets under management grow by more than 10% in 2021, but we also made considerable strides in providing services to participants to increase their financial fitness. For example, our online platform Kandoor replied to over a million questions about pensions, State pensions (General Old Age Pensions Act), and other financial matters in 2021, roughly double the previous year's figure. We launched the Pension Coach, which allows users to generate their own pension proposal with the help of a digital coach. We also worked hard on Strategic Workforce Planning: we set up “academies,” including in the areas of data and digitalization. Given the new pension system, we still have a lot of training to do.

We look forward with confidence to the coming years of change. Because at APG, we can put our shoulders to the wheel together. The Works Council, among others, embodies that collectivity. Over the past year, the excellent collaboration with the Works Council has greatly helped us. We are living in complicated times — with a system reform, COVID-19, and a relocation — and these require clear, decisive policies. The critical eye and advice of the Works Council are essential in all of this.

Major challenges

There are still major challenges ahead of us. What is certain is that for the time being we will have to work with a number of uncertainties. That is why we are making clear choices now — to be able to weather the transition to the “Pension of the Future” and to continue to build a robust pension system. APG can handle that. Our employees, at all levels of the organization, have proven that they can adapt to new, exceptional circumstances with dedication. Because they know that, at the end of the day, their work always concerns people: people who receive a pension now, in the future or later.

This deserves my great thanks. I am also very grateful to our pension funds, shareholders, unions, employers, participants and strategic partners for their support and contributions during what has been a complicated period for all.

APG — along with the funds — will be ready in time for the new pension system, I am convinced of that. As far as I am concerned, we'll also have the best system in the world for the next hundred years.

At the moment of finishing this foreword, I have to say we are shocked by the war that broke out in February when Russian troops invaded Ukraine. We cannot ignore the violence that accompanies this war as well as the humanitarian consequences. Our sympathy goes out to all those affected.

Annette Mosman

chair of the executive board

Amsterdam/Heerlen, March 8, 2022

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Chapter 1

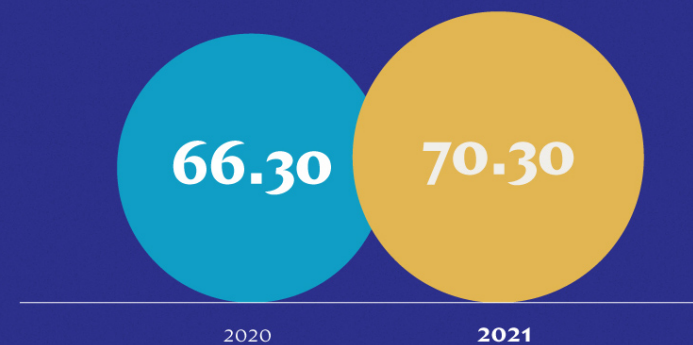
About APC



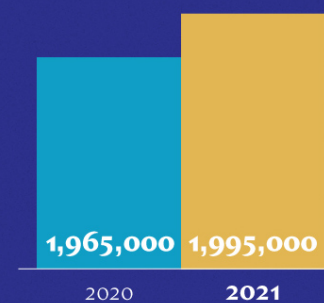
The world of APC

Participants

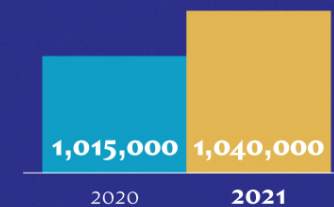
Average price
per participant



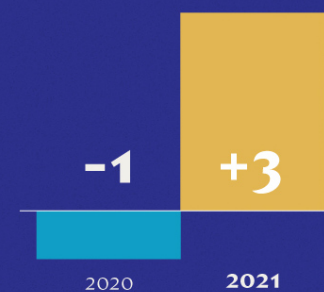
Participants with insight
into their income for later



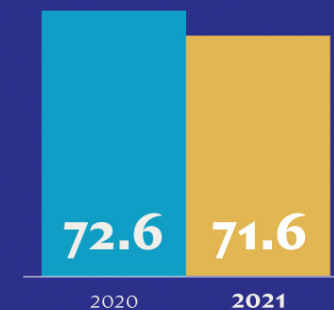
Participants with insight
into pension assets



Net promoter score



Reputation score



Who we are and what we do

For us, retirement is about people. We want to make a difference so that we, our parents, and our children have a good income for today, tomorrow, and in the future.

Every day — from offices in Heerlen, Amsterdam, Hong Kong and New York, or satellite locations in Brussels, Shanghai, and Beijing — around 3,200 APG staff members dedicate themselves to the people at hand: 4.8 million people who accrue or receive their pension through one of the eight pension funds for which we work. People who work or have worked for the government or in education (ABP), in construction (bpfBOUW), at a housing corporation (SPW), in the cleaning sector (BPF Schoonmaak), in sheltered employment (PWRI), as medical specialists (SPMS), as architects (the *Pensioenfondsen voor de Architectenbureaus*) and at APG itself (PPF APG).

We administer all aspects of the pension scheme for these funds. This starts with a proper pension administration and customer-oriented service. On behalf of the funds, for example, we collect the pension contributions and pay out the pensions. On behalf of the pension funds, we provide information and explanations to people who are accruing or have accrued a pension or who are already retired. For example, via our Customer Contact Center, and also online.



For ABP, bpfBOUW, SPW and PPF APC, we manage the assets that have been built up with the pension contributions paid by employers and participants. These assets have grown thanks to the returns we generate from the investments we make on behalf of the funds. At the end of 2021, the total was €636 billion. That is an amount that carries with it a great responsibility. After all, how we handle these assets determines the pensions of millions of people, now and in the future.

When we invest for the funds, we do not just focus on the return in euros. We want to work towards a society in which we sustainably share prosperity and well-being in the Netherlands and abroad.



To continue making a difference we need and want to do more. With 100 years of experience — first under the umbrella of ABP and since 2008 as an independent organization — APG understands what pension issues are really about. We use that knowledge and expertise to promote progress in terms of assets, people, and society. We do this by contributing to public debate. We want to help increase the understanding of pensions and ensure that the Netherlands gets more of a grip on pensions and becomes more financially fit.

As the largest pension administration organization (pension administrator) in the Netherlands, APG plays a major role in the transition to a new pension system that is expected to be fully operational in 2027. During this complicated process, we stand side by side with the funds and social partners; we are designing the future pension system as efficiently and clearly as possible.

APG works to achieve the highest possible pension value, considering that value in a broad sense, not only in financial terms. We also attach importance to issues like solidarity between generations, sustainability, and an inclusive society. After all, what use is a good pension if the world around you has become unlivable or if you cannot be a part of society?

Our core activities

Administrating pensions for our clients is one of our main tasks. In addition, we organize asset management activities for ABP, bpfBOUW, SPW and PPF APG.

Pension administration

For our pension administration activities, we have ICT systems that record the agreements with the participants and that are used to collect premiums and pay out the pensions. APG also provides the annual pension statements. Our client teams are multidisciplinary. This means that people with different backgrounds and knowledge, such as actuaries, lawyers and marketing experts, are on the same team. By doing this, we help the pension funds set the course. We pay close attention to the feasibility of the pensions: the simpler the contracts and the fewer exceptions, the less chance of errors and the more efficient the work will be. This is all in the interest of the pension participants. Because APG works on behalf of eight pension funds, we can keep costs manageable. Innovation and digitalization play an important role.

We start with the needs of participants and employers. On behalf of the funds, we inform and guide them. We aim for a “superior customer experience.” We see it as our responsibility to give participants an overview and insight into their pensions. This enables them to make better decisions about their income — today, tomorrow and in the future. Our Customer Contact Center, which receives some 50,000 questions a month, plays an important role in this.

In our work for the funds, we see the employers as an important partner, since they are close to the participants. With our services, we help employers to meet their (administrative) obligations and duties. We also support them in providing information to employees.

Asset management

APG manages the assets of four pension funds. We invest the pension contributions of the participants of ABP, bpfBOUW, SPW and PPF APG. Our objective is to maximize the pension value while investing in a sustainable and responsible manner. We aim for the highest possible return. In doing so, we take acceptable risks within the limits of our pension funds' policies. And we always think of costs. We have about 1,000 in-house investment specialists, spread across our Dutch and international offices. Moreover, we invest for the long term, with the obligations of our pension funds in mind. Over 25 years ago, we started measuring returns. Since then, the investment returns on the pension assets we manage have averaged about 7% per year. Put simply, more than 75% of the amount paid out as a pension comes from the return on investments.

APG not only wants to ensure that our pension funds can provide their participants with a good pension: we also want to contribute to a livable world, for current and future generations. In our experience, these two principles go hand in hand. Responsible investment certainly does not have to come at the expense of the return on our investments. We have committed ourselves to the development goals of the UN. When we invest, in every asset class, we weigh ESG criteria — i.e., criteria based on environment, social and governance integrally. APG is one of the world's most sustainable asset managers, as is evident from the rankings of the Principles for Responsible Investments. We are constantly developing new instruments and partnerships in order to remain a leader in this field.

Fiduciary Model

We manage assets based on a fiduciary model that we have developed with our pension fund clients. We break this down into three roles. Portfolio Management executes our investment mandates. Risk Management continuously monitors whether the investment process and the investments themselves remain within the agreed limits. And as an independent advisor, Fiduciary Management acts as a strategic advisor to our pension funds.

Our clients provide investment mandates that are prepared in conjunction with the Fiduciary department of Asset Management. The Fiduciary department also evaluates how these mandates are implemented. In doing so, we assign about 30% of the investments to external specialists. The remainder is managed by our own investment teams.

How we create value

We work with our clients to realize good pensions. In doing so, we aim for growth across the board: in assets, in people, and in society. Both prosperity and well-being are central.

APG is committed to creating maximum pension value for our pension funds, their participants, and society. We make a difference in several areas:

- We do our work as efficiently as possible and keep administration costs as low as possible, thereby achieving the highest possible return for participants.
- We invest pension monies collectively in a responsible manner and thus contribute to the affordability of the pension system and to making our society more sustainable.
- We are a guide in the retirement world and help participants become more financially fit.
- We create value for our employees by providing an inclusive work environment where we actively work toward equal opportunity and equal pay for equal work.
- APG wants to be a financially healthy organization for its shareholders. Only then can we ensure continuous pension administration and realize our strategy.

In the value creation model, we show how our service to the pension funds and the pension funds' member employers and their participants is central to the value we create.



Rutger Hoekstra, 'broad-prosperity economist'

"The current economic growth goes hand in hand with sustainability problems, such as climate change and the loss of biodiversity. In addition, inequality has risen in many countries in recent decades. This does not mean that all sectors should grind to a halt, however. Businesses that are shaping a sustainable future can continue to grow rapidly; that's where pension funds get their returns. But the mantra of 'growth is good' does not apply to the entire economy."

Input

For our clients

Pension administration and communication for

4.8 million participants

22,000 employers

registered with pension funds

€636 billion

in assets under management in line with a clear vision on long-term investing

Management consultancy

Our employees

Sharing knowledge, many years of pension administration and asset management experience by almost

3,200 client-minded employees

Innovation and information technology

Using innovation to continuously renew our provision of services



Robust and agile IT, automation and digitalization

Professional data management

Network and collaboration

Cooperation, knowledge sharing and years of experience with pensions and investments

Active dialog with our stakeholders to promote our clients' interests

Sustainability

Sustainability aspects integrated into and managed in our clients' assets

Sustainability aspects integrated into our business operations and the role we play in society

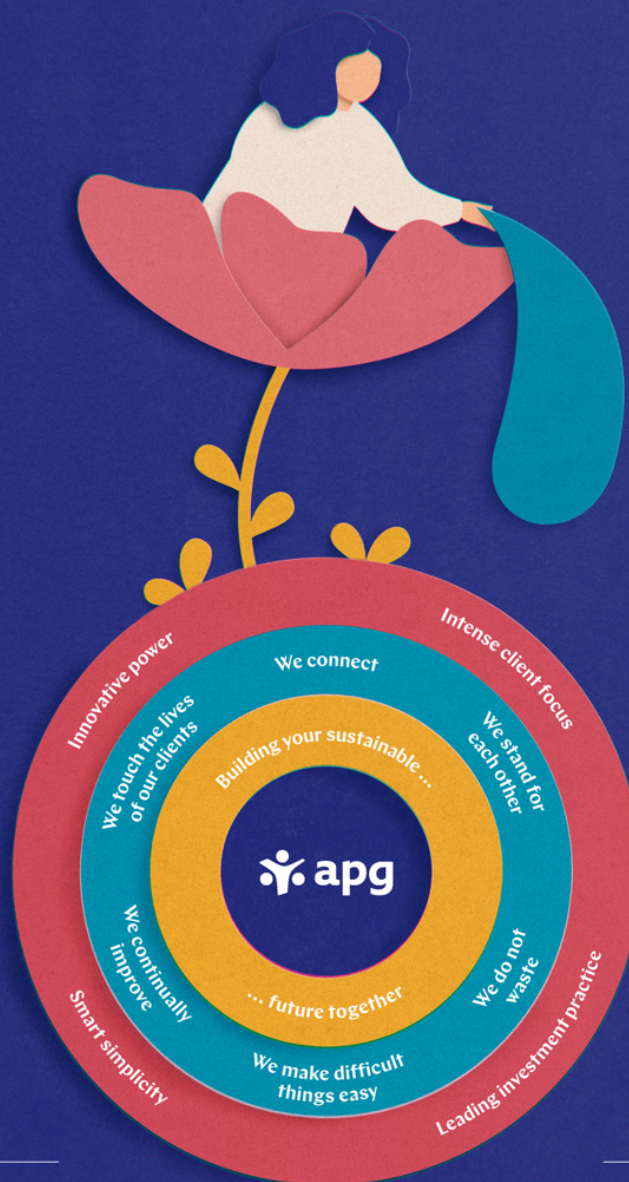
Finance



Financially responsible policy and management

Value creation

For us, pension is about people, about life and living together. We want to make a difference so that we, our parents, and our children have a good income today, tomorrow, and beyond.



Values

For pension funds

Controlled administration and optimum client service

For participants and employers

Provision of support and services in line with changing needs

Good support and guidance in the transition towards the new pension system

A good pension

Expert advice on investment choices, the amount of pension contribution and management

Clear, personal and relevant communication

Less complex processes and services

Overview and insight today, tomorrow and beyond

Innovative solutions

Coaching and support



Clients

Employees

Attractive employer

Engaged, agile and energetic employees

A work environment where everyone can be themselves

Society



Contribute to the future wellbeing and prosperity of all
Contribute to a sustainable world through sustainable investments
Help build trust in the pension system
Reduced environmental footprint
Social engagement

Shareholders

Financially sound organization

Continuity and sustainable stability

APG and the United Nations Sustainable Development Goals

Many companies in which we invest on behalf of our clients play an important role in achieving the UN development goals. In the Responsible Investment Report, we discuss in detail how we are making the investment portfolio more sustainable and explain on behalf of our clients how we are contributing to the 17 United Nations Sustainable Development Goals (SDGs).

Based on our business operations and the value we want to create, we have selected four of the 17 SDGs we want to help further. By contributing to these goals, APG is working toward a future in which we share prosperity and well-being in a sustainable way.



SDG 1: No poverty

We want to improve the financial fitness of more than one million pension participants by 2025.



SDG 10: Reduce inequalities

We want to lead by our own example in the area of diversity and inclusion. We have targets for the male-female ratio in various ranks of APG, and we also encourage our employees to be actively involved in society.



SDG 13: Climate action

We want to contribute to remaining on the 1.5-degree Paris path. By 2030, therefore, we want to have climate-neutral operations and the assets we manage will be in line with the Paris agreements. By 2050, the emissions from the investment portfolio we manage will be net zero.



SDG 17: Partnerships for the goals

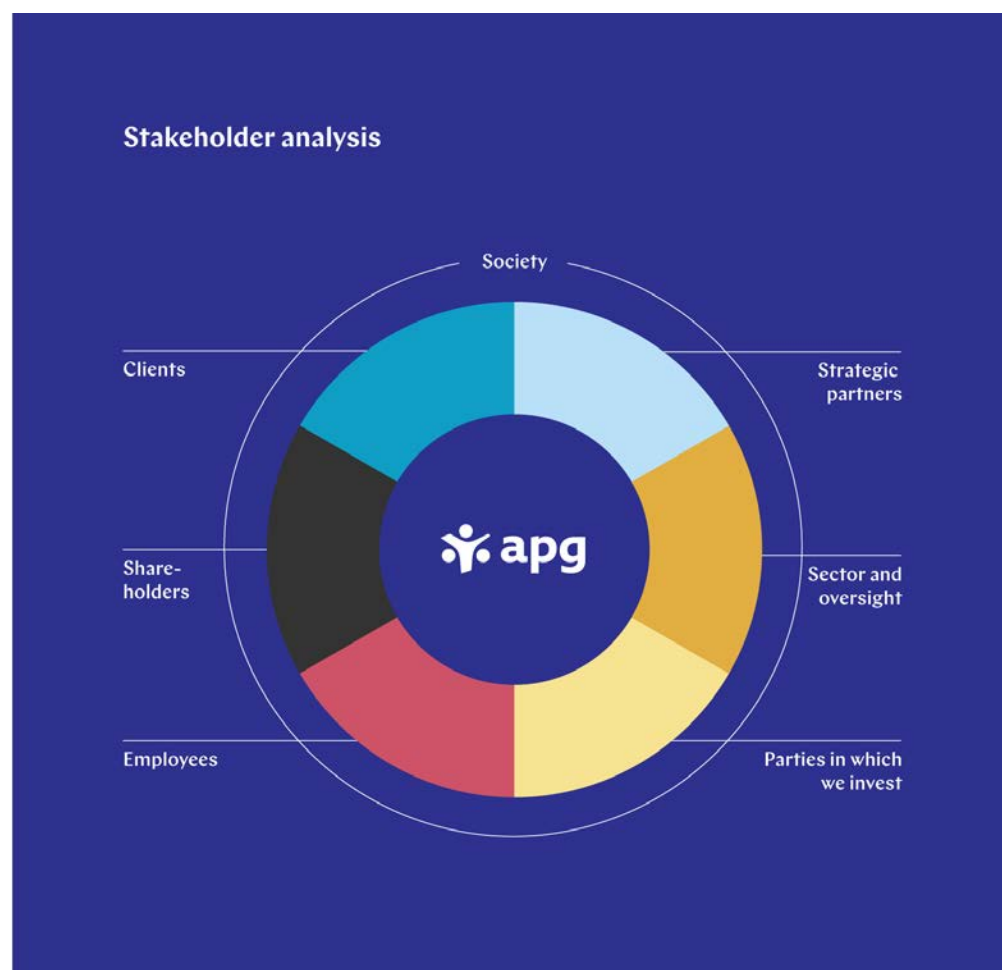
In the area of responsible investment, we want to set global standards together with like-minded people. One example is the platform for asset managers (SDI AOP) that provides insight into the contribution of investments to the development goals of the UN. We aim to have the market adopt this standard, so that the share of sustainably managed assets grows significantly in the years ahead.

We are integrating these four goals into our processes and, in 2022, we will develop the right benchmark methods that will enable us to show what our social impact is. On aspects where this

social impact also affects our services for the pension funds, we will align with our clients for coherence. In the section “How sustainable is our own business?” and in the appendices to this report, we explain how we are making our business operations more sustainable.

What do our stakeholders consider important?

We keep an eye on the expectations of our main stakeholders. That is why we place great value on the conversation we constantly have with them. The better we know what is important to them, the better we can do our work.



First and foremost, we work for our clients, the pension funds, and for the employers and participants affiliated with the pension funds. Other important stakeholders are our own employees, shareholders, parties in which we invest, strategic partners, and regulators. We are always exploring which other organizations or institutions could be a consultation partner. In the dialogue with our stakeholders, we share our knowledge. We also talk to them about our strategy, objectives, substantive issues, and our prospects. This is an ongoing process, and the discussions take place at all levels of the organization. The Executive Board is also involved in this process. In Chapter 8, Appendices, we give an overview of the stakeholders with whom we stay connected and in what way.

Materiality analysis

We examine what our stakeholders consider important and conduct an annual materiality analysis. In 2020, we presented around 20 material topics to our internal and external stakeholders. Seven of these topics turned out to be the most important to them: managed pension administration, responsible investment, highest net return, contributing to a future-proof pension system, transition to the new pension contract, confidence in pensions, and providing a grip on income for today, tomorrow, and beyond.

In 2021 we updated the materiality analysis. Our starting point was the developments and discussions that took place during the year and the subjects that came up in the dialogue with our stakeholders. We also looked at the subjects of news coverage involving APG. We interviewed a number of stakeholders.

We have merged two material topics. “Contributing to a future pension system” and “Transition to a new pension contract” are now one theme: “The new pension system.” This allows us to better position the developments surrounding the new pension system and avoid any overlap. We have added the topic of Digital security and privacy to the most important material topics.

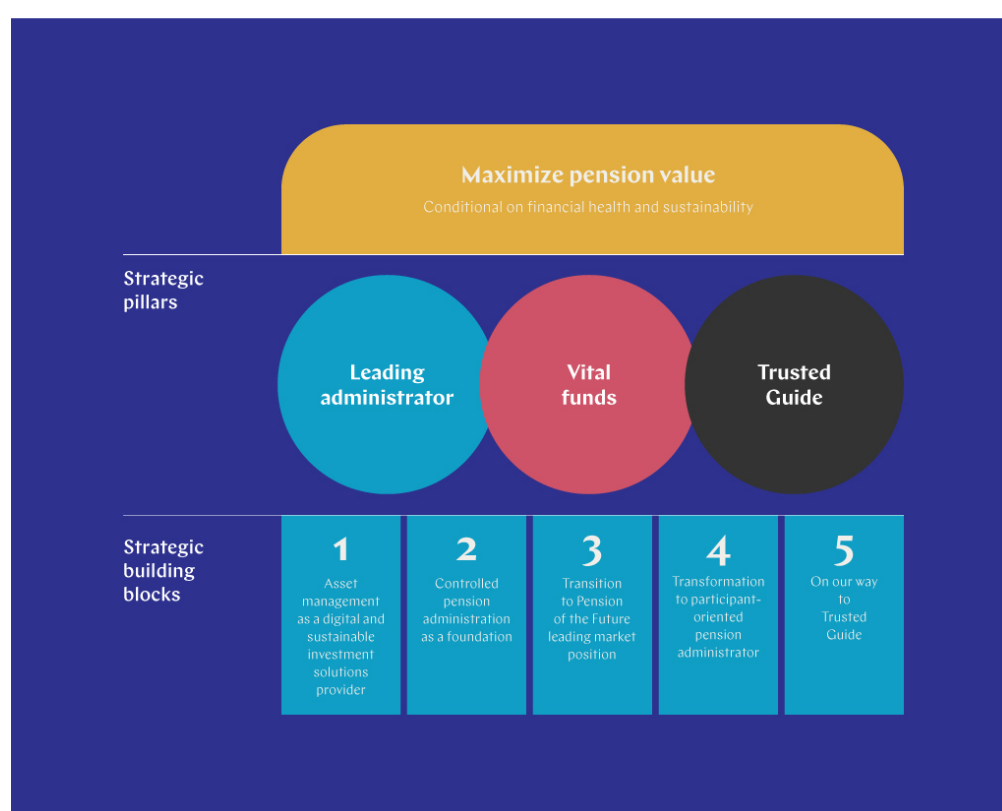
In Chapter 8, Appendices, we show in the connectivity table the connection between our material themes, value creation, strategy, objectives, KPIs, opportunities and risks.

Our ambitions and strategy

With the contours of the new pension system in sight, we are working on an agile, strong organization so that we can make this complex transition without any hiccups.

Maximum pension value

Our mission is “Building your sustainable future together.” Our strategic goal is “Maximizing pension value.” We want to create — in the new system too — the best possible pension for the participants. We aim for the highest number of income years for later and we provide high-quality services at a competitive price.



Strategic pillars

Our house is built on three strategic pillars.

Leading pension administrator

We offer our participants the highest number of income years and the quality of our products and services. We are a leading asset manager with a solid position in the international asset management market. We invest within our clients' risk profile and, factoring in their environmental, social and governance (ESG) policies, offer the highest possible net return. We are the leading pension administrator. This is the basis of everything APG does: the robust administration of our clients' pension scheme. We are participant-focused and ensure performance with above-average quality at a market-based price.

Strong pension funds

It is important for our funds to strengthen the bond with their participants. For now, and certainly also for the future, when participants may be given more freedom of choice. We want members to continue to choose their pension fund as a matter of course. On behalf of the funds, we provide (even) more participant-oriented services. We offer our members additional services and products, such as Clear Overview & Insight, the Personal Pension Pot, and the Pension Coach.

Trusted guide

Together with our funds, we help participants make conscious choices about their income for today, tomorrow, and beyond. This gives them a better grip on their own financial future. In the coming years we will experiment with suitable solutions and develop services in the field of coaching and guidance.

Strategic building blocks

APG has set five clear goals for itself:

1. We are a leading and solid (long-term) investor on behalf of four pension funds; we aim for the highest possible return. We invest responsibly; we offer these clients a total solution by organizing the entire asset management process for them. Digitalization plays a prominent role; we use data analysis, workflow automation and smart analysis platforms on a large scale.
[See also What our asset management has achieved.](#)
2. We are a leading pension administrator, offering high-quality services at a competitive price. We are creating an even more robust pension administration and we set the highest standards for data and ICT. Together with social partners, we are working on simplifying the schemes.
[See also What we have done as a leading pension administrator.](#)
3. We are adapting our organization and systems to be ready in time for the introduction of the new pension system. We are also guiding and advising the pension funds we work for during this process.
[See also Preparing for the new pensions system.](#)
4. We empower the pension funds and strengthen their connection with the participants, and we offer additional (online) services and products on behalf of the funds. We are transforming into a participant-oriented organization. This means a change in working methods, behavior, and competencies. The customer (and his/her feedback) is central.
[See also How we work together](#) and [How we have been of service to pension participants.](#)
5. We are a trusted guide in the pension world — for our clients, for participants, and also for society. Together with the funds, we help participants make conscious choices about their income for today, tomorrow, and beyond. In the coming years, we will experiment with suitable solutions and develop services such as coaching and guidance.
[See also How we have used our knowledge and expertise](#) and [How we have been of service to pension participants.](#)

The foundation

To successfully implement our strategy, we need a solid foundation. We build on committed and knowledgeable employees and ICT that functions properly.

Our employees

We are committed to continuous employee development, including that of the leadership team. After all, we need people who can adapt to a constantly changing environment. This is particularly important in the transition phase to a new pension system. We create a safe environment with good employment practices, where everyone can be themselves and where we work together in a results-oriented and pleasant manner.

ICT

The demands on data and ICT are increasing — we will notice this even more with the transition to the new pension system. Optimal ICT allows us to implement changes faster, offer additional functionalities, and continuously develop digital services and products for participants and employers. It also helps us keep costs down.

Clear choices

The introduction of the new pension system, which is expected to be operational by 2027 at the latest, and societal developments are forcing us to place extra focus on several issues. We have set a number of priorities for 2022 and 2023:

- We want to remove all the irregularities from our administration so that we are fully prepared for the transition to the new pension system;
- While continuing to provide our usual services, we are working to build our new policy and capital administration, and to establish new links with other systems;
- We will continue to make the investment portfolios, which we manage on behalf of the pension funds, more sustainable.

Setting priorities means making clear choices. Choices that are difficult, but necessary. In making these choices, the Strategy Execution Team advises the Executive Board. In terms of our knowledge and expertise, this means that the emphasis is on introducing the new pension system within APG. We do not want to compromise on the quality of our services at any time or in any way. We cannot do everything at once, so this means that some strategic initiatives will have a lower priority and we will have to carry out our total task in phases. In doing so, we are in consultation with our pension fund clients about the sequence and feasibility and we are also taking their ambitions into account.

APG cannot simply go it alone. We are dependent on political decisions regarding the new pension system and on the pension scheme choices made therein by the social partners of the individual pension funds. This means that we also have to consider any changes or adjusted time schedules. After all, we want to be ready to directly implement the decision-making and the choices.

Dilemmas related to a managed transition

The transition we are facing requires clear choices, and this also leads to dilemmas.

How do we achieve a managed transition in an uncertain playing field?

We have titled and themed this report “clear choices” for a reason. After all, how can we ensure a managed transition to the new system if there are still so many uncertainties about its final form? That is why making clear choices is so important for APG. The current transition has been likened to doing open-heart surgery. APG is a busy store that is undergoing thorough renovation. We have to be ready for the client of the future, without compromising the client of today.

We do this by focusing on creating a stable base for 2022. Ensuring that we meet our most important commitments and that our operational organization is running smoothly. Because only by doing things correctly now, can we confidently implement the innovations properly. There is an outline of the new system, but it has not yet been worked out in its final form, so we are simultaneously fleshing out various possible scenarios. And that puts a lot of pressure on internal processes and capacity.

How do we prepare our employees for this transition?

A lot is demanded and not only from the internal organization and our systems; the transition also presents a challenge for our employees. New skills need to be developed, different knowledge is required, flexibility is crucial. Jobs will disappear or be determined differently, and other jobs will take their place. There is an urgent need to find new and scarce talent, which is necessary to enable the pension fund, the employer, and participants to be involved in the major changes that are about to take place. The pressure is therefore great, above all because the timetable is tight.

How do we deal with these pressures on the organization?

Good governance is about making choices and that means that we, as pension administrator, must prioritize certain parts of our strategy. This phasing is necessary: after all, not everything can be delivered at once.

How does the price per participant evolve?

We aim for a market-based price for the services we provide to our pension fund clients. This is expressed in the price per participant. On top of the price for basic services, we have made agreements to compensate for strategic investments in participant orientation, “Grip on Data” and “Pension of the Future.” This has increased the average price per participant in 2021.

In the coming years, we will have to invest even more to be ready in time for the transition to the new pension system. We expect the average price per participant to increase further in the years ahead. This transition offers the opportunity to modernize our ICT systems, reduce the complexity of pension administration, and make processes more efficient. Eventually, therefore, the price per participant for basic services may fall significantly. We will make separate arrangements for pension funds requiring additional services,



Tarik Uçar, executive director of *Schoonmaak* industry pension fund

"Incomes in the cleaning industry are low. People often have to stack part-time contracts to make ends meet. Because of these low incomes, pensions are also low. As a fund, we try to offer people a certain standard of living after retirement. Therefore, we try to keep the costs as low as possible. Every year, we discuss with APG whether the price for pension administration can be lowered further. I recently heard a cleaner say: 'For 10 euros you can get a pair of pants from C&A.' So those 10 euros make the difference between having new pants or not. Every extra euro of pension paid out is another euro."

What does the postponement of strategic ambitions mean for our clients?

The choices we must make are not always synchronous with the wishes of the funds for whom we work. In addition, the priorities of the funds may differ among them. This makes it even more complex to ensure that all wishes are adequately addressed in the operational phases. This means that we must also conduct a dialogue with our fund clients about making clear choices — to put the consequences of those choices on the table honestly and openly. These discussions are not always easy. A good example is the ambition to further expand the client missions for funds and participants and, in that way, work on improving the Net Promoter Score (NPS) figures. This is also essential for APG but, given the primary importance of a managed transition to the new system, we have been forced to realize this ambition at a later stage.

It was a tough choice. But in the end, we believe that by making the choices we make, we are serving the best interests of the participants.

Our world of today and tomorrow

Much is happening in the world around us that has both direct and indirect consequences for pensions and APG's work — such as COVID-19 and the run-up to the new pension system.

COVID-19

At the beginning of the COVID-19 crisis, we could not have imagined that it would last for years. The pandemic has changed everyone's view of work — do we really need to be in the office to do the job well? To a greater or lesser extent, working from home will remain a regular part of the weekly pattern for large groups of people. Travel between offices, both domestically and internationally, has also changed. In Chapter 2, Our Results in 2021, we explain how we deal with this within APG.

Coverage ratio of pension funds

For the time being, the coverage ratio remains an important measurement tool for our pension funds. The coverage ratio shows the relationship between the available assets and the value of all current and future benefits. The coverage ratios of all the pension funds we work for have risen, so a reduction in pension benefits has been averted. The financial position of a number of funds does not yet permit indexation of pensions. We are, however, once again performing value transfers on behalf of all our clients; these are permitted if the coverage ratio is above 100%.

Geopolitical developments

When Russian troops gathered near the Ukrainian border at the end of 2021, this increased tensions. The war that broke out in February when Russia invaded Ukraine is, first and foremost, a disaster for the residents of the areas involved.

Currently, participants in Dutch pension funds primarily notice the higher inflation, which is a consequence of the quickly rising prices of oil and gas. The sanctions imposed on Russia and the response to them by Russian authorities are playing a key role in the financial markets. Due to existing sanctions and based on ESG considerations, APG only invests in Russia to a very limited extent. Over time, however, the consequences of higher inflation and limited growth may also be evident in other parts of the portfolio. ABP and bpfBOUW have decided to divest themselves of all investments in Russian companies. When market conditions allow this to be done in a responsible manner, we will execute the sales of these investments.

Economic trends

In many countries, including the Netherlands, the economy recovered extremely quickly after the first phase of the COVID-19 crisis. One reason for this is a generous fiscal and monetary policy. Confidence returned, particularly when there was a prospect of properly functioning vaccines, and vaccination programs gained momentum later. Stock markets reached record highs and the labor market overheated, as did the housing market. However, it is still too early to draw comprehensive conclusions for, say, the growth of the economy or the investment

climate. Many sectors — such as SMEs and the cultural sector — have been hit hard by the lockdowns and other COVID-19 measures, and the course of the pandemic has been and remains erratic. Generous policies have caused debts to rise further. The consensus among policymakers is that this is preferable to the frugal policies in the years following the 2008 crisis and, for now, the market seems to be proving them right. However, concerns about debt levels may once again lead to turmoil going forward.

Rising inflation

What is certain is that, for the first time in years, attention has shifted back to inflation, which is remarkably high, both in the US and in Europe. In the Eurozone, annualized inflation had risen to 5% by the end of 2021, as Eurostat figures show. This is the highest figure since measurements began in 1997. In the Netherlands, average prices rose by 5.7% in one year, the highest inflation rate in 40 years. Eurostat attributes more than half of the inflation in the Eurozone to the higher price of energy, which showed a 26% increase in 2021. The crucial question is whether the price increases will pass by themselves or if they will last for a longer period. Prolonged inflation puts price stability at risk, and this will require central bankers to intervene. In the US, where wages are rising rapidly in addition to prices, this moment has already arrived. The European Central Bank (ECB) did announce in 2021 that it would be scaling back its buying policy but an increase in the policy interest rate is even further away for the ECB.

With the rise in inflation, investors are seeing the end of a period of ever-higher valuations. This could put pressure on returns in the coming period. Another point of attention is the reduction in support packages that governments and central banks deployed during the COVID-19 crisis. This generous support ensured a historically low number of company bankruptcies in 2021, despite the pandemic. Catching up in this area increases the risk for equity and credit investors. Real estate, such as offices and stores, could normally be a "safe haven," but that is not necessarily a certainty after the COVID-19 pandemic, with the increase in working from home and further growth in online shopping. The economic structure after COVID-19 is surrounded by a host of uncertainties.

As pension investors, we watch the rising inflation that is eroding the purchasing power of pensions with some concern. Investments in real assets, such as equities and commodities, allow the value of the portfolio to rise with the price level. Rising interest rates, which reduce valuations in financial markets, are good news for the coverage ratios of our pension fund clients. The value of the pension liabilities is usually more sensitive to this than the investments that fund them.

Climate

US President Biden has also reconnected with the rest of the world on climate goals. The US is again participating in the 2015 Paris Climate Agreement and was also a discussion partner at COP26, the climate conference held in Glasgow in November 2021. Here, the Paris ambitions were tightened up. Previously it had been stipulated that global warming must remain below 2 degrees, with a target of no more than 1.5 degrees; at the new summit, the 197 countries acknowledged that 1.5 degrees is actually necessary. New CO₂ reduction plans must be made. The goal is to reduce emissions by 45% (compared to 2010) by 2030.

There is also much criticism of the agreement because they are said to be too vague. For example, the final text contains a passage about phasing out the use of coal and the subsidy for fossil energy, but no dates are given. However, the Netherlands has committed itself, along with twenty other countries and organizations, to stop investments in foreign coal, oil, and gas projects within one year.

Responsible investment

Responsible investment remains high on the agenda, with ESG criteria as the starting point. We see this in concrete terms, for example, in investments in “fossil fuels.” ABP announced in October 2021 that it would stop investing in producers of fossil fuels. APG will gradually sell its shares in the oil, gas, and coal sectors on behalf of this pension fund client.

With the climate in mind, we are also looking at certain real estate investments differently. Floods, fires, droughts, and other natural disasters caused by climate change cause enormous damage. One way or another, some of the costs end up being borne by the investor. This subsequently has an effect on the returns we generate for pension funds.

The new pension

One of the developments that directly affect APG is the introduction of the new pension system. We see the potential for great benefits in the system reform. The key word is simplicity. A new system offers an opportunity to start with a clean slate. And with that, an opportunity to have an explainable system that matches the perceptions of the participants.

Initially, the system was to be fully implemented on January 1, 2026, but delays in the legislative process have postponed this until January 1, 2027, at the latest. Although this gives the parties who will have to shape the new pension in practice — such as APG, the pension funds, and the social partners — more time for the transition, there will also be more uncertainty for the time being.

Until all the details have been confirmed, we are working partly on the basis of hypotheses. We may have to make adjustments at a later stage. That does not have to be a problem but, if unexpected developments occur, it can lead to delays in the implementation. We are keeping a close eye on developments. Some of the funds we work for have already indicated that they wish to switch to the new system in 2025, so we have already started our preparations.

What remains?

We must avoid throwing out the baby with the bathwater; the good elements of the current pension system will be kept. The pension remains a lifelong benefit. Moreover, the State pensions (General Old Age Pensions Act, or AOW) remains the basis for the pension. In addition, the idea of solidarity is retained because we manage the risks via collective investments. After all, millions of people together can cope with risks better than a single individual can. Finally, the so-called compulsory membership remains in place, which means that employees in certain sectors must always be affiliated with a pension fund.

What is changing?

The main difference between the current system and the new system is that we are moving from a benefit plan to a contribution plan. Participants will no longer accrue entitlements, as is done under the existing system, but they will build up personal pension assets. In the current system, pension benefits are fixed, in principle, with indexations done and reductions taken here and there. This makes pension funds insufficiently resistant to (unexpected) shocks. The new rules will change all that because the benefit payments can vary from year to year. This enables pension funds to absorb the adverse effects of any shocks and spread them over a longer period.

In the new system, it will become clearer how much money you put in as a participant and how much capital you build up. However, the pension will be more flexible under the new system. It will go up when the economy is better and go down when things are going badly. For younger employees, there is enough time to absorb setbacks. If you are due to retire, there is no such time. The new rules ensure that the mobility in that case is smaller. For people “halfway” through their accrual, the new rules can be disadvantageous. That is why these participants will receive compensation or have special arrangements applied to them.

Different rules also apply to the investment of pension contributions in the new system. In the current system, we invest for everyone with the same return and risk, even though the risks differ for each age group. In the new plan, there is more customization per age group, based on the risk that participants within the particular age group are willing to accept.

The pension funds and social partners do have some choice in the new system. One can opt for what is called a Solidary Contribution Scheme in which the aim is to maintain sufficient solidarity and thus a higher pension by investing together and sharing the risks. It is also possible to opt for the Flexible Contribution Scheme, within which an investment profile can be selected. As of January 1, 2023, participants will have the option to withdraw 10% of their pension amount at the time they retire.

What does the pension system reform mean for APG?

APG wants to provide the funds and social partners with excellent support in the choices they must make about the interpretation of the contract and the method of “entering” (the transfer of entitlements from the current system to the new system). This involves directing and implementing the entire process, converting entitlements to capital, and transferring large quantities of data to new systems. We are working to develop a single system, a single policy and capital administration, in which the new pension rules can be administered regardless of the choices made by pension funds. We are making substantial investments to this end.

Challenging planning that affects the entire company

To ensure that the implementation of the new system proceeds as smoothly as possible, we have started the Pension of the Future program. In this program, we prepare ourselves as a pension administration organization for the new system and we guide and support pension funds in the choices they will face over the coming period. Our goal is to ensure that pension funds, participants, and employers are satisfied.

Employees must also be able to explain that we have switched to a pension scheme in which the contribution is fixed but the final pension may fluctuate. The participants are used to a system in which the premium changes, but it is clear what the final pension amount will be. This is a major change. The advent of the new pension system therefore presents APG with challenges in the area of human resources policy. The skills and knowledge we need will be even more related to communication and digitalization than they are now. Retraining will become even more important, and our search in the tight labor market will also have a different focus.

Chapter 2

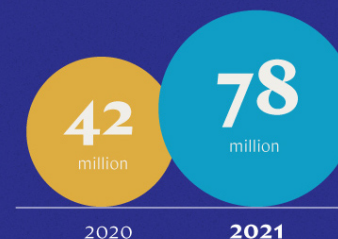
Our results in 2021



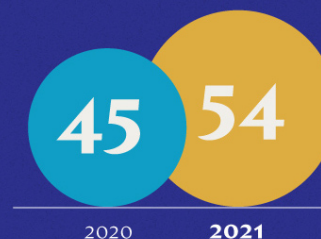
The world of APG

Results

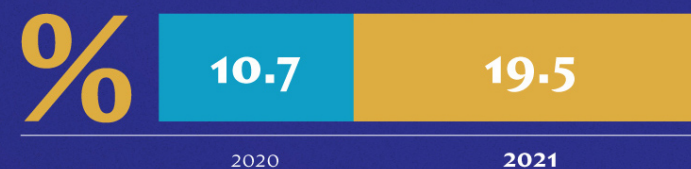
Net result



Excess return (5 years)
in basis points



Return on equity



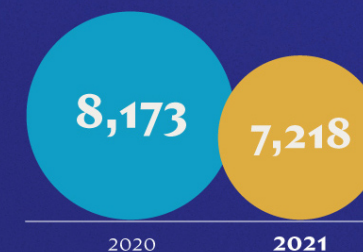
Assets managed in Sustainable
Development Investments



Benchmark UN Principles
for Responsible Investment



Carbon footprint of
operations (in metric tons)



What we have done as a pension administrator

We have optimized pension administration in conjunction with the pension funds. Innovation and digitalization are playing an increasingly important role here.

Getting a “grip on data”

An important program in pension administration is Grip on Data. This program, which we introduced following a request from ABP, includes corrective actions in pensions administration. We had already started correcting data back in 2019 and our Grip on Data project was in full swing by 2020.

Any inaccuracies or discrepancies may have crept into the administration system because of the long-standing history of our existing pension system. An important cause is the accumulation of complex regulations which have been introduced over a number of years, with a multitude of errata, as well as countless technical changes and exceptional situations, especially as part of ABP's pension scheme. Errors have also crept into the administration system because the recovery has been incomplete in the past and because external parties failed to process or supply the data correctly.

Now that we are about to switch to a new pension system and, in practical terms, also to a new way of administering it in a new policy and capital administration, this thorough check of all data becomes all the more important in practical terms. Any data being transferred to the new pension system must be clean, up to date, and complete.

Corrective actions

The number of recovery actions is larger than we had previously anticipated. We expanded the project further in 2021 and had to adjust our planning program. This proves that Grip on Data is not a straightforward task. The administration of pension entitlements, premium payments, and everything else related to this is an extensive and complex process. This does not alter the fact that participants must be able to rely on the fact that the pensions they have accrued have been registered and calculated correctly. This is why we have made additional investments in further automation; we use the most up-to-date methods for data analysis, and we have hired specialists and appointed members of APG staff from other departments to assist with this major project.

This initially concerns ABP, which is the largest of our eight pension funds. We have made agreements with ABP regarding the period within which we will complete the corrective actions required. We will discuss this with the other fund clients and discuss when and how we will examine their own pension administration.

Our ambitions are high and the current complexity of the regulations must not be allowed to diminish in the new pensions system. This is APG's commitment to the new pension legislation. And for our Grip on Data program, we want to quickly get back to deploying our capacity to work on the Pension of the Future in close consultation with our pension clients.

Coincidental service time

It may be the case that a distribution has to be corrected, or that a supplementary payment or additional payout is required. APG actively tracks down right holders. In 2021 we also undertook a number of recovery actions in close coordination with ABP. The basic principle is that participants receive the pension to which they are entitled. We processed over 40,000 applications for the supplementary payment submitted by participants in the 'Coinciding service time' recovery campaign, in which participants who had accrued a pension at the same time as their partner and are entitled to a supplementary payment but have not applied for it. We have initiated tax compensation campaigns on behalf of the pension funds for some of these participants where required.

Digital security and privacy

Digitalization forms a critical part of our strategy. There are a number of issues that require attention: we want to further develop the digital skills of our employees and use the most up-to-date technology in our processes and services. Furthermore, we will give high priority to the digital security of our organization and all of the (personal) data we manage. We arm ourselves against cybercrime, which is on the rise worldwide and therefore poses an increasing risk to the continuity of the operation.

As a company, we are focusing on ICT transformation, and we are becoming increasingly reliant on automated applications. A Chief Digital Officer (CDO) was appointed on January 1, 2022, to make our digital agenda more coherent. He will lead the Group Digital Office as part of his new role. This group will be the first point of contact for everything that concerns the field of digitalization. Please see the Risk Management section for further information about digital security.

Price per participant

Our starting point is simple: the more efficient our organization, the less money we spend, the more money is then left for each participant that can be invested in the pension. We, therefore, want to keep the costs for the participant as low as possible, without compromising on the quality of our service. We have worked hard to achieve this in recent years.

A further decrease in the price per participant will be required in the future. Our focus in 2021 was on making our organization more efficient. We have invested in increasing our participant focus in conjunction with our pension fund clients by starting with the strategic initiatives Grip on Data and Pension of the Future. Arrangements have been made with a number of clients regarding how this should be funded, as a result of which the average price per participant rose to €70.30 in 2021. It is expected that these initiatives will lead to substantial investments over the next few years, with the result that the price per participant will also increase further in the years to come.

The transition to the new pensions system does provide us with the opportunity to modernize our IT systems, reduce the complexity in our pension administration and make our processes more efficient and with greater automation. This should ensure that our costs for pension administration are considerably reduced over the long term; this will lead to a significant drop in the price per participant once the new pensions system has been introduced.

Preparing for the new pensions system

It may seem a long way off, but APG is already working hard on this major operation. All divisions of the business will have to deal with this entirely different system.

The biggest change will take place in pensions administration. Our asset management division will also be more closely intertwined with pensions administration and services. The exact amount of the pension will no longer be derived from the salary earned previously in the new system but will be taken from the premium paid and the return on the investments instead. The new pensions system is the most revolutionary change in our history. This 'revolution' will require a lot of capacity, a large budget, plenty of resources and lots of time. We have made the clear choice that this immense operation will take precedence. We cannot afford to lose any time adjusting the organization, internal processes, and ICT systems. That is why we are on top of things. Incidentally, the new pensions administration system must be ready well before 2027: we are expecting the first funds to switch to the new pension system in 2025.

A new pension scheme, a new IT system

There will be a new IT system for our policy and capital administration division. All pensions will be administered here as soon as the new system is up and running. We must set this up in such a way that the participants are able to view their personal pension assets.

We drew up a plan in 2021 for what we want to achieve in the ICT field over the next few years. We've already started looking for partners who can provide this critical system and help us transfer the data belonging to the 4.8 million participants securely and without any errors, along with all of the information and arrangements that accompany it. This will be done with the utmost care. Firstly, all accrued rights must be transferred in full, we call this "entering." All of the data must also be traceable at a later stage, and it is imperative that the entire procedure is secure from start to finish and that it complies with all privacy legislation and regulations. It must also be simple for the participants to understand.

External and internal communication

Our services will change dramatically. What these will look like exactly depends to a large extent on the actual pension funds. There is one important element in this is communication: we must be able to explain everything properly to participants, not only in general terms but also on an individual basis. Many people will be wondering how the pension amount has been calculated, why it fluctuates, and how their deposited premiums are invested.

We will continue to make it clear what we are doing throughout the transition period, both externally and internally. Among other initiatives, we have assembled teams within APG that organize interactive knowledge sessions for colleagues, so that they are aware of the latest developments. APG started the "academies" in 2021, which are a type of training course. These focus on various knowledge and task fields and prepare employees for the changes required by the new pension system. This involvement is paramount: the new structure will be even more focused on participants.

A flexible organization

A lot will be asked of our organization over the next few years. We will have to adapt on many fronts. It is therefore important that we remain flexible. The client teams we formed a few years ago will help with this. These are teams of employees with various capabilities who will work in tandem for a specific client. We extended this further in 2021. We will continue to do so in the years to come. We can see that we will be able to work faster and smarter. Retraining and further training will still be required.

Automation is also increasingly forming part of our service. Not only are we reducing costs with this, we are also reducing the prospect of any errors. The number of manual calculations, which we had already significantly reduced at bpfBOUW, has now also been reduced for other pension funds.



Ronald van Hengel, Digital & Innovation Manager, Asset Management

“APG works for one in every four or five Dutch people. They give us one day a week of their salary. There is so much confidence in them doing so, that we have to be careful with this. However, society is changing. I think it would be great if we can change the system in such a way that we can retain that level of collectivity. I have faith that we can. People will soon be gaining more insight into their own piggy bank. They then may also be able to make different choices and feel more involved.”

What we have achieved with our asset management

At the end of 2021, we were managing investments worth €636 billion for the four pension funds we provide asset management services to.

Assets under management

The return on investments was positive, reaching 10.4% in 2021 compared to 6.6% in 2020. That corresponds to €61 billion. The growth in assets managed in 2021 was mainly caused by high returns on the financial markets. Western economies grew faster than expected in 2021, partly because of fiscal stimulus packages in the US and in Europe. Large companies flourished as a result and saw their profits rise sharply. Private and listed stocks, real estate and commodities also posted high returns. Interest rates rose throughout the year, which resulted in losses for government bonds. Other fixed-income investments did contribute towards a positive return on investments.

It is important for our clients to have reliable exposure to the financial markets, especially when those markets offer the high returns witnessed in 2021. Benchmark returns represent the bulk of the investment returns we achieve for our clients assuming everything goes to plan. We then look at the excess return that we have achieved with our asset management in addition to this exposure.

Our performance levels as a long-term investor are best assessed over a longer period of time. The table below shows the annual returns and any additional (excess) returns of our investment strategies for 2021 and for the previous five years. External management costs and costs of performance-related premiums have been deducted from the figures below.

| RETURN ON ASSETS UNDER MANAGEMENT | Investment style | Net Asset Value | 2021 (1 year) | 2021 (1 year) | 5 years | 5 years | IRR since inception ⁴ |
|---|-----------------------|-----------------|---------------|------------------------|---------------|------------------------|----------------------------------|
| | | in millions | Return (in %) | Excess Return (in bps) | Return (in %) | Excess Return (in bps) | |
| STRATEGY | | | | | | | |
| Fixed income | | | | | | | |
| Treasury Global | Cap Pres ¹ | 46,567 | -3.6 | -1 | 1.3 | -22 | |
| Long Duration Treasury Global | Cap Pres | 76,486 | -7.0 | 4 | 3.5 | -1 | |
| Long Duration Treasury Euro | Active ² | 3,061 | -10.0 | -8 | 4.9 | 2 | |
| Credits Developed Markets Active | Active | 78,915 | 3.4 | 72 | 2.7 | 73 | |
| Alternative Credits | Active | 9,394 | 21.3 | 970 | | | |
| Investment Grade Corporate Credits | Active | 4,613 | 2.4 | -33 | | | |
| Mortgages | Active | 3,112 | 2.7 | 537 | 3.1 | 277 | |
| China Fixed Income | Active | 87 | 16.3 | 1 | | | |
| Emerging Market Debt Active | Active | 17,146 | 1.2 | 39 | 1.8 | -19 | |
| Emerging Market Debt Index | Index ³ | 17,055 | 0.7 | -17 | | | |
| Alternative Inflation | Active | 640 | 5.6 | 57 | 1.5 | 18 | |
| Index Linked Bond | Cap Pres | 123 | 5.2 | -12 | 2.7 | -38 | |
| Equities | | | | | | | |
| Developed Markets Equity | Active | 144,170 | 29.5 | -179 | 13.8 | -27 | |
| Focus Equities | Active | 24,936 | 21.8 | -419 | 14.5 | 237 | |
| Fundamental Strategies | Active | 62,011 | 28.2 | -284 | 14.7 | 55 | |
| Quantitative Strategies | Active | 55,398 | 33.4 | 112 | 13.0 | -102 | |
| Equity Minimum Volatility | Index | 20,062 | 23.1 | 18 | 8.5 | -124 | |
| Developed Equities RI Index | Index | 1,304 | 8.4 | 25 | | | |
| Emerging Markets Equity | Active | 44,563 | 4.4 | -30 | 9.5 | 114 | |
| Alternative investments | | | | | | | |
| Strategic Real Estate | Active | 42,163 | 22.1 | 460 | 6.6 | 8 | |
| Tactical Real Estate | Active | 12,234 | 24.0 | -180 | 7.3 | 55 | |
| Liquid Commodities ⁵ | Active | 30,448 | 38.4 | -95 | 4.6 | 93 | |
| Illiquid Commodities ³ | Active | 3,004 | 7.8 | -936 | 3.9 | -118 | |
| Hedge Funds ^{5,6} | Active | 23,005 | 8.4 | 829 | 5.4 | 412 | |
| Thematic Investments | Active | 561 | 25.7 | -695 | -4.4 | -1,666 | |
| Private Equity Combined Pools | Active | 46,454 | 40.0 | 768 | 22.5 | 637 | 22.0% |
| Infrastructure Combined Pools | Active | 20,051 | 16.2 | 797 | 10.1 | 513 | 11.5% |
| The returns are presented after deduction of external management fees and performance fees. | | | | | | | |
| ¹ Cap Pres, Capital preservation: in this investment style, the main objective is to preserve the principal sum by avoiding credit losses. This type of mandate relates to investments in fixed-interest products. | | | | | | | |
| ² Active: in this investment style, we aim for excess return over and above the benchmark. | | | | | | | |
| ³ Index: in this investment style, we aim for the benchmark return. | | | | | | | |
| ⁴ IRR SI, Internal rate of return since inception: indicates the annual return since the inception of an investment. | | | | | | | |
| ⁵ Liquid, Illiquid Commodities en Hedge Funds are 100 percent invested in USD. The return figures are therefore based on the return in USD instead of EUR. | | | | | | | |
| ⁶ The Hedge Funds benchmark has been adjusted to JP Morgan 1 month cash (without any mark-up) to provide better insight into the effect of active management. | | | | | | | |

The total assets managed in the table do not match the assets being managed, which equal €636 billion. The table does not show all of the strategies and does not show any overlay. These have a negative balance value, which means that the amounts in the table add up to a higher total.

Excess return

We want to achieve even better results for our clients over the longer term because we are an active investor. In other words: returns above the benchmark. We will call this an excess return or “outperformance” should we manage to achieve it. We often use a market index that expresses the average return in the market. We use various strategies to outperform the market. Our investment decisions are based on human judgment, analytical models which are data-driven, and macroeconomic and company-specific analyses. This can lead to clear choices within certain investment categories, or it may be diversified across various investment categories. This combination of various approaches provides a solid starting point for achieving a higher-than-average return over the long term.

We have achieved an average excess return of 54 basis points (0.54%) over the previous five years, which is measured across all investments managed for our pension fund clients. Our additional return in 2021 was 105 basis points. This is above average. The positive result is partly due to diversification: a negative additional return in liquid investments was compensated for by non-liquid investments and a tactical allocation of assets. All three asset categories will outperform the market over a period of time.

| Sources of extra return (in basis points 1/100th of a percent) | Total 2021 | 5 years |
|--|------------|-----------|
| Extra return on liquid investments | -38 | 5 |
| Extra return on illiquid investments | 131 | 39 |
| Tactical asset allocation | 12 | 10 |
| Total extra return | 105 | 54 |

Liquid investments

Liquid investments had a negative return in 2021 after costs and have had a marginally positive return over the last five years. Investments in credits achieved a significant outperformance, and the benchmark was also set in 2021 in emerging market debt. Active equity strategies returned an overall negative performance. Quantitative strategies, which had been lagging behind until last year, were on the road to recovery. Fundamental analysis-driven strategies, however, were falling behind. This was partly due to stock selection carrying less weight than the large, expensive tech stocks. Fundamental strategies move around their outperformance goal and are measured over a five-year period.

Non-liquid investments

An excess return of 131 basis points was achieved in non-liquid investments. The figures over a longer period, over five years for example, are more representative because there are always some measurement discrepancies associated with the difference in the period of time between portfolio and benchmark information in a number of non-liquid investments. The result for that measurement period is also positive, with a total of 39 basis points. An important contribution over both 2021 and the past five years was made by investments in private equity, where good results were achieved partly due to a number of favorable “exits”. The infrastructure portfolio, which is smaller in size than private equity, also outperformed strongly over both time periods. A small excess return was achieved over the past five years in real estate due to good results in 2021. Hedge funds results, which are subject to fewer measurement discrepancies than most

other non-liquid asset categories, were massively improved in 2021 due to a large outperformance. Commodities maintained a solid five-year track record even after returning negative figures in 2021.

Tactical asset allocation

Tactical asset allocation has focused over the past year on considering asset categories that are sensitive to improving growth potential and an increasing preferred risk element of financial markets. The first plays a role because the world is recovering from the COVID-19 pandemic. The second is due to interest rates, which remain low and are forcing a number of investors to achieve part of their required return by taking risks. This provided excess returns in most months. This is because active positions, due to limited controllability, were often much smaller than in 2020 and market volatility was lower, which meant that the result achieved for this strategy was not as high as it was in 2021.

Asset management costs

We pay careful attention to the costs associated with our investment activities. We incur these costs within our own organization and so that we are able to manage our clients' investments. The active investment style of asset management results in higher costs. These costs must therefore yield the highest possible (excess) return. We can see that over the longer term the investment costs paid by our clients are on average lower than those of comparable pension funds when the investment and implementation style are taken into consideration. This is confirmed by external benchmarking of investment costs. The costs of the active investment style were particularly evident in our non-liquid strategies in 2021. Both absolute returns and excess returns were high. As a result of this, the absolute amount of costs for our clients was also high. It is important to consider this factor for pension funds. The results however after the deduction of all costs were very favorable for our clients.

Digitalization

Digitalization is playing an increasingly important role not only in our pensions administration, but also in our asset management division. The asset management market is all about using data smartly and to its maximum capacity, workflow automation and digital analytic platforms. We view digitization as a tool to create value for our clients and to maintain our competitive edge. That is why digitizing our asset management forms one of our strategic themes for the next five years.

We conducted the first four projects related to data analysis and visualization.

We implemented 'real-time trading analysis' to advise our traders within the portfolio management division on their trading strategies. The real estate team produced some solutions to make decisions more systematically and to make information more accessible and easier to recycle.

The fundamental equities team has designed a data-driven platform in conjunction with a supplier for selecting relevant information. The team also entered into a joint-creation agreement with a telecom information service provider. This puts us at the forefront of market insights in the asset management industry.

The Entis subsidiary improved its NLP-driven (Natural Language Processing) services. This enabled the delivery of the first alpha 3.0 signals for quant stocks, which was also provided via joint creation.

The hedge funds and alternative alpha teams improved the evaluation process of the various managers. They improved operational efficiency by automating multiple manual tasks.

In 2021, we laid the foundations for our future cloud and data infrastructure and launched models for the data shop and for data governance. We also started training more than 200 colleagues in digital skills and digital management, and the foundations were laid for a Digital Academy within APG. They collaborated with universities to search news items quickly and view financial statements for new insights. This research will play a role in further innovation over the next few years. We will inform our clients about this digitalization of our asset management via a special “AM digitalization” branding campaign.

New investment solutions

The Product Approval and Review Process (PARP) plays a pivotal role in product management. This product development process will expand the product range of APG funds and individual accounts, including those for separating APG funds and new investment products for existing pension fund clients, such as those associated with Dutch residential mortgages. The APG Developed Equities RI (Responsible Investing) index fund was launched in September 2021. RI index products for other asset categories, such as emerging markets, credit, and real estate, are all currently under development.

Investing in the Netherlands

We have also created more space in 2021 for investments in the Netherlands upon the request of the pension funds for which we work. We have expanded our investments in infrastructure (fiber-optic connections in small residential areas and remote areas, wind turbines, smart heat networks), real estate (hotels, student halls of residence, outlet centers) and Dutch businesses. We also promote partnerships between private investors and investment-based institutions (such as InvestNL and Groeifonds).

The assets we manage are too large to invest in the Netherlands alone. Around 4% of the assets we manage on behalf of our clients are invested in the Netherlands. Prices would rocket and the level of risk would be too concentrated if we were to allocate a much larger proportion of investments solely to our domestic market.

We will invest more than one billion euros in green Dutch mortgages from Vista on behalf of our clients at year-end 2021. APG is also one of the founding members of LIST Amsterdam, a platform for providing loans to Dutch housing associations.

To support investments by Dutch companies following the COVID-19 pandemic, we made €100 million available on behalf of ABP for subordinated loans in 2021. Eligible companies are financially stable and have sufficient continuity and profit prospects. However, they are facing a weakened financial position due to the restrictive measures as a result of the pandemic. This Post-COVID Growth Financing Initiative is also supported by ABN AMRO, ING, and Rabobank.

Responsible investing

For every investment we look at how a company treats people, the environment, and whether it is being managed well. This policy is consistent with national and international laws and regulations and complies with the OECD guidelines for multinational businesses. We also expect the companies in which we invest to comply with the UN Global Compact rules on human and employment rights, the environment, and the fight against corruption.

A selective approach to sustainable bonds

2021 was another record year worldwide with regards to 'labeled' bonds being issued. Labeled bonds fund green, social or sustainable projects. We are witnessing rapid growth in the amount of sustainability-linked bonds being issued. Companies that issue these types of bonds promise to meet predetermined sustainability targets. They will have to pay a higher rate of interest to investors if they fail to deliver on this promise. We will remain selective in our approach while we support the growth and development of the labeled bond market. Effective, transparent reporting is crucial when it comes to maintaining the integrity and credibility of this booming market. We make potential issuers aware of our expectations, share past experiences and express our interest in labeled bond issues. We had €17.6 billion invested in labeled bonds on behalf of our pension funds at the end of 2021.

Leaders, prospects and laggards

We assess all potential investments in equities and corporate bonds based on return, risk, costs, and sustainability. We determine whether a company is a “leader” or a “laggard” on the basis of our analysis. We will only invest in a laggard if we expect to be able to encourage the company to make improvements. We call a company that starts an improvement process (engagement) with us as a “prospect”. Since 2020, our clients have only wanted to invest in leaders and prospects

Having influence

We also vote at thousands of shareholder meetings every year. In 2021, we even paid more attention than usual to rewards. Some companies, such as large supermarket chains, online stores, and parcel delivery companies, have benefited significantly from the COVID-19 pandemic and from the fact that cafes, restaurants, and shops were closed for extended periods of time. We believe that management teams should not receive exceptionally high bonuses under these circumstances and have voted against the compensation reports recommending these types of bonuses.

A more stringent policy for responsible investing

The board of our largest client, ABP, decided to make the criteria to qualify companies as frontrunners more stringent whilst it was assessing the inclusion policy. Both bpfBOUW and SPW have also introduced a renewed responsible investment policy for the period 2021-2025, which includes new and more stringent sustainability targets.

In asset management, we are striving to provide our clients with customized solutions to meet changes in investment policy and will test to see whether these changes are consistent with our responsible investment philosophy. We tightened up the inclusion criteria in 2021 for businesses in the energy sector for all customers. We are also working on more stringent criteria for companies in other sectors. We believe we are well positioned to continue to serve our clients and to help them fulfill their growing sustainability ambitions.

Investments and climate

Asset management conducts a thorough analysis of any potential risks for our clients' investment portfolios, which are caused by climate change. We assess companies in which we invest to ensure they are reducing their carbon emissions and have a strategy for making the transition to a climate-neutral economy.

We have compiled a database with information from various sources for the real estate portfolio, which allows us to assess the risks of extreme adverse weather and rising sea levels for tens of thousands of buildings. We identify and report on climate risks in accordance with the guidelines set by the Task Force on Climate-Related Financial Disclosures (TCFD).



Jeroen Smit, Business and Financial Journalist

“Climate change has always seemed a long way off for lots of people. But it is getting closer in lots of ways. We no longer have any choice. It is obvious that something has to be done now.”

The carbon footprint of investments

All of our asset management clients have set targets to reduce the carbon footprint of their equity investments. Our clients will announce stricter carbon emission reduction targets in 2022. APG has signed the Financial Sector Commitment to the Dutch Climate Agreement. As a result of this, we are required to report on the carbon footprint of important elements of the investment portfolios we manage. This overview is included in our Responsible Investment Report.

We joined the Net Zero Asset Managers (NZAM) initiative in 2021. In doing so, we are committed to achieving a carbon-neutral investment portfolio by 2050 or earlier and agree to work with our asset management clients to achieve this objective for all investments under our management.

ABP withdraws from “fossil” fuels

ABP announced in October 2021 that it would sell its investments in fossil fuel producers, namely oil, gas, and coal. ABP has set a new standard in its efforts to meet the objectives of the Paris Climate Agreement by making this decision. We will support ABP in implementing this strategy. We will, where possible, invest more in renewable energy and smart solutions for the energy transition in consultation with ABP. We do not expect the sale of fossil fuel investments to have any negative impact on long-term returns. The focus of our engagements for ABP will also shift to accelerating the energy transition in sectors that use fossil fuels intensively, such as car manufacturing, industry, and aviation.

In line with the 2020-2025 sustainable and responsible investment policy of ABP, bpfBOUW, and SPW, we had already sold all investments in companies that derive more than 30% of their revenues from coal mining or more than 20% from tar sands mining at the end of 2021.

Pressure to reduce emissions

We exert our influence as a leading investor to encourage companies to reduce their carbon emissions. We do so on an individual basis and in collaboration with other large investors united under Climate Action 100+.

SK Innovation, the largest refining and petrochemical company in South Korea, announced in 2021 that it aims to be carbon neutral by 2050. This commitment also explicitly applies to scope three emissions caused by the use of the company's products. Asset management is one of two investors to engage with SK Innovation on behalf of Climate Action 100+.

We supported an international investor initiative calling on world leaders to do more to fight climate change in the run-up to the 26th UN Climate Change Conference (COP26), Government policy is crucial for underlining the conditions in which private investment can stimulate the energy transition. Asset management has also encouraged the government of South Korea to plan a transition route to a climate-neutral economy in line with the Paris agreement, and to stop constructing new coal plants.

Investing in energy transition

We are building up a portfolio for our clients with companies and projects that contribute towards the energy transition in the Netherlands and beyond. We invested in NET2GRID as part of the ABP Dutch Energy Transition Fund, through ANET in 2021, which is a fast-growing Dutch business in the energy sector. A consortium led by us acquired a 50% stake in Stockholm Exergi Holding (SE) in July 2021, which is Sweden's largest supplier of district heating.

Protecting biodiversity

APG supports the Partnership for Biodiversity Accounting Professionals (PBAF), in which financial institutions develop a shared methodology for measuring and reporting on the impact of their investments in biodiversity. These institutions take targeted action to protect biodiversity through their investments.

We invested in a large production forest in Chile on behalf of ABP in 2021, and in Wenita Forest Products, which is a large manufacturer of forest products in New Zealand. These forests have been awarded a Forest Stewardship Council (FSC) quality certification. This means that they contribute towards conserving biodiversity and that its management considers the social and economic well-being of employees and local communities.



Marlou Koelman, Applicant at ABP

"On the one hand, I want information about how I can organize the future for myself in a better way. These are just life questions that do concern me. On the other hand, I want to know where my pension fund is investing my money. For them to tell me if it is socially responsible, sustainable, and green. I expect to be able to live off the proceeds later, but I would also like to do some good with that money."

Sustainable Development Goals

We are actively on the lookout for investments on behalf of our clients that contribute to achieving the United Nations' Sustainable Development Goals. We were managing €112 billion at the end of 2021 compared to €91 billion in 2020 in sustainable development investments (SDIs).

Once again, our asset management scores were above average in the annual benchmark UN Principles for Responsible Investment with an A+ for both strategy and governance. This score has been taken from the 2020 reporting year because the timelines for issuing the report have been amended.

We set up the Sustainable Development Investment Platform (SDI AOP) in 2020 alongside AustralianSuper, British Columbia Investments Corporation and PGGM. This platform uses artificial intelligence to identify the extent to which investments contribute towards achieving sustainable development objectives. APG launched the iSTOXX APG World Responsible Investment Indices in September 2021 in conjunction with Qontigo and asset management company BlackRock. The product is based on five tiers of increasingly strict ESG criteria and is a response to the growing demand for customized sustainable index products.

Human rights and working conditions

We want the companies we invest in to respect the rights of their employees, local communities, and other shareholders.

In 2021, we stepped up our level of engagement with companies with operations in Myanmar, after a military coup overthrew the elected government in February. South Korean steel producer, POSCO C&C, and Japanese brewer, Kirin, committed to ending their business ties with military-controlled companies following strong pressure from APG AM and other investors. Due to obstruction from the Myanmar military, these steps have not yet materialized.

The Dutch pension industry added further substance to the Covenant for International Socially Responsible Investment (IMVB) throughout the year. The covenant records agreements on the prevention of abuses at companies in which pension funds invest.

Responsible Investment Report

In our Responsible Investment Report, we discuss the results of this inclusion policy in more detail, as well as the results of our engagement and voting behavior at shareholders' meetings. Our pension funds exclude certain companies from investment, including producers of weapons prohibited under international treaties, companies involved in producing nuclear weapons, and tobacco producers. Our funds also exclude the government bonds of countries subject to a binding arms embargo by the UN Security Council or the European Union. The full exclusion list can be found on [our website](#).

How we serve our pension participants

We set up our organization in such a way that we can provide the best possible service to funds, employers and participants. We respond to their requirements and wishes with innovative solutions.

Client satisfaction

We can see that client satisfaction with our work has increased slightly once again. We can see this from the 'transactional' Net Promoter Score (NPS), which is the figure that indicates the extent to which the participant is satisfied with the contact and would recommend our services to others. This NPS figure is an internally measured NPS and is a composite average of various individual scores from the main client missions for the ABP and bpfBOUW funds. The NPS increased to +3 in 2021, compared to -1 in 2020, showing an improvement of four points. We are looking at specific client missions so that we can monitor this closely and are able to take targeted action. For example, this involves what we do when someone retires, the help we offer in the event of a divorce or a death, or how we welcome new participants.

We view the figures as an appreciation for the work we do on behalf of the fund programs and as an incentive. These confirm that APG is on the right track: we have started to focus even more intensely on the wishes and requirements of the client and continue to improve ourselves based on the feedback we received.

Our reputation

APG measures its brand awareness and reputation to gain greater insight into what society thinks and expects of us. We use the RepTrak methodology for this purpose. In 2021, the results showed that 21% of the Dutch population was familiar with APG. In 2020, we scored 20%, and reached our goal. Greater awareness helps APG make more of an impact.

Our reputation has declined slightly but remains strong, falling from 72.6 last year to 71.6 in 2021. This score shows the appreciation we receive from the Dutch people who know us. It is still slightly below the target of 73 that we had set ourselves. We have the best reputation among the people who know APG very well. APG scores highest on “working environment” (equality, remuneration, involvement) and “products and services.” The most important reputation factors for the shareholders are “honest when doing business”, “open and transparent” and “behaving ethically.” We are working on this and for 2022 our target will remain at 73.

Clear communication

We communicate with the outside world in as simple terms as possible. The reconstructed website and the online Newsroom, which we launched in 2020, have proven to be a success. On the Newsroom pages, we write about new developments and opportunities in comprehensible language.

BriefBoutiq

We founded the BriefBoutiq in 2021. This is a team with various specialists that monitors and improves standard letters and e-mails to send to participants. It involved around 1,800 variants that circulate within our organization. It will take the team two years to rewrite the correspondence, which should be as comprehensible and as compact as possible.

How we have innovated our services

APG is continuously innovating; we are continuing to renew our services. In 2021, we focused primarily on APG's role as a trusted guide. Many Dutch people are concerned about their financial situation, now or in the future. The advent of the new pension system is expected to increase uncertainty. APG is committed to the financial fitness of our participants. We are doing this because we believe that this is one of our social tasks. Financial well-being is important for society and for the well-being of individuals today, tomorrow, and beyond. We collaborate to develop tools and platforms that provide this assistance. This goes further than just the participants who are affiliated with our pension funds.

Dutch people live in the present

Our funds already invest in various tools geared towards coaching and consultancy in the field of pensions. It is expected that the duty of care for the funds will weigh more heavily during the transition to the new pensions system. A lot of Dutch people are not so much concerned with their future income but live in the present and want to see their financial position today. They particularly want financial coaching during important life events (retirement, divorce, death). From this starting point, further interest can be added from future income and pensions.

It is mainly the lower and middle-level income earners who need 'intermediate advice', without looking directly for a particular service. For example, they want to prevent stress, avoid making the “wrong” choices and losing out on income.

More and more employers want to offer financial coaching to their employees. They see this as an important factor for sustainable employability.

Pension Coach goes live

In 2021, the Pension Coach (“de Pensioencoach” in Dutch) was launched, which allows the pension holder to generate a personal pension plan with the help of a digital pensions coach. In a number of steps, the Pension Coach will request personal information, such as the desired pensionable age, expected expenses and income. Once all the steps have been completed, the pension holder receives a handy tailor-made pension proposal. Subsequently, the pension can be applied for immediately.

Kandoor: One million questions

We also pass on particularly practical information to everyone who can benefit from it. Kandoor – the independent online platform through which anyone can ask questions about his or her finances, and therefore also about their pension and AOW state pension, continues to grow. More than one million questions were asked in 2021 compared to 554,000 in 2020. Most of the questions were answered by the chatbot. If the chatbot was unable to provide a response, answers to questions are provided by the volunteer financial guides. The users are very satisfied: the NPS score is 49 compared to 50 in 2020.

Dutch debt relief route

APG joined the Nederlandse Schuldhulproute (NSR) on behalf of ABP in 2021. This foundation, together with many partners, is dedicated to making the Netherlands debt-free. Each month, more than 1 in 5 Dutch households has difficulty making ends meet, according to information provided by the NSR. The “route” refers to appropriate assistance, from prevention to help. One of their initiatives is Geldfit.nl. On this site, people gain insight into their financial situation by taking a simple online test. They receive targeted help to get or keep their money matters in order. Geldfit.nl is also used by employers. The sites at PostNL and the Ministry of Defense for example both have a direct link with the Kandoor chatbot.

Audience Award for Geldvinder

The online platform Geldvinder, an APG initiative, was winning awards a year after it had been launched. Professionals from the financial sector rewarded our initiative with the PensioenWegwijzer Public Award during the eleventh edition of the Pensioen3daagse trade fair. By using this application, everyone can work on 'financial fitness' in an accessible way. The user can get started with personal financial goals for today, tomorrow, and beyond, partly on the basis of a financial fitness test.

Prikkl

APG has acquired a 40% share in the financial coaching and advice platform Prikkl. Its mission is consistent with APG's: it increases financial insight and helps people get to grips with their finances. Prikkl, therefore, makes an essential contribution towards supporting the participants in pension funds. Prikkl has been helping companies to make their employees “financially flexible” since 2017, with a combination of software and personal consultation. APG has also started to use the platform for its own employees.

Vita certificate

Once the pension funds we work for agree, participants can submit a “proof of life” via an app on their smartphone. The new digital method of submitting this evidence (which has to comply with all kinds of rules and also has to be signed by a “competent authority”) saves a large group of participants a lot of hassle, travel and paperwork. They can simply submit this evidence from home as a form of identification using “remote facial recognition.” The app is an addition to “paperwork.” Both will continue to exist in parallel because we do not want to force people to use a smartphone.

Automated data exchange

Extensive testing has been undertaken with the automated exchange of data so that participants can be provided with a complete albeit simpler overview of their financial information. He/she can automatically upload data known to other bodies using the most up-to-date technology, should a participant wish to do so. As a result, the participant generates a total overview more quickly and easily and will become more focused, whereas personal coaching can be given regarding decisions that are important for future income.

Speech to text

APG has experimented an awful lot in the field of speech analysis over recent years. We have conducted experiments to investigate to what extent new technology, for example, emotion and stress recognition, speech to text and the creation of automated summaries can be used to help improve our services. We ask the pension funds we work for whether we can use these features. We can then assist the pension holder faster, they are more satisfied, and APG employees can be coached more effectively.



Gerard Vincken, Pensions Administration Consultant

"I think it is great to see that the organization is changing. In the past, we mainly just took things from the process and the systems. Now we are thinking about what is relevant for the pension holder. We work in a more client-minded way. The focus is on digitalization and self-service. However, the importance of personal contact should not be underestimated. Contact can be made via other channels, for example through the employer. This will become even more important in the next few years."

Contact with employers

Employers affiliated with our pension funds are also key clients. Maintaining and creating contact is of major significance during the COVID-19 pandemic, for example by hosting online video conversations. Employers have their own specific needs, which we also take into consideration. In broad terms, this means that small employers are mainly assisted with practical services for their employees. Large employers are more concerned with issues such as sustainable employability and leave due to illness. We support this, for example, with an information library and webinars.

In 2021, we also focused on providing a more friendly greeting to new employers. We have made the registration process entirely digital for bpfBOUW, including a welcome package. This is also an improvement for APG; the entire process is considerably more efficient. This is because fast, digital registration is not a real introduction, meaning we have devised an additional service concept that has already been introduced in part. During the year, for some funds, we also started paying extra attention to ways of simplifying data submission and making payments easier.

We want to make additional improvements to the service provided to employers. This also includes strengthening ties with them. We worked on this in 2021; we started with those employers who are affiliated with ABP. The starting point is a service concept based on employer requirements.

We also continued to invest in improving basic services in 2021. This includes optimizing the website, organizing digital refresher sessions, and providing information-based videos and webinars. We have increased the range, improved findability and have made the information more accessible. We are helping employers in relation to additional services with strategic staff planning and we are discussing sustainable employability with them. We are already working alongside the SPW fund. We will introduce this at bpfBOUW in 2022.

How we have applied our knowledge and skills

APG has built up a wealth of pensions knowledge over the past century. We want to help society with this knowledge and experience.

Much of our attention is devoted to elaborating the new pension system and to sustaining our investment portfolio that we manage on behalf of our clients. People do get older; we start to work differently and retire later. Job roles are changing due to digitalization. The climate issue is demanding that we become more sustainable more quickly and smarter. We want to use our knowledge to contribute towards the social debate regarding the future pension system, which revolves around aspects such as collectivity and solidarity. We are consciously choosing not to sit on the sidelines with our inclusion policy but wish to use our influence as a major investor to improve businesses and sectors. We are happy to engage in dialogue and debate about this with all types of stakeholders. That is why we share our expertise with pension funds, social partners, and politicians.

We share our knowledge and communicate easily with the outside world via our website APG.NL, so that everyone can find their way and get some answers. We write in comprehensible language about new developments and potential. We also give space to voices from the outside, for example in our podcasts.



Peter Strikwerda: Head of Digitalization & Innovation at Asset Management

“We are looking for people who can work with data, who want to make an impact, want to work on their personal development and who are looking for a better work-life balance. People who can see that what is on our agenda makes a difference in social terms. And we offer them a nice working environment, safety, and room for development.”

We also help participants to get a grip on their pension by applying our knowledge. We provide them with insight into developments and their consequences for their personal situation. We have developed Clear Overview & Insight and the Personal Pension Pot in conjunction with the pension funds. The number of participants with insight into their income for later has increased marginally to 1,995,000 in 2021 compared to 1,965,000 in 2020 and the number of participants who have insight into pension assets has increased slightly to 1,040,000 compared to 1,015,000 in 2020.

We want to be a frontrunner in the field of sustainable investment on behalf of our clients. We have mapped out the risks and opportunities of the climate transition for thirty sectors in which we are investing, and which are based on different scenarios. The Climate Portfolio Screen (CPS) combines an external perspective with the in-house expertise of our asset management portfolio managers. For our real estate portfolio, we have compiled a database with information from various sources that allows us to assess the risks related to extreme weather conditions and rising sea levels for tens of thousands of buildings. This is how we identify climate risks and issue the Responsible Investment Report.

Digital applications soon come into view in the Groeifabriek on the Brightlands Smart Services Campus in Heerlen. The innovation here combines all kinds of technology together such as artificial intelligence, big data, cloud computing and machine learning. This innovation provides a number of opportunities. We will help our funds implement their strategy with technology developed in-house.

The knowledge and skills of our employees are a prized asset. This chapter shows how we work together and how we report on the efforts to adapt motivation, flexibility, and resilience at this moment in time, in which a lot is undergoing change. We are focusing on solid and qualified employees who specialize in digitalization so that we are ready for the new pensions system. And this is not easy in a flooded employment market.

Our financial position

APC's primary objective is to achieve the highest possible pension value for our participants, and therefore not the highest possible operating result.

This does not alter the fact that we achieved a financial return of €78 million in 2021 compared to €42 million in 2020, which shows a significant increase. This result is equivalent to a return on equity of 19.5% compared to 10.7% in 2020, while our target for revising our capital and dividend policy was 6.14%. The effective tax rate was 23.4% in 2021 compared to 10.0% in 2020.

Our capital position is strong, as is our liquidity position. The operating cash flow for 2021 was positive. The turnover is achieved via long-term contracts with clients. The turnover of asset management is partly dependent on the development of any assets being managed as part of this specific feature. The services have continued as normal in spite of the COVID-19 pandemic, just like during the previous year.

Lower operating costs

Our financial result in 2021 can be attributed primarily to the lower costs we incurred, especially in terms of personnel. We have worked almost entirely from home for large parts of the year because of the COVID-19 pandemic. This is why we have incurred much lower travel and accommodation costs.

We unfortunately also had to face the fact that we simply could not implement all of our change initiatives at the same time in 2021, for example, because we were often reliant on the same colleagues in specific domains. Our objective was to implement further changes in 2021, such as further rolling out the digitalization program within our asset management program. It was not possible to fill all of the vacancies in the field of digitalization due to a shortage in the employment market. This means that our personnel costs are lower than expected.

Increase in average returns

We can see a growth in the number of participants in pensions administration with regard to regular turnover, which leads to higher payouts for our pension administration services. Turnover in our asset management division increased due to a growth in the total amount of capital invested, to which part of our remuneration is linked.

Additional financing arrangements with clients in strategic initiatives

The costs in the year under review for strategic initiatives are considerable. The details of these initiatives are being coordinated with our pension fund clients; additional agreements are being entered into with them about how this is to be funded. The Grip on Data, Pension of the Future and projects geared towards participant orientation have resulted in an increase in the turnover of pensions administration. Asset management turnover actually increased due to activities related to digitalization.

We will have to continue to invest heavily over the next few years to implement recovery actions in pension administration and to prepare APC for the new pension system. We are in close consultation with our shareholders and pension fund customers about how these future investments are funded.

The market is volatile

The competitive position in the pension administration and asset management market varies, and so do the profit margins. The profit margin on our asset management activities has proven to be more than adequate, while the profit margin on our pension administration is very low and even in the red on specific activities. A decrease in the price, or average price, per participant will be required in the future with regards to pension administration. We will offer a better service in the long term and our costs will be reduced after the new pension system has been introduced due to the investments in strategic initiatives mentioned above.



Ingrid Thijssen, President, VNO-NCW

“The growth forecasts for the Dutch economy are too low to be able to continue to pay for public services such as education, healthcare, and the police force. I know I am not making myself popular by saying this, but I will keep on saying it. Because otherwise we, as a society, will soon have to deal with the consequences of a shrinking economy. The trick is realizing economic, green, and social growth.”

Capital and dividend policy

Significant principles in our capital and dividend policy are financial stability, room for potential strategic investments, no overcapitalization and a required return that is appropriate for a socially oriented organization. We revised our return target over the course of the year. A return target based on return on equity will no longer mirror the tax-transfer pricing principles in the future that currently apply to our relationship with ABP. The financial target for 2021 has been adjusted to a return based on costs related to the services provided to ABP because of the revision of our capital and dividend policies. The target of a 6.14% return on equity remains unchanged for other clients.

APG paid a dividend for the 2020 financial year of €74 million to its shareholders in 2021. The proposed dividend payment for 2021 has been calculated based on the analysis of available capital when compared to our required capital as part of the capital and dividend policies. Our profit appropriation for 2021 is included in the Annual Financial Statements.

Expectations

The financial principles remain virtually the same for 2022. We will start selecting a new policy and capital administration system in 2022. Operational costs are expected to increase in 2022,

on the premise that the net result for 2022 will be lower than in 2021, due to the fact that we are working more regularly from the office once again and thanks to our additional efforts to fill vacancies.

Chapter 3

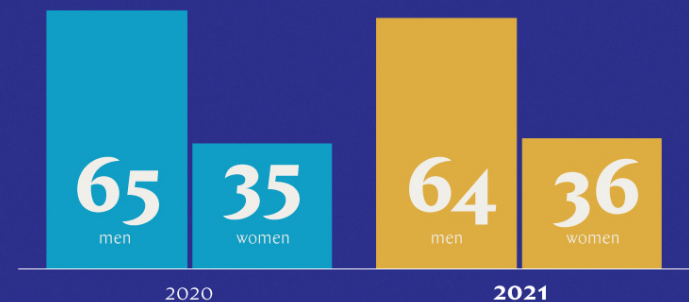
How we work together



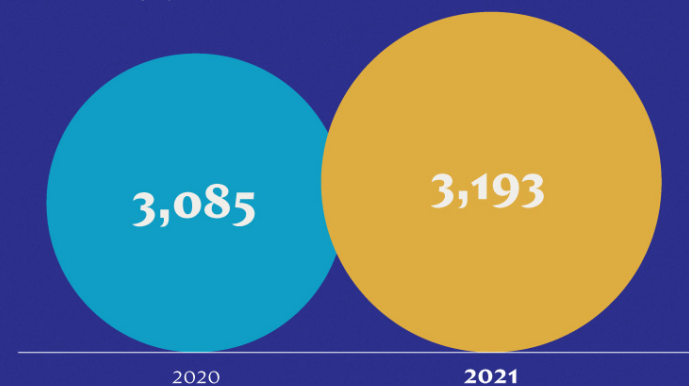
The world of APG

Employees

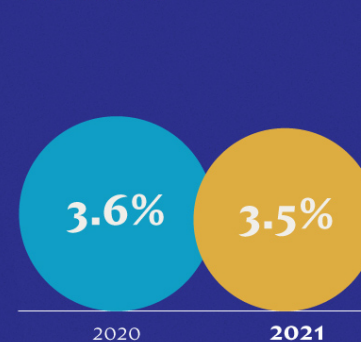
(Gender) diversity %



Number of employees



Sickness absence



Engagement



The importance of our culture

Our culture reflects the way in which we are part of society. The knowledge, competencies and conduct of our employees are all-important in this regard.

Our core values define our culture and determine our conduct. They give us something to hold on to, inform our attitudes and behavior, and decide the extent to which we are successful in our business, both now and in the short and long term. We believe that our employees should be capable of adapting to a continuously changing environment. To achieve this, we need a safe, sustainable, and dynamic working environment. The foundations for this are laid in a culture that is imbued with the principles of personal leadership, trust, and responsibility. One of which everybody forms part, and in which we inspire in terms of diversity and inclusion. Our guiding principle is that at APG, you can be who you are.

We connect. We are genuinely interested in our colleagues and value different points of view. We call to account and are accountable. When something changes, we get each other and our stakeholders on board in a timely manner.

What we do impacts our customers. We listen, understand their needs, respond to them, and give feedback. We deliver results, are proactive, and discuss issues openly, so that together we arrive at the best solution.

We make difficult things easy. This is what informs our working methods, to make the clear language we use and the products we make simple, understandable, and compelling.

We continually improve. We are open to new ideas, apply new technologies, and set priorities together. It is OK to make mistakes.

We are there for each other. We care about colleagues and clients and look after them. We give each other our trust and clear instructions and take that extra step to achieve our goals together.

We are not wasteful. We are cost-conscious, use less when we can, and invest where we need to. We manage clients' money as carefully as if it were our own.

We deliberately opt for a way of working where we are considerate of others, in every decision, big or small. We lead by example, ask critical questions, and inspire others. We aim for a proper balance between work and private life, and very consciously choose when and how we carry out which activities. In other words: at APG, we work flexibly, based on what is right for us personally while also taking the needs of our team into consideration.

Our external auditor, in the context of its audit of the financial statements, has investigated the "soft controls" - the factors that impact behavior - we apply in our organization. KPMG has concluded that the culture at APG contributes towards an effective internal control environment and that APG's scores are in keeping with those of other major financial institutions. Points of attention are primarily engaging employees in strategy-making, expressing appreciation to fellow workers, and clarifying roles and responsibilities. The results of both the KPMG audit and our employee engagement survey help us to make an even greater contribution to society.

How sustainable is our own business?

We want to lead the way in sustainability. APG's greatest impact on sustainability is the way it manages the investments for its pension fund clients.

We impose strict sustainability and social responsibility requirements for the companies we invest in. However, we can only set the bar high for others if we satisfy these requirements ourselves. This is why we encourage our employees to make sustainability part of their day-to-day activities and decision-making. We want to increase this commitment by demonstrating our social engagement within the community in which we operate.

Our sustainability in 2021

It has become clear these past few years that we still need to take significant steps to make our organization more sustainable. To this end we launched a number of initiatives in 2020 that were relatively easy to implement. In 2021, we focused on policy formulation, including long-term objectives. In 2022, we will develop these objectives into specific plans, and will ensure that our policy is actually implemented.

In 2021, we joined the UN Global Compact initiative. The principles of this international organization with respect to human rights, employment, the environment, and fighting corruption were already important criteria that informed our investments before. Now they must become an integral aspect of our organizational structure.

In 2021, we adopted a [human rights policy](#). At APG, we are confronted with human rights in four areas: employment law, procurement, our handling of participants' personal data, and awarding investment mandates. In 2021, we also installed a Sustainability Board. This board, which is chaired by the head of our Executive Board, prepares the decisions that we need to take in order to implement our sustainability goals.

We want our business operations to be demonstrably climate neutral by 2030. This is why, in 2021, we took a number of specific steps regarding our business premises, circularity, and national and international travel. In 2021, our gross CO₂ emissions totaled 7,218 tonnes (2020: 8,173 tonnes). The COVID-19 crisis prevents us from making useful comparisons with base year 2019. APG uses Gold Standard certificates to compensate its remaining emissions. See Chapter 8 Appendices for more information about our carbon footprint and the underlying principles.

Sustainable business premises

In early 2022, we moved into our new, fully sustainable office building on the Basisweg in Amsterdam. This building, called Edge West, is the most sustainable redeveloped building in Europe and has the highest possible BREEAM certification, a certification that expresses the degree of sustainability. By relocating our Amsterdam offices at the Zuidas district and our temporary premises to this building on the Basisweg, we will greatly reduce the level of CO₂ emissions produced by our business premises.

When relocating to Edge West, we not only considered our energy consumption and CO₂ emissions, but also the health and well-being of our employees. We prioritized topics such as

providing sufficient green spaces and daylight, good acoustics, healthy workplaces, and facilities for people to exercise. We also completed the BREEAM certification process for our Heerlen office. The aim is to obtain the certification Excellent for these premises as well.

We believe that working flexibly will remain the norm. We want to continue to have roughly half the work performed from home. This also helps us reduce our CO₂ emissions. In 2021, we already noticed a considerable CO₂ saving. If we work from home more, this will also impact the way we use our offices. Our new offices in Amsterdam have already been set up for the flexible use of work areas. We are also organizing flexible work areas at our offices in Heerlen. This also means that, over time, we will need less office space.



Loek Dalmeijer, Group Sustainability Officer APC

"I want it to show even more clearly where in our office environment we have opted for sustainable alternatives and what these yields. Not only in terms of the provenance of our coffee, or how we separate waste, but also the way in which the new Amsterdam offices are made energy neutral and gas-free. When colleagues see that they work in a sustainable organization and how they can make sustainable decisions in their own work(place), this will become an organic part of the organizational culture."

Re-using and recycling

We carefully consider which materials we use and can reuse. We are proud of the fact that our new offices in Amsterdam are housed in a renovated building and that we managed to reuse many materials. We want our offices to be places that produce no residual waste. Our initial goal is to produce less than 10% residual waste (in 2021 this was 18%). With this in mind, we use as few new materials as possible and encourage the reuse of products. By recycling raw materials, we reduce waste. In Amsterdam, for example, there is a site near our premises where we will process our fruit, vegetable, and garden waste into fertilizer for the surrounding gardens. Another aspect of our waste management policy is using attractive and user-friendly collection points. Via awareness campaigns we show the benefits of waste separation and urge people to change their recycling habits.

Responsible travel policy

On January 1, 2022, we introduced a new mobility policy. We try not only to reduce the number of necessary transport movements, but also to make these trips as clean and short as possible. This policy applies both to foreign trips and to commuting.

Working flexibly

We have started working flexibly, also because this instantly reduces travel. The starting point is to strike a 50:50 balance between working from home and at the office. We also encourage the use of public transport. For short trips, less than 20 km, taking an electric or pedal bike should become the new normal. We have also tightened our parking policy and brought it in line with our objectives and new way of working. From January 2022, there will only be 200 parking spaces available at our new Basisweg premises in Amsterdam. By contrast, at our two former Amsterdam offices we still had a combined 600 parking spaces available.

Business trips

In 2020, we joined the Anders Reizen initiative and signed the Dutch Business Sustainable Mobility Pledge. Anders Reizen is a coalition of more than 70 organizations to halve the CO₂ emission per FTE generated by business trips by 2030, compared to 2016 (our benchmark year is 2019; we do not have accurate data for previous years). The organizations also share each other's best practices.

To properly perform our work, we simply need to make international trips. Certain matters simply cannot be dealt with online, especially because we invest in unlisted companies. This usually means that we have to visit these companies in person, for example to discuss their business operations. We want to make sure "on the spot" whether the enterprises we invest in are complying with international standards, in such areas as human rights, employment, and the environment.

This may mean that in future we have to make even more visits to companies in which we (may) invest. A significant part of our CO₂ emissions is already generated by international trips. Since emissions are falling rapidly in other areas, the proportion of CO₂ emissions from taking a plane, in particular, will only increase.

To make these trips more sustainable, we introduced certain measures in 2021. For instance, we tightened our international travel policy. For trips up to 500 km, the train is the preferred way to travel. If somebody wants to travel by plane, this requires the approval of a line manager. For all our flights, our travel agency selects the one that produces the lowest CO₂ emissions.

We have concluded a long-term contract with SkyNRG, under which we will partially switch to clean aviation fuel. This will take place as soon as the world's first large-scale production facility for sustainable kerosene in Delfzijl becomes operational, which is scheduled to be in 2025. By already committing ourselves to this kerosene, we are helping this new market to develop and grow.

How did APG score as an employer?

APG wants to be “A Great Place to Work.” This is why we make substantial investments in our employees’ development and in the creation of a safe and sustainable working environment.

APG in the COVID-19 era

The COVID-19 crisis continued to have a huge impact. Throughout 2021, all employees primarily worked from home and meetings were held online. In the fall, we started to cautiously return to our offices. Nevertheless, the occupancy rate at our offices in Amsterdam, Heerlen, and abroad remained very low. From late November onwards, we again followed the government’s guidelines to work from home.

Although these circumstances sometimes hamper our ability to work together, we still do have to do so, especially now that we are preparing ourselves for the new pension system. This is why we have made substantial investment in online team development, something we will continue to do in 2022. We have also invested heavily in reinforcing social connectivity between employees. To facilitate personal contacts and discussions, we have encouraged taking joint walks, for example. The chair of our Management Board has led the way in this.

To facilitate working from home, each employee received a personal budget of €850 to set up a workplace at home.

Some find it easier to work from home than others. This depends for instance on their family circumstances, the possibilities there are to create a comfortable workplace, and the nature of their activities. In mid-2021, employees told us how they rated their home office, giving it an average score of 70.6 out of 100. For those employees who found it impossible to work from home, measures were taken to ensure they could work safely at our offices.

Leadership

Every manager attends a personal leadership program to learn how to take charge of his or her own life and career. This program is also designed to support employees in the choices they must make and to teach them how to deal with the (unavoidable) changes in their working life. The managers also guide the development of the team. Supervised by a coach, teams can join a program to boost effectiveness and collaboration, both for the team itself and for the individual team members.

Even before the COVID-19 pandemic hit, we were aiming for a more hybrid form of working. COVID-19 has only accelerated this process. This also changed the manner of leadership within the organization. The progress interviews have been replaced with twice-yearly “development interviews.” These focus on the employee’s longer-term learning and other development, job satisfaction, and work-life balance. Development interviews are held at all levels of the organization. In addition, the employee periodically discusses short-term performance and development with his or her superior.

Recruitment

We have grown faster as an organization in 2021 than in previous years. Preparing for the new pension system and - in anticipation of this - shifting through records, requires extra staff. We primarily need (temporary) staff for further innovation and digitalization and for the Grip on Data program. People with specialist pension and digitalization knowledge. In 2021, we hired 380 new staff, 96 of them on a permanent contract. Naturally, there were also some people (336) who left APG, primarily due to retirement, but also to move to a new job or because their temporary contract ended.

Employee development

As an organization, we need (and want) to keep learning. To do this, we need a safe environment to try out new things, in which we are unafraid to speak out and ask for help, and to give and receive feedback. One in which employees are appreciated for who they are and what they can do. In light of all the changes we have to deal with, we believe it is important to support the development of our employees. In recent years, this has resulted in the program The Making of You, which focuses on the long-term employability of employees. Each employee must take control of his or her own convictions, attitudes, and behavior, in order to turn ambitions into changes.

The new pension system has greatly increased the demand for specific pension knowledge. There is also a need for more staff with (specialist) digital and analytical skills. This is why we are rethinking the courses we offer. Our clearly defined Strategic Workforce Planning (SWP) will provide us with a more accurate picture of our organization's future development needs. In 2021, this phased plan led to our setting up three academies in the fields of data, digitalization, and decision making, respectively. In 2022, we will add two more academies, one focusing on participant orientation and another on pension knowledge. We want our employees to continually develop themselves, to ensure that they get the best out of themselves and build a long-term future for both APG and themselves. In this way, learning and working are inextricably entwined at APG.

COVID-19 has unfortunately reduced the possibility to attend in-person training and courses. To offer staff the facilities to develop themselves and provide easy access to learning, all employees may make use of GoodHabit's e-learning library. This library offers online courses and masterclasses on such subjects as personal effectiveness, vitality (fitness), communication, management, MS Office, social media, talent development, Spanish and English. Employees can choose between any of over one hundred online training courses and masterclasses during working hours. In addition, interactive online lectures given by external speakers are offered throughout the year. These are on wide-ranging subjects, including the brain, feedback, focusing and hybrid working. During Vitality Week, in September, lectures were given on vitality and personal development.

Diversity and inclusion

Our human capital is our most valuable asset. Our employees' individual differences, life experiences, knowledge and know-how, creativity, innovation, self-expression, and capabilities shape our culture.

As an organization, we want to help create a sustainable society. In the end, pensions are about people, life, and living together. We want to be an organization that appeals to people, one that both existing and future clients can identify with.

APG encourages diversity and an inclusive culture. Diversity refers to all visible and invisible differences. Inclusion is about recognizing and appreciating these differences. Inclusion means an environment in which we embrace, respect, and value each colleague, so that each person feels safe and welcome.

This responsibility already starts when recruiting new staff. All our job advertisements refer to diversity and inclusion. We also make sure of a diverse composition of our selection committees. We raise awareness for diversity and inclusion during events and in our communications. We regularly invite staff to talk on our intranet about their experiences and backgrounds. These personal narratives promote identification and connectivity within the organization.

In 2021, we worked hard on improving inclusion and psychological safety within our organization. In order to obtain useful, well-founded information on today's cultural diversity, we have joined the [Barometer of Cultural Diversity](#) set up by Statistics Netherlands CBS.

Five key points for diversity and inclusion

- We want to reflect society, so that we are better able to understand our participants' needs and wishes.
- We need diversified talents and competencies, in order to become more agile and achieve better results.
- We are working towards a sustainable future. We can only achieve this by making all aspects of our organization sustainable.
- We want everybody to be themselves and to be unafraid to do so. This is a prerequisite for greater engagement.
- We do everything we can to create the safest possible environment, one in which people are not afraid to speak out. This helps us to position ourselves as a self-aware player in the pensions industry.



Evelien Starren, Expert Risk Manager, Asset Management

“About seventy colleagues with whom I work closely together knew that I would be coming to work as a woman. I did not actually get much work done that day, as everybody dropped by for a chat. Their reactions were heartwarming. Some said I looked great, while others remarked how brave I was. My female colleagues made me feel welcome right away and gave me the impression that I was one of them.”

Age

A varied age structure is part and parcel of an inclusive policy. Our aim is to bring different generations together in our teams. In 2021, we looked which age categories included the most employees who were leaving (voluntarily). Unexpectedly, younger people were not overrepresented. We notice a slight increase in the number of staff leaving who have worked at APG between five and ten years. This may indicate that not enough was done to develop this group's talents and/or that there were not enough career opportunities for them. We will continue to analyze this issue in 2022.

Position of women at APG

One specific goal is to appoint more women to managerial positions. For instance, at least 30% of the members of both the Executive Board and Supervisory Board must be women and at least another 30% of both Boards must be men. We have easily attained this goal. We scored less well at second level management, though: our target was at least 35% women, but we are only at 26%. Currently, about 74% of our managers and team leaders are men and 26% are women. Our aim is to raise this to at least 40% women. 64% of our workforce is whole currently male and 36% female. For more information on our workforce, see Chapter 8 Appendices.

In order to give talent development among women a necessary boost, we have set up a special program in partnership with Schouten & Nelissen. We expect much from this program, which is a combination of online and offline learning. Greater diversity leads to better results, and this is precisely what APG wants to achieve by creating greater diversity within the organization.

A healthy organization

Our staff need to stay fit and to feel connected, even when working from home. We encourage them to take good care of themselves and to discuss any problems they have with their team and their supervisor. We also encourage them to regularly take time off and get enough exercise.

In 2021, we regularly used surveys to monitor and find out about the well-being of our staff. In addition, each employee has received a personal vitality budget. This may be spent as the recipient sees fit, for example on a fitness subscription or dietary advice. Sickness-related absenteeism fell slightly, from 3.6% in 2020 to 3.5% in 2021.

Employee satisfaction

APG wants to be “A Great Place to Work” and to be an organization of highly engaged employees, who show the best version of themselves in their work, whether at home or at the office. An important prerequisite for achieving this is to listen to our people. In order to sound out our employees and hear their opinions, we twice conducted an APG-wide employee engagement survey, at the end of March and October 2021. Just like in 2020 (81%), the response was surprisingly high in 2021, with 82% and 83% taking part in the March and October surveys, respectively. This shows that employees remain convinced that it is worthwhile to get their voices heard at APG.

The engagement score was above average as well, at 7.6 (2020: 7.8). Despite this small decline, it is still a good result, especially in times of COVID-19, and well above the benchmark (6 points). The survey confirmed that employees feel that they are given the opportunity to perform their tasks well (empowerment) and are given the necessary resources to do so. And more importantly, that they feel at home at APG. Based on this survey, we see as opportunities for improvement the enthusiasm about APG’s future, having clearly defined roles, and complying with the organizational values. We have started work on these points for improvements.

Despite the uncertainty caused by COVID-19, many employees stated that they felt fit and energetic, although some declared that they were finding it very difficult to work from home. During periods when the COVID-19 measures were eased, these employees were given preference and were allowed to return to the office before others.

In 2021, the Top Employers Institute proclaimed us a Top Employer in the Netherlands for the fourteenth time in a row. This organization conducts independent surveys on good employment practices, HR policy, and employment conditions all over the world. We score very well compared to 63 other certified organizations in terms of leadership and workforce planning. In other words: putting the right employees with the right competencies in the right place.

Our remuneration policy

We observe a transparent and prudent remuneration policy, which naturally reflects APG's long-term vision and strategy.

Our remuneration policy carefully considers three different aspects:

Internal ratios

A proper balance must be struck between the remuneration of the Executive Board and that of the staff, and between the different organizational units, and men and women. When differences in remuneration occur, we must be able to clarify and justify them.

External ratios

We always endeavor to strike the right balance between competitive, justifiable remuneration, and recruiting and retaining talent. To this end, we use specific benchmarks for particular positions and organizational units.

Societal perspective

We take responsibility for our role in society, by finding a proper balance between offering the right remuneration and maximizing pension value.

We have adopted a centralized and integrated remuneration policy, which focuses on opportunities for development, training, and education. We offer a fixed salary, a good pension plan, and other fringe benefits, e.g., a vitality allowance and group insurance options. An employee who voluntarily leaves the company does not receive severance pay. Severance pay for daily policymakers is capped at the equivalent of one year of total fixed remuneration. As agreed in the collective bargaining agreement, the above-mentioned three aspects of the remuneration system were further jointly studied in 2021. The findings of these studies are discussed in more detail in the CBA meetings.

Variable remuneration

We differentiate in remuneration where necessary. Variable remuneration is only paid to those asset management staff who directly influence investments, and to the staff of our Entis subsidiary. The level of this remuneration depends on the position, and on quantitative and qualitative performance. 50% of the variable remuneration depends on non-financial variables, such as sustainability indicators. For most of these employees, the variable remuneration is deferred and is only paid later on, depending on the amount. For instance, half is paid in the year following the performance year, while the other half is paid in three equal installments following a re-evaluation of the performance.

No guaranteed variable remuneration or retention bonuses are awarded. Sign-on bonuses are rarely agreed.

In other countries, variable remuneration makes up a larger proportion of the total remuneration, depending on the local legislation and labor market. Performance-related remuneration is an integral part of those cultures. These rewards are composed differently and can be higher than in the Netherlands. Here too, we consider whether a larger share of the total remuneration package should be variable remuneration, based on internal and external ratios and the societal perspective. We use variable remuneration in order to reward employees for performance, thus allowing us to recruit and retain the right staff.

We regularly carry out risk analyses to determine whether our remuneration policy, in particular our variable remuneration policy, might lead to adverse remuneration incentives, notwithstanding the various controls we have implemented. Each year, jobs that have a material impact on AM's risk profile are identified as "Identified Staff." Our remuneration policy uses control measures that apply to these positions.

For 2021, the total amount of variable remuneration paid was €48.6 million (2020: €46.7 million). Of this total amount, €41.3 million (2020: €39.2 million) related to our foreign businesses, while €7.3 million related to variable remuneration awarded in the Netherlands. The €1.9 million increase is primarily due to the growing organization and an increase in the number of staff who qualify for variable remuneration, especially in our foreign businesses. The strong investment performances in 2021 likewise resulted in the awarding of generally higher variable remuneration.

In 2021, twelve asset management staff members (2020: nine), all of whom were employed abroad, received a total remuneration of more than €1 million. The number of employees receiving a total compensation in excess of €1 million in any given year depends on developments in foreign exchange rates. Total compensation includes fixed and variable remuneration, as well as other benefits.

Responsibility for the remuneration policy

APG complies with the applicable laws and regulations as regards controlled remuneration. We also comply with the Dutch Corporate Governance Code. The primary responsibility for the remuneration policy rests with the Executive Board. The Supervisory Board supervises this. The Remuneration Committee advise the latter.

The remuneration of the individual members of the Executive Board is determined by the shareholders' meeting, on a proposal of the Supervisory Board. This exception to the Corporate Governance Code, which is laid down in APG's Articles of Association, may be ascribed to the mitigated structure regime that applies to APG. Under this regime, the power to appoint directors also rests with the shareholders' meeting, albeit on a proposal of the Supervisory Board.

The Management Board of APG Asset Management is responsible for implementing its own remuneration policy. Since our asset management activities are placed in an independent company, APG Asset Management has its own supervisory board and remuneration committee. The supervisory board adopts the remuneration policy, on a proposal of the Management Board. The Review Remuneration Committee supports and advises on the remuneration policy. This committee consists of members of HR, Risk, Compliance, and Legal, who work closely together to ensure that the policy is properly set-up, interpreted and monitored. The internal

auditor, who does not sit on the Committee, periodically audits the set up, implementation, and application of the policy.

Remuneration of the Executive Board

We consider these same three aspects - internal and external ratios and societal perspective - when deciding the remuneration of the Executive Board.

The internal ratio between the remuneration of the Chief Executive Officer and that of the average employee is 4.6 (2020: 4.9), which puts it on the low side. For APG Netherlands alone, this ratio is 5.6 (2020: 6.0). We periodically test the external ratios, based on a carefully constructed external benchmark of comparable organizations. The societal perspective is reflected in, among other things, the form of the remuneration. The Executive Board members participate in the pension scheme on the same basis as other employees. Executive Board members are not eligible for variable remuneration.

We apply the same principles to members of the Supervisory Board. Their remuneration must incentivize them in the performance of their duties and must be in keeping with their responsibilities. They present proposals on their own remuneration to the shareholders' meeting. The notes to the financial statements contain a summary of the remuneration of the Executive Board and the Supervisory Board. For more information, please refer to the remuneration report on the website [apg.nl](https://www.apg.nl).

Works Council consultations

The strategy to prepare APG for future changes has been discussed extensively with the Works Council, which was also involved in the Pension of the Future program.

The Works Council believes that timely training, retraining and additional training of staff is essential for the transition to the new pension system. The Works Council shared its vision of staff development with both the Executive Board and the Supervisory Board. In November, an initial impression from the completed SWPs for the quantitative and qualitative challenges for the future was shared with the Works Council.

In 2021, eight requests for advice, including the request for adopting a new policy and capital administration structure, as well as five requests for consent, were submitted to the Works Council. In the fall of 2021, the Works Council presented its advice on the reallocation of tasks within the Executive Board and the portfolio allocation. The Works Council was also informed about less significant changes within the organization.

In 2021, the Executive Board met twelve times with the Works Council, two of which meetings were attended by members of the Supervisory Board. At these meetings, the general course of affairs and the expected developments within APG were discussed. On some occasions, the Works Council also exchanged ideas with those members of the Supervisory Board who were appointed on the nomination of the Works Council (enhanced right of recommendation).



Carla Voss-Martinow, member of the Works Council and HR officer

“The Works Council also acts as sparring partner for the employer, whereby the interests of all those involved are considered. You do not always have to agree with each other, but you do have to respect each other’s standpoints. After all, only by challenging each other do we arrive at a position that has the best and broadest possible support, and do we become the wonderful and reputable company that we want to be.”

In addition, eleven agenda committee meetings were held with the Works Council's managing committee. The Works Council itself met twenty-eight times, with many meetings dealing with a specific topic.

In addition to the Works Council, consultations took place with the labor unions. Among other things, we discussed our new HR cycle and the reorganization plan with them, as well as the remuneration policy, the Pension of the Future, flexible working, and future ways of working.

A number of changes took place in the Works Council. Its chair stepped down to take up a new position within APG. The Works Council regulations were updated in the run-up to the elections to be held in March 2022. All employees can follow what is going on at APG by reading the agendas and reports that are published on the Works Council's Intranet site.

Reorganizations are announced in a timely way through monthly updates. This ensures that the Works Council is briefed proactively and can make the necessary preparations to fulfill its role. The method of reorganization applied at APG was also evaluated last year. An internal audit of issues such as pension administration provided "learning points" that will be incorporated in a new reorganization plan. This was coordinated with both the labor unions and the Works Council.

Due to COVID-19, the meetings with the Works Council were primarily held online. Contact with the Works Council took place in an open and critically constructive atmosphere.

Chapter 4

How we run our organization



Corporate Governance

APG wants to be a trusted guide and reliable partner for all its stakeholders. This requires good governance and ethical business practices.

Corporate Governance Code

APG Group NV complies with the applicable laws and regulations and regulatory guidelines. In addition, we voluntarily adhere to the principles and best practice provisions of the Dutch Corporate Governance Code (hereafter: the “Code”) in respect of our role and responsibilities as pension administrator. We fully comply with the Code. For those elements of this annual report to which we cannot apply the principles and best practices, we explain why. For more information, please refer to the information about the [Corporate Governance Code](#) at website [APG.nl](#).

Executive Board

The members of the Executive Board are jointly responsible for the day-to-day management, strategy, results - including short-term and long-term value creation for clients -, and for the sustainability performance of APG and its affiliates. The Executive Board is also responsible for compliance with all relevant legislation and regulations, risk management, and the company’s funding. The various key areas (portfolios) are divided among the members of the Executive Board. The Executive Board renders account to the Supervisory Board and the shareholders.

Each calendar quarter, the Executive Board reviews APG’s business performance, together with the heads of the various departments. On these occasions, they also look ahead to the implementation of the strategy.

The Executive Board is furthermore assisted, both at business unit and at group level, by risk committees. The risk committee at group level consists of the members of the Executive Board, the general counsel, the secretary, and the managers of the Group Risk & Compliance and Group Internal Audit departments. This risk committee meets at least four times a year.

The Executive Board receives support from sub-boards that each has its own focus area. For example, the Portfolio Board deals with the use of scarce resources for change initiatives within APG that help us achieve our strategic goals. The IT Board focuses on ensuring a controlled, safe, flexible, and future-proof IT landscape. Finally, the Data Board focuses on data management.

Composition

On March 1, 2021, our former CFRO Annette Mosman, a member of the Executive Board since 2018, succeeded Gerard van Olphen as Chief Executive Officer and Chair of the Management Board.

In 2021, Francine Roelofsen-van Dierendonck became portfolio holder of Participants and Employers Services & Fund Operations. She was previously responsible for Fund Operations on an interim basis. Ronald Wuijster continued to be responsible for APG Asset Management and HR. His portfolio has been expanded to include Facility Services. Since March 3, 2021, the position of CFRO has been temporarily held by Jan Nijland. This position is expected to be filled in 2022.

At the end of 2021, the Executive Board consisted of two women and three men, in line with the target ratio of the relevant Dutch legislation on a balanced allocation of seats on executive boards and supervisory boards.

A comprehensive overview of the allocation of portfolios within the Executive Board can be found in the section Personal details of the Executive Board members.

Supervisory Board

The Supervisory Board oversees the management and activities of the Executive Board. The Supervisory Board assists the Executive Board with advice, focusing on the group's interests and long-term value creation. The Board mainly concerns itself with shareholders relations, achieving objectives, internal risk management and control systems, financial reporting, compliance, cybersecurity, corporate governance, personnel trends, effective and efficient conduct of the business, APG's reputation, corporate culture, sustainability, diversity, and the performance of the tasks by these two Boards. The Supervisory Board also oversees the implementation of APG's general remuneration policy. The Supervisory Board has two committees: the Audit and Risk Committee and the Remuneration and Selection Committee.

The Supervisory Board plays a key role in the appointment and dismissal of members of the Executive and Supervisory Board. The Supervisory Board draws up the job profile, selects, and prepares the appointments. As the Executive Board's employer, it submits proposals to the shareholders for the remuneration policy for the Executive Board. It does so with due regard to the principles of a managed remuneration policy laid down in the relevant legislation and regulations. The formal authority to appoint and dismiss members of the Executive and Supervisory Board and to decide their remuneration rests with the general meeting of shareholders.

At year-end 2021, the Supervisory Board consisted of three women and two men, in line with the target ratio of the relevant Dutch legislation on gender balance.

APG Group NV has two shareholders: Stichting Pensioenfonds ABP (92.16%) and Stichting Sociaal Fonds Bouwnijverheid (7.84%). The Supervisory Board regularly consulted with the shareholders during the financial year, on topics ranging from appointments and reappointments of members of the Management and Supervisory Boards, shareholder relations, and the progress made on implementing the APG strategy 2025.

Ethical business practices

We are aware that, as the largest pension administrator and leading asset management company in the Netherlands, we play an important role in society, since we contribute to the financial welfare of a large number of households in the Netherlands. This is why we believe it is crucial to conduct ethical business practices. This applies both to the activities of APG as an organization and to the activities of each individual employee. Consequently, we set great store by the principles of trustworthiness, prudence, and integrity.

Code of Conduct

To ensure that we conduct our business ethically, we revised our Code of Conduct. Our Code of Conduct is a guideline, our compass, for who we are and who we want to be, and for what we stand for. We uphold six core values in this regard: We connect, we impact our clients, we make difficult things easy, we continuously improve, we affect each other, and we are not wasteful. The new Code of Conduct provides guiding principles for our entire conduct at APG, as well as for our interactions with each other, our clients, shareholders, suppliers, regulators, and society as a whole.

These core values and behavioral principles form part of the strategy. We regularly bring them to people's attention. For instance, in meetings between the Executive Board, management and staff. We also draw attention to them through publications on the Intranet and in e-learning. Each year, employees are asked to sign a compliance statement, essentially a confirmation that they have complied with the Code of Conduct during the past year. Compliance is furthermore monitored by testing private investment transactions, exterior activities, invitations, and gifts against the standards of the [Code of Conduct](#) and Staff Integrity Policy.

The Code of Conduct applies to anyone who holds a temporary or long-term position at APG: staff, managers and supervisory directors. To certain key areas specific rules may apply, in addition to the Code of Conduct. One example of this is the Staff Integrity Policy. For staff working in New York and Hong Kong, the code of conduct has been modified to reflect the local situation, in order to comply with local legislation and regulations.

The Staff Integrity Policy contains various rules, including rules about handling information with care; contacts with suppliers and outsourcing; conflicts of interest; exterior activities; gifts; invitations; insider trading; and market abuse. These rules are drawn from such sources as the Dutch Financial Supervision Act, the GDPR (the General Data Protection Regulation), the Dutch Pensions Act, and anticorruption legislation.

We believe it important to have a simple procedure in place for employees to report suspected abuse or irregularities. This is why we have appointed confidential counsellors and set up a Whistleblower Channel through which abuse may be reported anonymously. This is open to all divisions of APG's business, both in the Netherlands and abroad. The Chief Executive Officer and Chief Compliance Officer are immediately notified of any abuse or suspicion of abuse. If there is a suspicion of material abuse the chair of the Supervisory Board is notified too. Cases of abuse or irregularities involving a member of the Executive Board may be reported directly to the chair of the Supervisory Board.

Sustainability governance

Under the Corporate Governance Code, the Executive Board is responsible for the social aspects of APG's business.

The Sustainability Board set up for this purpose consists of the chair of the Executive Board, heads of business unit managers, and staff directors. The Sustainability Board implements our sustainability goals: "We want to create a future in which prosperity and well-being are sustainably shared." This aim is achieved by our business units by developing plans and carrying out activities. The Sustainability Board periodically discusses the reported results. In 2021, the Board met four times. A Sustainability office supports the business units by facilitating and coordinating the desired developments.

External supervision

DNB, the Dutch Central Bank is legally responsible for regulating pension funds, not the administrators of pension funds. Since pension funds have outsourced many operational processes to pension administration such as APG, these parties are increasingly regulated by DNB. APG consults with DNB about organizing the supervision of pension administrators. APG Asset Management (APG AM) manages assets for four pension fund clients. APG AM does this both on a collective basis, by managing investment plans, and on an individual basis by managing so-called “segregated accounts.” APG AM has been accredited for these activities by the Dutch Authority for the Financial Markets AFM and falls under AFM’s AIFMD and MIFID supervision. At the same time, DNB exercises prudential oversight over APG AM’s collective and individual asset management. As regards solvency and liquidity requirements, APG AM follows the ICLAAP.

Stichting Pensioenfond ABP, which is both a shareholder and a client of APG, is a pension fund that is regulated by DNB, as are the other pension funds that are our clients. Among other things, the outsourcing of pension administration services to APG is regulated.

Horizontal monitoring

APG attaches great importance to having an open and honest relationship with the Dutch tax authorities. Our collaboration with the Dutch tax authorities is based on transparency, understanding, and trust. We were informed by the Dutch tax authorities that it trusts our fiscal risk management. In 2021, we further improved our existing Tax Control Framework. Based on this and on the trust that the Dutch tax authorities place in us, we concluded a new Horizontal Monitoring covenant with the tax authorities in December 2021. This new covenant is based on the stricter criteria published by the Dutch tax authorities in 2021.

Responsible fiscal policy on investments

Dutch pension funds operate in a complex international environment, one in which both current regulations and generally applicable principles of international tax law (including OECD) must be complied with. APG understands the value of (international) initiatives aimed at achieving greater balance in taxation and at combating tax avoidance. In this regard, we find that the position of pension funds must always be taken into consideration, as well as the basic principle that their investment returns are usually exempt from taxation. Together with our clients, we proactively pursue a responsible fiscal policy in respect of the investments that we manage for our clients. We help our clients to develop a fiscal investment policy, which we then integrate into the existing investment processes.

Eight principles for fiscal policy

The aim of the Tax Function is to help achieve APG's strategy in the following three main areas: risk management, compliance, and value creation. We act transparently towards both stakeholders and regulators. We comply with all national and international tax legislation and regulations (in terms of both the letter and the spirit of the law). As part of risk management, we identify and evaluate fiscal risks and take appropriate control measures. Finally, APG's fiscal strategy is aimed at creating value through fiscally responsible behavior. We achieve this by utilizing fiscal options within the scope of legislation and regulations and the fiscal policy pursued by APG and its clients.

In 2021, we adopted a new fiscal policy, in the form of eight principles that reflect APG's fiscal conduct:

1. We comply with legislation and regulations, both the letter and the spirit.
2. We take into consideration the tax position of our clients.
3. We adopt fiscally responsible and sustainable tax positions.
4. We are transparent toward our stakeholders.
5. Taxation is part of our responsible investment policy.
6. We enter into dialogues with stakeholders, including the companies we invest in.
7. We are guided by international tax initiatives.
8. We apply robust tax governance (fiscal risk management).

Risk management

We identify and control risks comprehensively, taking into account both financial and societal values.

APG Integrated Risk Management

APG's Integrated Risk Management (AIR) comprises risk governance and policy, the risk culture, the risk appetite, the risk management process (supported by the risk and control framework), and risk reporting.



Risk governance and policy

The roles and responsibilities for managing and controlling risks are based on the generally accepted “Three lines” model. The risk committees of the business units and the Executive Board, as well as the Supervisory Board’s Audit and Risk Committee, see to it that overall integrated responsibility for risk management is assured and incorporated in the business plan cycle.

In 2021, the Risk and Compliance Policy frameworks were updated. APG wants to control its risks within these frameworks. They guide the business units and staff departments, within the limits of their own responsibility, in incorporating risk management in their regular business operations. Such frameworks have for instance been created for the risk taxonomy. Risk taxonomy comprises five risk categories. Each category sets out the principal risks associated

with APC's activities and is in line with the regulations set by the regulators. This is common practice in the pension industry. The risk taxonomy is updated every year. Furthermore, frameworks are prepared for controlling the various risk categories and implementing the risk management process.

Risk culture

A sound and effective risk management depends above all on promoting a culture of risk awareness. This includes using our risk appetite to weigh opportunities against risks as part of the day-to-day activities at all levels of the organization. Within the frameworks and this risk culture, attention is also paid to reporting and detecting possible cases of fraud. For example, within APC's incident procedure, fraud as a source of an incident is taken into account. There is a regulation for reporting abuses anonymously and we operate a fraud desk where further investigation into possible cases of fraud takes place.

Risk appetite

Risk appetite is the degree and type of risk that APC is prepared to accept in the pursuit of its strategic objectives and associated value creation. It specifies where opportunities can be seized, but also the required degree of risk mitigation in case of unwanted risks.

The Executive Board defines the strategic risk appetite for seven elements that are affected by risk: continuity; reputation; relationships; solvency; integrity; services, and customer satisfaction. Aside from that, the risk appetite is also defined for each risk arising from the risk taxonomy. This is referred to as "tactical risk appetite."

Risk management process

The risk management process allows us to monitor the development of the risk profile relative to our risk appetite and, where necessary, to avoid or mitigate risks more effectively. This continuous process involves identifying, evaluating, controlling, and monitoring risks. The second-line risk management and compliance functions play an independent and critically challenging role in the risk management process.

In this context, changes in legislation and regulations are also looked at periodically in advance. Compliance indicates these changes in its compliance report. It is the responsibility of the business units to incorporate these changes in laws and regulations into processes and control measures. The risk and control framework helps us make to ensure that we stick to our desired risk profile: we do not take unnecessary or unwanted risks. It also gives us insight into the effectiveness of our critical control measures. We take appropriate measures if necessary.

Risk reporting

We continuously monitor risks in five risk categories: strategic risk; operational risk; reporting risk; compliance risk, and financial reporting risk. Each year APC updates a set of sub-risks within these risk categories. These arise from external developments and APC's strategy and operations. Each calendar quarter, we report on the current risk profile to APC's risk committee and to the Audit and Risk Committee of the Supervisory Board.

As part of the operational risk control process, we must be demonstrably "in control," both internally (corporate) and externally (on behalf of the pension funds). APC prepares reports on these matters in conformity with the ISAE 3402 and 3000A standards. The reports on pension management and asset management processes are intended for the eight pension funds for which we work, among others.

In 2021, APC's risk exposure remained within the established tolerance limits. In a number of areas, there were increased risks.

Below, we will discuss the principal risks that occurred in 2021, for each of the principal groups of major stakeholders.

Risk management - general

Although, just as in 2020, APG had been faced with the consequences of COVID-19, this did not adversely impact our operations. Anticipated risks did not materialize. In early 2021, the risk analysis method was reviewed. However, this did not lead to materially different insights. Our stakeholders (pension funds and regulators) were notified of the developments and the identified risks. Based on our risk analysis and the above review, we consider the following risks as the most significant:

Information Risk Management

To gain access to organizations, cybercriminals are launching phishing campaigns in ever-growing numbers. They increasingly use social engineering techniques for this, for example by installing ransomware. These programs are specifically designed to tempt e-mail users to click on URLs. These URLs look legitimate, but are in fact malicious. Via a variety of awareness campaigns we continuously make all employees aware of this risk. They also take training courses in compliance and cybersecurity.

Furthermore, it has recently become clear that cybercriminals take advantage of vulnerabilities in software components to gain access to organizations' information systems. We have responded pro-actively against these practices as well and have implemented measures to limit the effects and mitigate the risks. Nevertheless, the cybersecurity risk continues to be real.

Employees

From the start of the COVID-19 pandemic, sickness absenteeism among our staff showed a downward trend. However, this downward trend was not sustained as the crisis continued. We are aware of the adverse impact that COVID-19 is having on our staff. Working from home also impacts social contacts. Remote working can furthermore create feelings of loneliness. This is something that has our attention. It is also important that new hires are fully inducted into the APG culture, so that they are imbued with the norms and key strategic values that we stand for.

Risk management - clients

Both APG and its clients realize that our organization must be in control and that the principal risks are managed properly. To this end APG has set up the Three lines of defense (3LoD) model. This model is used to organize our processes in such a way that we are demonstrably "in control." With respect to the administration of pensions this model has shown that our primary processes, and the monitoring and control measures they contain, need to be reinforced. This was confirmed in 2019 by DNB, the Dutch central bank, following an audit. We are hard at work making these improvements. In 2021, risk analyses were carried out for the primary pension administration processes. For most of these processes these analyses were completed in 2021.

The 3LoD model also produced findings concerning the functioning of monitoring and control measures that had already been implemented within APG. This relates to findings about the monitoring of work in progress and mandatory pension communications, from analyses of alignments and improbabilities, as well as findings relating to the incorrect or late execution of (dual control and other) checks and inadequate control measures for the timely revocation of authorizations. All the findings were analyzed, with the outcome being that these findings regarding the control measures have not led to systematically defective or unauthorized processing in our records or to activities being carried out late. Action was taken to define the control measures more strictly and logically and to monitor them, in order to prevent repetition.

In order to give our clients independent assurances about the organization and operation of our monitoring and control measures, we issue Standard 3402 and Standard 3000A reports about the services for pension management and asset management. The external auditor publishes these assurance reports. The findings from the 3LoD process have led the external auditor to issue a qualified opinion for 2021 with respect to APG's Standard 3402 and Standard 3000A reports.

The turbulent global economy and the developments in the financial markets have led to an ongoing high demand from our clients for one-off analyses. This trend is reinforced by the current developments in the Dutch pension industry. In order to be able to make careful decisions, our clients require well-founded advice from us. To satisfy this need, which is complementary to the standard services we provide to the pension funds, we filled a number of vacant positions.

The implementation of the pension agreement signed by the Dutch government with the social partners in 2021 has been delayed. As noted earlier in this Report, the Pension of the Future program is looking into all associated aspects and risks. In future, we expect participants to be given more insight in their pension accrual. To do this, their basic data needs to be up to date. The risk posed by overdue changes is that the quality of the data does not satisfy APG's standards. This can have consequences for the pension benefits. We have taken various control measures to prevent this. In 2021, we worked on improving the quality of the data, on data governance and on the accompanying risk management, and digitalized processes.

Since January 13, 2019, pension funds are required by law to notify DNB of all activities outsourced to third parties. In 2021, the regulator conducted an investigation into outsourcing by APG. Further to this investigation, initiatives have been taken to get a better grip on this process. This will ensure that the outsourcing risk is controlled and that the continuity, integrity and quality of our services are not adversely impacted by issues relating to outsourcing.

APG processes personal data on a large scale, both for its clients and as employer. We attach great value to the lawful, appropriate, and transparent processing and protection of personal data. There is a risk that we do not sufficiently demonstrably comply with privacy laws and regulations, in particular the General Data Protection Regulation (GDPR). It is taking longer than expected to fully implement the improvement points that APG had identified. This applies in particular to demonstrating that privacy-related control measures have been implemented.

Risk management - employees

Having robust and agile HR is a prerequisite for achieving our strategy for 2025. The Strategic Workforce Planning carried out in 2021 supports establishing competencies - e.g., participant focus and digitalization - needed to achieve the objectives for 2025. There is still a risk that the composition of the workforce is not a good fit with this strategy. Labor market scarcity makes it difficult for APG (and others) to recruit talent.

To meet the changing demand for competencies, APG has initiated a number of HR-related improvement programs and initiatives. Leadership development is taking place at various levels and several programs are being offered that enable employees and managers to develop themselves further. This should enable us to create the necessary capabilities, competencies, and changes in the workforce. COVID-19 forced APG to focus even more on the labor situation. Being a Great Place to Work continues to be an important and clearly defined objective for APG.

Risk management - society

Vanuit het perspectief van risicomanagement blijft het beheersen van het politiek risico en het reputatierisico van groot belang voor APG. De inhoud van het publieke debat wordt gevoed door hoe het nieuwe pensioenstelsel wordt ingevuld. We volgen de ontwikkelingen op dit gebied. Om het reputatierisico inzichtelijk te maken meten we de reputatiescore van APG. De score laat een stabiel positief beeld zien. De reputatiescore van onze grootste klant vertoonde een dalende trend. Dit werd veroorzaakt door diverse onderwerpen die de publiciteit trokken.

Risk management - shareholders

From the point of view of risk management, managing the political and reputational risks continues to be essential for APG. The public debate in this area is largely driven by the way in which the new pension system will be implemented. We are closely following the developments in this respect.

To gain insight into our reputational risk, we measure our reputation score. This score is both stable and positive. The reputation score of our most important client is declining, due to a number of issues that have attracted publicity.

APG has a positive solvency position. The risk that pension funds find themselves in a dire position, for instance because pension contributions remain unpaid or are not paid in time, has not materialized. This means that it has not impacted our services or financial result.

In 2021, we took further steps to turn the strategic plan 2021-2025 into specific strategic initiatives. To realize these strategic initiatives within the intended period, we adopted a Strategic Implementation Plan. Given the limited resources and the major strain that these initiatives make on the available capacity, it is essential to focus on the right areas. Therefore, choices have been made. For 2022, our priorities are a smoothly managed pension administration, the transition to the Pension of the Future, and continuing on the path of making APG a leading investor.

Financial reporting risks

APG's risk management and control systems provide a reasonable degree of certainty that APG's annual report does not contain any material misstatements. Their functioning is evaluated continually throughout the year. On the basis of these results, the Executive Board has declared that there are no material risks or uncertainties that may impact the "going concern" expectation for APG. See also the In Control Statement in the next paragraph.

In Control Statement

As Executive Board of APG Group NV, we are responsible for setting up, implementing, and operating the internal risk management and control systems. Aim of the internal risk management and control systems is to manage the strategic, financial, operational, compliance, and financial reporting risks associated when achieving our objectives. In the previous risk paragraph we have explained our principal risks, our internal risk management and control systems, and any possible shortcomings.

While the internal risk management and control systems were set up on the basis of internationally accepted and applied standards, they cannot provide absolute certainty that the financial reporting contains no material misstatements, nor that the systems will prevent all errors, incidents of fraud, or non-compliance with the relevant legislation and regulations. The material risks and control measures have been identified and recorded in APG's integrated risk framework. APG's Executive Board monitors the effectiveness of the internal risk management and control systems and at least once a year systematically reviews the structure

and effectiveness of the risk management and control systems. This review covers all material measures aimed at controlling strategic, operational, financial, compliance and reporting risks. This review considers, among other things, any identified weaknesses, wrongdoing and irregularities, concerns raised by whistleblowers, and findings of the internal audit function and external auditor. Where necessary, improvements have been made to the internal risk management and control systems.

Statement of the Executive Board of APG Group NV

The Executive Board of APG Group NV declares that:

- APG Group NV's annual report provides insight into the principal shortcomings in the internal risk management and control systems;
- any improvements, both made and anticipated, have been explained;
- the risk management and control systems provide a reasonable degree of assurance that the APG Group NV annual report does not contain any material misstatements;
- the APG Group NV annual report has been prepared based on the "going concern" principle;
- there were no material risks or uncertainties relevant to APG Group NV's going concern assumption for a period of 12 months from the preparation of the APG Group NV annual report.

Information of the members of the Executive Board

At the end of 2021, the Executive Board consisted of two women and two men.



Annette Mosman (1967, Dutch nationality) has been chair of the Executive Board since March 1, 2021. Annette's portfolio contains: Policy, Strategy & Change, Pension of the Future (PvS), IT, Communication, Public Affairs, General Counsel/Corporate Affairs and Group Internal Audit.

Annette has extensive management experience in the financial sector. Until March 1, she was CFRO of APG. Before then, she was chair of the Executive Board of Generali Nederland, an insurance company.

Other positions:

- Board member and treasurer, NOC*NSF Association
- Supervisory Board member and chair of the Audit Committee and Investment Committee, Dutch Cancer Society KWF (until May 1, 2021)
- Supervisory Board and Audit Committee member, Jeroen Bosch Hospital Foundation (until December 31, 2021)
- Board member, TBI Foundation
- Supervisory Board member, Ajax NV
- Supervisory Board member, Netspar Foundation

First appointment to the Executive Board: February 6, 2018. Appointed as chair: March 1, 2021



Francine Roelofsen-van Dierendonck (1976, Dutch nationality) is a member of the Executive Board. Francine's portfolio contains: Participant and Employer Services and Fund operations (DWS & FB).

Francine has extensive experience in leading major and complex operations, and has expertise in digital and other transformations, which she gained at various consumer-oriented organizations. Before joining APG, Francine was the general manager of the Xenos retail chain.

Other positions:

- Supervisory board member and chair, RemCo Royal Haskoning/DHV

First appointment to the Executive Board: November 1, 2018



Ronald Wuijster (1966, Dutch nationality) is member of the Executive Board. His portfolio contains: APG Asset Management, Human Resources and Facility Services. He also chairs the Executive Board of APG Asset Management N.V.

Joining APG in 2006, Ronald has vast asset management-related technical skills, is very knowledgeable about all facets of the AM business and has extensive investment experience relevant for APG's investment strategy and that of its clients.

Other positions:

- Chair of Dufas Association
- Executive Board member, FCLTGlobal
- President of the WEF Biodiversity initiative Davos
- Board member, UN Global Initiative on Sustainable Development
- President of the juniors' committee of the Apeldoorn Mixed Hockey Club

First appointment to the Executive Board: March 6, 2018. Reappointed: March 1, 2022.



Jan Nijland (1960, Dutch nationality) was appointed on March 3, 2021 as CFRO on an interim basis. His portfolio contains: Finance, Risk & Compliance and Tax.

Other positions:

- Supervisory board member, Pension Fund for KLM flying personnel
- Supervisory Board member, KLM general pension fund

For more information about the members of the Executive Board, please refer to:

apg.nl/en/about-apg/

Resigned as chair of the Executive Board as of March 1, 2021:

Gerard van Olphen (1962, Dutch nationality).

Other positions as of March 1, 2021

- Supervisory Board member, Dutch Heart Foundation
- Supervisory Board member, Netspar Foundation
- Supervisory Board member, ASR Nederland NV

Information of the members of the Supervisory Board

At the end of 2021, the Supervisory Board consisted of two women and two men.



Pieter Jongstra

(1956, Dutch nationality)

Chairman

Other relevant positions:

- Supervisory Board chair, CZ (from January 1, 2022)
- Supervisory Board member, Mazars Holding NV
- Board member and treasurer, Stichting Ondersteuning Nederlandse Bachvereniging

First appointment to the Supervisory Board: February 4, 2015. Reappointed: February 4, 2019.

Term of appointment: 4 years.

**Dick van Well**

(1948, Dutch nationality)

Vice-Chairman

Other relevant positions:

- Supervisory Board member, Dura Vermeergroep NV
- Supervisory Board member, Avenue Beheer BV
- Advisory Board member, LSI Projectinvestment NV
- Independent Chairman, Stichting Administratiekantoor PPF Participatie Fonds
- Board member, Nationaal Programma Rotterdam Zuid
- Director, Stichting Continuïteit Feyenoord

First appointment to the Supervisory Board: November 14, 2016. Reappointment: November 14, 2020. Term of appointment: 4 years.



José Meijer

(1955, Dutch nationality)

Other relevant positions:

- Chairman of the Partij van de Arbeid in Weert and surrounding area (political party)
- Steering committee member, IMVB covenant of the Pensioenfederatie
- Chairwoman, Stichting Zelfregulering Pensioenfondsen (until October 1, 2021)
- Interim chair of the Dutch Pension Federation (until October 1, 2021)
- Member, FNV pension team (until July 16, 2021)
- Committee on Workers' Capital, worldwide network of Union Officials, chair of the Trustee Leadership (until July 16, 2021)

First appointment to the Supervisory Board: September 5, 2020. Term of appointment: 4 years.



Sarah Russell

(1962, Australian nationality)

Other relevant positions:

- Supervisory Board member (and chair of the Audit Committee), The Currency Exchange Fund
- Supervisory Board member, Nordea Bank Abp
- Supervisory Board member, Ostrum Asset Management
- Supervisory Board member, APG Asset Management NV

First appointment to the Supervisory Board: May 15, 2021. Term of appointment: 4 years.



Claudia Zuiderwijk

(1962, Dutch nationality)

Other relevant positions:

- Chairman of the Executive Board, Amsterdam Public Transport Company GVB
- Supervisory Board member, Royal KPN NV
- Ambassador, NEMO Science Museum Center, Amsterdam
- Policy Board member International Association of Public Transport (UITP)
- NL Groeit Mentor

First appointment to the Supervisory Board: July 27, 2015. Reappointment: July 27, 2019. Term of appointment: 4 years.

Supervisory Board members who resigned in 2021:

Maes van Lanschot (1952, Dutch nationality), resigned on May 15, 2021.

Other relevant positions as of May 15, 2021:

- Chief Financial Officer TropiQ Health Sciences BV
- General Manager Landgoed Zwijnsbergen BV

Roger van Boxtel (1954, Dutch nationality), resigned on April 1, 2021.

Other relevant positions as of April 1, 2021:

- Chairman of the Executive Board, De Fundatie Museum
- Chairman of the Executive Board, Amsterdam Sinfonietta
- Member, General Assembly Ajax

Amsterdam/Heerlen, March 8, 2022

The Executive Board:

Annette Mosman, chair

Francine Roelofsen - van Dierendonck

Ronald Wuijster

Jan Nijland a.i.

Chapter 5

Supervisory Board Report



A challenging year

Although COVID-19 forced all staff and members of the Management and Supervisory Boards to mainly work from home, every aspect of the pension administration and asset management activities nevertheless continued unabated.

At the same time, the organization continued its preparations for the major changes that will take place in the Dutch pension system in the next few years. These changes will pose major challenges for the APG organization. APG wants to offer its clients - the pension funds - appropriate and high-quality services at a competitive price under the new system too, and their participants as many income years as possible, all this while conducting a socially responsible asset management.

Pension of the Future

The changes in the pension system for which APG is preparing will lead to major and complex changes in pension provision and administration. These changes must be implemented within in a brief period of time, which will demand a great deal of extra work. For example, large volumes of data concerning individual pension rights will have to be carefully checked and where necessary shifted, to be able to enter the correct participant data in a new policy and capital administration system. In addition, certain regulations will be simplified.

The Supervisory Board is aware that the change to a new system will have a major impact on the participants' pensions and on their feelings about this. This is why the Board is keeping a close eye on the developments and on the steps that APG is taking during the change process. Clear communication is needed to remove potential uncertainty on the part of the participants. Fortunately, APG can draw on the extensive knowledge and experience available in its own organization to steer the change process.

It is inspiring to be preparing for the future. Behind the scenes, “renovating the store while remaining open for business” means both extra work and a great deal of adjustment on the part of both the organization and the staff. Among other things, new knowledge and skills must be acquired. Furthermore, in a market beset by labor shortages, employees with specific competencies must be recruited, who will need time to find their place within the organization. These challenges require the full support of HR, both the staff and the managers, especially in these times defined by COVID-19. It is a time in which the bond between APG and its new hires and existing employees manifests itself in different ways. This is why this issue has the particular attention of the Board.

In 2021, both providing the day-to-day services and preparing for the significant changes in the pension system were recurrent themes discussed by the Supervisory Board and its committees, as well as the subject of scheduled consultations with shareholders and the Works Council. In addition, the Board received regular updates on the change process during separately scheduled strategy sessions.

The Supervisory Board was appointed by the shareholders of APG (ABP and SFB). It is tasked, among other things, with safeguarding the organization's continuity. The Supervisory Board does this for instance by supervising and advising the Executive Board, and by liaising regularly

with the Works Council. Although the day-to-day management of APG is charged to the Executive Board, the members of the Supervisory Board are very much involved and maintain regular contact with the various APG departments and employees.

Important focus points in 2021

Apart from supervising the proper execution of the day-to-day services and the complex preparation for a new pension system described above, the Supervisory Board also dealt with a number of other specific matters in 2021.

Composition of the Executive Board

The Supervisory Board is pleased to announce that a highly suitable candidate to succeed chair of the Executive Board Gerard van Olphen was found within APG's own organization, in the person of Annette Mosman. At the Board's request, Jan Nijland, Director of Group Risk & Compliance, will take up the position of CFRO from March 3, 2021, which was previously held by Annette Mosman. Preparations have begun to select a permanent CFRO. The Supervisory Board furthermore prepared the reappointment of Ronald Wuijster as member of the Executive Board as of March 1, 2022.

Implementation of the strategy 2021-2025

From the beginning, the Supervisory Board has been involved by the Executive Board in the strategy for 2025. This process has resulted in drawing up a strategic road map for 2021-2025, whose ultimate goal is to "maximize pension value".

The Board was also closely involved in the process of implementing this strategy. The Board was informed both about the general progress and about specific issues, such as developments in the political arena in respect of pension legislation, the progress made on the implementation within the APG business units, the role played by IT in facilitating the digital transformation, and issues relating to information security.

In discussions with the Board about the strategy, issues such as implementing the strategic direction of the organization, the speed of implementation, the setting of priorities, the recruiting of sufficient staff, and expectation management for APG's stakeholders were addressed, as well as APG's future cost structure in a more competitive market. Although APG is well on track, it is a major challenge to find the staff it needs to implement the strategy on time. In this regard, the Supervisory Board has focused on strategic personnel planning, succession management, staff development, APG's corporate culture, and diversity.

In 2021, the Executive Board devoted ample time to clarifying and prioritizing the ambitious strategic road map. It did so for instance by organizing several staff meetings, something that was much appreciated by APG's staff. The Supervisory Board heartily supports these initiatives.

Performance management

Each calendar quarter, the Executive Board reports to the Supervisory Board on the performance of APG and its business units. In 2021, the financial performance was ahead of schedule. Furthermore, excellent progress was made in achieving non-financial goals, including those relating to strategy, customer satisfaction, and sustainability. In addition to the quarterly updates, the Supervisory Board focused on the preparation of the annual accounts for 2020, including the key focus areas identified by the external auditor and the business plan for 2022.

Sustainability is a major strategic consideration

Sustainability, in all its aspects, is a major strategic consideration for APG. Quite apart from APG's intrinsic motivation to "do its bit" to create a better world, corporate social responsibility is becoming an increasingly important issue for clients, participants, and other stakeholders. In 2021, the progress made by APG in this respect continued to be discussed with the Supervisory Board. This concerned both the asset management conducted for clients and "putting one's own house in order" on the way to becoming climate neutral by the year 2030. When it comes to investing with impact as part of asset management, the question of whether to exclude or influence non-sustainable companies was discussed. The Supervisory Board continues to critically monitor and stimulate the progress made in the area of sustainability.

The impact of COVID-19 on APG in 2021

Just as in many other organizations, the adjustments APG was forced to make to its business operations remained in place during the second year of the COVID-19 pandemic as well. The pension administration continues uninterruptedly, remote working by the staff is going well, and customer satisfaction is as high as ever. The challenging timetable set for the change process was adhered to. Even the Supervisory Board is by now completely used to meeting online. The results of surveys of employee engagement and of working from home and from APG's renovated offices were discussed with the Board.

Dialogue with the stakeholders

In the rapidly changing pension industry, it is even more important for APG to maintain a dialogue with its stakeholders. It is vital for APG to communicate clearly with staff, clients, regulators, other APG stakeholders, and the community in which it operates. APG's reputation and how this may be improved were topics of discussion in Board meetings. APG also sets great store by maintaining contact with its clients and shareholders. The Supervisory Board plays an active role in the discussions with shareholders ABP and SFB. In the course of 2021, the principal issues addressed in these discussions were the progress made on APG's strategic goals, socially responsible investment, improving the way in which APG interacts with its clients and shareholders, and the appointments to the Executive Board.

The performance of the Supervisory Board

Throughout 2021, the Supervisory Board cast a critical eye on its own performance, both in terms of the interaction within its own Board and with the Executive Board, the APG organization, and shareholders. The key focus areas identified by the evaluation, including improving the communication with the Executive Board and the quality of the meeting documents, were addressed.

Composition and appointments

As of January 1, 2021, the Supervisory Board consisted of six members, with Pieter Jongstra as chair, Dick van Well as Vice-Chairman, and José Meijer, Claudia Zuiderwijk, Roger van Bortel, and Maes van Lanschot as members.

Roger van Bortel announced that he would resign as member of the Supervisory Board as of 1 April 2021, following a revaluation of his other positions. Roger had been a member of APG's Supervisory Board since 2015. The second and final four-year term of office of Maes van

Lanschot as member of the Supervisory Board ended on May 15, 2021. On that same date, Sarah Russell was appointed as member of the Supervisory Board - with the profile Institutional Asset Management - at APG Group, and as supervisory director of APG Asset Management.

As of December 31, 2021, the Supervisory Board consisted of five members. Its current composition means that APG is more than satisfying the target gender balance ratio of at least 30% women and at least 30% men.

Committees

The Supervisory Board has two committees: the Audit and Risk Committee, and the Remuneration and Selection Committee. These assist the Supervisory Board with its supervisory and advisory tasks. They also prepare the Board's decision making in specific fields. The committees share their findings with the Supervisory Board at every meeting.

Audit and Risk Committee

As of January 1, 2021, the Audit and Risk Committee consisted of Claudia Zuiderwijk (chair), Pieter Jongstra, and Maes van Lanschot. When Maes van Lanschot resigned as Supervisory Board member as of May 15, 2021, he was succeeded in this committee by Sarah Russell.

In 2021, the following issues were discussed, in addition to the normal topics such as next year's business plan and the quarterly reporting on Finance, Risk & Compliance, and Internal Audit: update on IT and information security; fiscal matters; capital policy; update on project "Controlled Pension Administration"; evaluation of the performance of the external auditor; the management letter; the audit report of the external auditor; communication with the regulators. The external auditor attended all meetings of the Audit and Risk Committee. The Audit and Risk Committee meets biannually with both the internal auditor and the external auditor, without the presence of the Executive Board.

The Remuneration and Selection Committee

On January 1, 2021, the Remuneration and Selection Committee ("RemCo") consisted of Dick van Well (chair), José Meijer, and Roger van Bortel. As of April 1, 2021, Roger van Bortel resigned as member of the APG Supervisory Board; his position on the RemCo has not been filled yet.

In the course of 2021, the RemCo addressed the following topics: succession and self-evaluation of the Supervisory Board; the succession, reappointment, allocation of duties and assessment of the Executive Board; strategic personnel planning; fleet review and succession management; work and homeworking policy during the COVID-19 pandemic; the employee engagement survey; the mobility policy; diversity; the collective bargaining agreement; and the remuneration policy. All meetings of the RemCo were attended by the Director of HR.

Meetings

In 2021, the Supervisory Board formally met fourteen times. Almost all meetings were attended by all of its members, and the members of the Executive Board were also invited. The large number of meetings was primarily due to additional meetings held in early 2021 to discuss the composition of the Executive Board. The COVID-19 measures meant that most meetings were held online; the Supervisory met only once in person. Each meeting was followed by a brief evaluation, as part of the drive for continual improvement.

Below, an overview is given of the attendance rate of each Supervisory Board member at the formal meetings of the Supervisory Board and its committees.

| | Supervisory Board | Audit- and Risk Committee | Remuneration and Selection Committee |
|---|-------------------|---------------------------|--------------------------------------|
| Pieter Jongstra | 14/14 | 7/7 | n/a |
| Dick van Well | 14/14 | n/a | 6/6 |
| José Meijer | 12/14 | n/a | 6/6 |
| Claudia Zuiderwijk | 13/14 | 7/7 | n/a |
| Sarah Russell (since May 15th 2021) | 5/6 | 4/4 | n/a |
| Maes van Lanschot (until May 15th 2021) | 7/8 | 3/3 | n/a |
| Roger van Bortel (until April 1st 2021) | 6/6 | n/a | 2/2 |

In addition to its formal meetings, the Supervisory Board met ten more times to discuss specific issues. These included a strategy session and a workshop relating to a specific aspect of the important change process that APG is going through. These were usually attended by the Executive Board as well, and on a number of occasions by shareholder ABP. On November 18, 2021, a session was held for members of the Supervisory Board as part of life-long learning, which focused on sustainability and cybersecurity.

Relationship with the Works Council

José Meijer and Roger van Bortel were delegated by the Supervisory Board to regularly discuss matters with the Works Council. In January and June 2021, this delegation attended a consultative meeting of the Works Council. After Roger van Bortel resigned, these duties were temporarily assumed by Dick van Well.

Topics discussed at meeting between the two Boards included finding a successor to the chairman of the Executive Board; the strategy; the basic principles; the setting of priorities and the progress made on the change process in respect of the new pension system; the capacity for change needed for this among the staff and the effect this has on the workload within the organization; the investment policy in relation to sustainability; the COVID-19 pandemic and the division between homeworking and office working; the results of the employee engagement survey; the remuneration policy and other advisory issues, as well as regular updates about the course of events at APG.

Independence of the Supervisory Board members

The articles of association and rules of procedure of the Supervisory Board contain provisions about the independence of the supervisory board members. The board is composed in such a manner that the supervisory board members can act independently and critically in respect of each other, the Executive Board, and any particular interest whatsoever. All current supervisory board members are completely independent, as defined in the Dutch Governance Code. There were no conflicts of interest in 2021.

Annual report and annual accounts 2021

The Supervisory Board approves the annual report of the Executive Board and the annual accounts for 2021. The Supervisory Board proposes to the shareholders to adopt this report and the annual accounts, and to simultaneously approve the proposed dividend.

A word of thanks

The Supervisory Board wishes to express its thanks to Maes van Lanschot for the knowledge and experience he has contributed to the discussions during the eight years he was a member of the Supervisory Board of APG and APG Asset Management. The Board also thanks Roger van Boxtel for his commitment and valuable contribution during the five years that he was a member of the Board. Furthermore, the Supervisory Board thanks the members of the Management Board and all APG employees who worked with full commitment, despite these difficult times and often from home, to provide the clients and participants with a good pension and to help with the critical process of preparing APG for the new pension system.

Amsterdam/Heerlen, March 8, 2022

The Supervisory Board:

Pieter Jongstra, Chairman

Dick van Well

José Meijer

Sarah Russell

Claudia Zuiderwijk

Financial statements

Het melkmeisje
Johannes Vermeer (1632–1675)
oil on canvas, c. 1667

Gedetailleerd in haar werk schiedt een dinnemilke
meisje in. Behalve de witte melkstraal licht niets te
vergeen. Het afzonderlijke verlichting is de Vermeer
samen tot een melkmeisje schilderij – als een beeld
staat de figure wij in de lichte ruimte. Vermeer had nog
meer een heel licht in de hand van de Vermeer
de voorwerpen spant.

The Milkmaid
Johannes Vermeer (1632–1675)
oil on canvas, c. 1667

A milkmaid pours milk, entirely absorbed in her
work. Except for the stream of milk, everything else
is still. Vermeer took this simple everyday activity and
made it the subject of an impressive painting – the
woman stands like a statue in the brightly lit room.
Vermeer also had an eye for how light by means of
textures of colorful dots plays over the surface
of objects.

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Introduction

In front of you lies the financial statements of APG Group NV, in which we account for the financial year 2021, in accordance with laws and regulations.

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

Consolidated financial statements

Consolidated balance sheet at December 31, 2021

before profit appropriation, in thousands of euros

| | 31-12-2021 | 31-12-2020 |
|---|------------------|------------------|
| ASSETS | | |
| Non-Current Assets | | |
| Intangible assets (1) | 115,590 | 160,546 |
| Property, plant and equipment (2) | 49,968 | 22,744 |
| Financial non-current assets (3) | 47,131 | 48,656 |
| | 212,689 | 231,946 |
| Current assets | | |
| Receivables and prepayments (4) | 282,066 | 304,233 |
| Cash & cash equivalents (5) | 565,536 | 491,684 |
| | 847,602 | 795,917 |
| TOTAL ASSETS | 1,060,291 | 1,027,863 |
| LIABILITIES AND EQUITY | | |
| Equity (6) | | |
| Equity | 636,833 | 631,317 |
| Non-controlling interest | 485 | 496 |
| | 637,318 | 631,813 |
| Provisions (7) | 76,744 | 79,651 |
| Non-current liabilities (8) | 10,911 | 10,911 |
| Current liabilities and accruals (9) | 335,318 | 305,488 |
| TOTAL LIABILITIES & EQUITY | 1,060,291 | 1,027,863 |

Consolidated profit & loss account for 2021

In thousands of euros

| | 2021 | 2020 |
|--|----------------|----------------|
| Net turnover | | |
| Management fees (10) | 851,750 | 741,066 |
| Other operating income (11) | 10,365 | 21,897 |
| Total operating income | 862,115 | 762,963 |
| Costs of outsourced work and other external costs (12) | 133,990 | 107,438 |
| Personnel costs (13) | 434,722 | 424,429 |
| Amortization and depreciation of non-current assets (14) | 53,592 | 54,852 |
| Other operating expenses (15) | 132,388 | 126,260 |
| Total operating expenses | 754,692 | 712,979 |
| Operating profit | 107,423 | 49,984 |
| Interest and similar income (16) | 1,234 | 1,672 |
| Interest and similar expenses (17) | 4,073 | 4,378 |
| Result before taxes | 104,584 | 47,278 |
| Taxes (18) | -24,499 | -4,717 |
| Share of profit/(loss) of associates (19) | -2,253 | -738 |
| Result after taxes | 77,832 | 41,823 |
| Non-controlling interests | 11 | -1 |
| Net result | 77,843 | 41,822 |

Consolidated cashflow statement for 2021

in thousands of euros

| | 2021 | 2020 |
|--|----------------|-----------------|
| OPENING BALANCE OF CASH | | |
| Operating profit | 107,423 | 49,983 |
| Adjustments for: | | |
| - Amortization and depreciation of non-current assets | 53,592 | 54,852 |
| - Transaction result Hyfen | - | -1,454 |
| - Foreign exchange differences | -257 | -1,549 |
| - Changes in working capital: | | |
| - Increase in receivables, prepaid expenses, accrued income, etc. | 11,403 | 7,496 |
| - Increase in current liabilities and accruals, corrected for corporate income tax | 22,559 | -9,766 |
| - Change in provisions | -4,610 | -1,540 |
| Cash flow from business transactions | 190,110 | 98,022 |
| Interest received | 105 | 613 |
| Interest paid | -3,798 | -3,991 |
| Corporate income tax paid | -11,331 | -9,014 |
| CASH FLOW FROM OPERATING ACTIVITIES | 175,086 | 85,630 |
| CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES | | |
| Investments in non-current assets | -30,966 | -9,885 |
| Acquisition of interest in participations | -481 | -600 |
| Redemption of loans | 246 | 1,457 |
| Purchase of securities | -1,851 | -1,874 |
| Sale of securities | 2,081 | 924 |
| Capital contribution in participation | -700 | -300 |
| CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES | -31,671 | -10,278 |
| CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES | | |
| Dividend paid to shareholders | -74,000 | -83,000 |
| Capital reduction paid to share holders | - | -90,000 |
| CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES | -74,000 | -173,000 |
| Net cash flow | 69,415 | -97,648 |
| Price and translation differences on cash & cash equivalents | 4,437 | -3,121 |
| CHANGE IN CASH & CASH EQUIVALENTS | 73,852 | -100,769 |
| Opening balance, cash & cash equivalents | 491,684 | 592,453 |
| Closing balance, cash & cash equivalents | 565,536 | 491,684 |
| CHANGE IN CASH & CASH EQUIVALENTS | 73,852 | -100,769 |

Basis of preparation and accounting policies

Introduction

The consolidated financial statements have been prepared in accordance with the legal provisions of Part 9, Book 2 of the Dutch Civil Code and the firm statements of the Dutch Accounting Standards Board guidelines for Annual Reporting, issued by the Dutch Accounting Standards Board.

Activities

APG Groep NV (APG Group) provides management advice, asset management, pension administration, pension communication and employer services.

Group relationships

The financial statements are based on the legal entities of APG Group. APG Group was founded on February 29, 2008, is registered in the commercial register under number 14099616, and has its registered office at Oude Lindestraat 70, 6411 EJ Heerlen.

APG Groep NV is a company with a two-tier board structure and holds two wholly owned subsidiaries: APG DWS en Fondsenbedrijf NV and APG Asset Management NV. APG Group also has a direct holding of 76 percent in Entis Holding BV. APG Group has a number of indirect equity interests. The complete structure is shown in the list of equity interests. This list is included as part of the [notes to the company financial statements](#).

APG DWS en Fondsenbedrijf

APG DWS en Fondsenbedrijf is responsible for management advice, pension administration and pension communication for APG's principals (pension funds, early retirement funds and social funds) in the public and private sectors. In 2021, APG Service Partners BV was merged with APG DWS en Fondsenbedrijf.

APG Asset Management

APG Asset Management is responsible for asset and fiduciary management and performs advisory activities for its client funds. APG is a long-term pension investor, which therefore needs to have a responsible investment policy. Execution of this policy forms an integral part of the asset management process.

APG Group has two shareholders: Stichting Pensioenfonds ABP (ABP) (92.16%) and Stichting Sociaal Fonds Bouwnijverheid (Stichting SFB) (7.84%).

Going concern

These financial statements have been prepared on a going-concern basis. From a business economic perspective, the Corona risks for the APG organization are small because the service to customers can be fully continued. Moreover, the credit risk of the most important customers is relatively limited and there are often price agreements that are independent of developments in the financial markets.

General

The financial statements relate to the year 2021, ending on December 31, the date of the balance sheet, and have been prepared on the basis of financial reporting principles generally accepted in the Netherlands and the statutory provisions concerning financial statements contained in Title 9, Book 2 of the Dutch Civil Code. Article 2:402 of the Dutch Civil Code was applied for the format of the company profit and loss account. Consequently, in the company-

only profit and loss account only the share in profit/(loss) of investees and other results after deduction of taxes are shown as individual items. All amounts in the financial statements are shown in thousands of euros, unless stated otherwise.

Comparison with the previous year

There have been no changes in the accounting principles with respect to the previous year.

Estimates

Making accounting estimates is unavoidable when preparing the financial statements.

Management estimates mainly relate to goodwill, client contracts and provisions. If there is a change in an estimate, this is mentioned in the note to the section of the heading in the financial statements concerned.

Basis of consolidation

In the consolidated financial statements, equity investments in entities in which APG Group can exercise control over management decisions and financial policy are fully consolidated.

Inter-company transactions and mutual financial obligations are eliminated. The results and identifiable assets and liabilities of newly acquired entities are included in the consolidated financial statements from the date of acquisition. The date of acquisition is the point in time when dominant control can be exercised over the relevant entity. Entities included in the consolidation continue to be consolidated until the time they are sold. Deconsolidation takes place at the time when decisive control is transferred. In that case, the relevant company is presented as a financial non-current asset.

A list of consolidated entities is included as part of the notes to the company financial statements. Joint ventures are not consolidated, but are included under financial non-current assets. Valuation principles of group companies are adjusted where necessary to make them consistent with the applicable accounting principles of APG Group.

Related parties

All entities over which APG Group exercises dominant or joint control, or significant influence, are designated as related parties. Entities that can exercise dominant control over APG Group are also designated as related parties. The statutory members of the Executive Board and the members of the Supervisory Board of APG Group are also designated as related parties.

Recognition

An asset is recognized on the balance sheet when it is probable that the future economic benefits of the asset will flow to the company and the amount of the asset can be measured reliably. A liability is recognized in the balance sheet when it is probable that an outflow of resources will result from its settlement and the amount thereof can be measured reliably.

An asset or liability is no longer recognized in the balance sheet if a transaction results in the transfer of all or virtually all rights to economic benefits or risks in relation to the asset or liability to a third party.

Income is recognized in the profit and loss account when an increase in future economic benefits related to an increase in an asset or a decrease in a liability has arisen that can be measured reliably.

Expenses are recognized when a decrease in future economic benefits is associated with a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Foreign currency translation

Transactions denominated in foreign currencies are, at first recognition, valued in the functional currency through conversion at the spot exchange rate prevailing on the date of the transaction between the functional currency and the foreign currency. Monetary assets and liabilities and non-monetary assets and liabilities denominated in foreign currencies, excluding goodwill, are converted into the functional currency at the rates in force on balance sheet date. Exchange rate differences arising from settlement and conversion are credited or debited to the profit and loss account, unless hedge accounting is applied. Goodwill valued at historical cost in a foreign currency is converted at the exchange rate in force on the transaction date.

Upon consolidation, the balance sheets of group companies prepared in a functional currency other than the euro are converted into euros at the exchange rate in force on balance sheet date. Results in foreign currency are converted at the average exchange rate during the year under review. Currency differences concerning the value of group companies included in the consolidation are recognized in the reserve for conversion differences.

Financial instruments

Financial instruments include investments in equities and bonds, trade and other receivables, cash, loans and other financing liabilities, derivative financial instruments and trade and other payables. The valuation of current receivables and payables is treated in the separate paragraphs.

The following categories of financial instruments are included in the financial statements: marketable securities, fixed-income investments, other investments, other financial liabilities and derivatives.

Financial assets and financial liabilities are recognized on the balance sheet from the moment contractual rights or liabilities arise with regard to that instrument. A financial instrument is no longer recognized on the balance sheet if a transaction results in the transfer of all or virtually all rights to economic benefits or risks in relation to the position to a third party. Financial instruments (and separate components of financial statements) are presented in the consolidated financial statements in accordance with the economic reality of the contractual provisions. Presentation is based on separate components of financial instruments as financial assets, financial liabilities, or equity capital. Financial and non-financial contracts may contain agreements that qualify as derivatives. Such agreements are separated from the basic contract and recognized as derivatives if their economic characteristics and risks are not closely related to the economic characteristics and risks of the basic contract, a separate instrument with the same terms would qualify as a derivative, and the combined instrument is not valued at fair value with recognition of changes of the value in the profit and loss account.

Financial instruments that are not separated from the contracts in which they are incorporated, are recognized in line with the basic contract.

Derivatives that have been separated from the basic contract will be recognized in line with the accounting policy for derivatives to which cost price hedge accounting is not applied, are stated at cost or fair value, whichever is lower.

Derivative financial instruments and hedge accounting

Derivative financial instruments are measured at the lower of cost and market value, unless hedge accounting is applied. APG Group has taken out forward exchange contracts to hedge the currency risk of its foreign subsidiaries' expected future cash outflows in foreign currencies.

These forward exchange contracts are measured at cost, using the hedge accounting method. As long as the hedged item has not yet been recognized in the balance sheet under cost-price hedge accounting, the hedge instrument is not revalued. Any ineffective component of a hedge is recognized in profit and loss as far as this concerns a loss. Internal derivatives relating to back-to-back agreements between APG Group and APG Asset Management are recognized in APG Group's company financial statements at the lower of cost price or market value.

Valuation differences arising in the valuation of the forward exchange contracts designated as hedges of net investment in foreign subsidiaries are recognized directly in equity, in the reserve for conversion differences, to the extent that the hedge is effective. The ineffective component is recognized in profit and loss.

Hedge accounting

When using cost price hedge accounting, the first valuation and the basis for recognizing the hedge instrument on the balance sheet and determining its result depends on the hedged position. If the hedged position is recognized on the balance sheet at cost price, the derivative is also carried at cost price.

If derivative instruments expire or are sold, the cumulative profit or loss until that point, which had not yet been recognized in the profit and loss account, will be included on the balance sheet as an accrued item until the hedged transactions take place. If the transactions are no longer expected to take place at all, the cumulative profit or loss will be transferred to the profit and loss account.

APG Group has documented its hedging strategy in writing. The assessment of whether, when using hedge accounting, the derivative financial instruments are effective in offsetting the currency results of the hedged items is documented in writing using generic documentation. Hedge relationships are terminated if the respective derivative instruments expire or are sold. APG Group will conduct a quantitative effectiveness assessment, as a minimum at each formal reporting moment and upon inception of the hedge.

Risk paragraph

As a pension administrator, APG Group is faced, as regards financial flows and positions, with risks that may influence financial stability. These concern liquidity risk, credit or counterparty risk, concentration risk and interest and exchange rate risk. In order to limit these risks as far as possible APG Group has a policy of risk avoidance, in which preservation of capital takes precedence. Conditions have been established for placing surplus liquidity with external parties and on attracting deposits.

Liquidity risk

APG Groep monitors the liquidity position by means of successive liquidity budgets. Management sees to it that the organization always has sufficient liquidity available to be able to meet its commitments. This is also taken into account of the liquidity requirements imposed by regulators. Temporary surpluses of liquid assets are placed in the money market for a short time, while applying the risk-limiting conditions, with parties with at least an A-rating according to agencies Fitch and Moody's.

Credit risk

Credit risk is defined as the risk that the counterparty to a financial instrument fails to fulfill its obligation, resulting in a financial loss for APG. The credit risk for APG is mainly limited to receivables from customers, group companies, related parties and banks. The receivables from clients are receivables that arise on a monthly basis with regard to the fees that APG receives for

performed activities for asset management and pension administration. These receivables are settled monthly. With regard to banks, APG only uses products for liquidity management which, according to its treasury statutes, are permitted, such as deposits and cash with financial institutions that have at least an A-rating according to rating agencies Fitch and Moody's. The outstanding deposits and cash with banks is spread over various institutions to reduce counterparty risk. The credit risk on forward currency contracts is limited by through the exchange of cash collateral. The company runs a credit risk on loans and receivables included under financial fixed assets, trade and other receivables, cash and cash equivalents and the positive market value of derivative financial instruments. The maximum credit risk run by the company amounts to € 823.1 million per 31-12-2021.

Concentration risk

In the interest of risk diversification for the concentration risk on cash and cash equivalents, APG makes use of multiple financial institutions with at least an A-rating according to rating agencies Fitch and Moody's and strives to hold a maximum of 20 percent within one party.

APG Group also runs a concentration risk if the company is dependent upon the provision of services of one client. APG Group has a concentration risk given the relative importance of the largest client. This risk is mitigated by giving substance to the strategic partnership in continuous dialogue with the biggest client and by means of active stakeholder management.

Interest rate risk

Interest rate risk is the risk that the value of investments may fluctuate due to changes in market interest rates. Since APG Group holds no bonds or equities and has no borrowings or loans at variable interest rates, the interest rate risk is very low.

Currency risk

APG Group has taken out forward exchange contracts to hedge the currency risk of its foreign subsidiaries' expected future cash outflows in foreign currencies. These FX forwards are measured at cost, using the hedge accounting method.

Solvency risk

Capital requirements apply to the asset management activities of subsidiary APG Asset Management NV. These requirements are set out in the Alternative Investment Fund Managers Directive (AIFMD) and the Investment Firm Regulation and Directive (IFR/IFD). This legislation includes rules for calculating the required legal capital and rules for determining the available legal capital. APG Asset Management wants to have sufficient capital available to cover financial damage and losses resulting from the identified risks. In order to assess whether sufficient qualifying capital is available, APG determines the sufficiency using the ICLAAP (Internal Capital and Liquidity Adequacy Assessment Process). With the ICLAAP, APG Asset Management applies, in addition to the required calculations, a risk-based approach to assess the level of required capital. Historical financial data, a future-oriented business plan and scenario analysis are also used to determine whether the required capital is future-proof. During 2021, APG Asset Management has complied with the capital requirements according to the AIFMD as well as the IFR/IFD.

Basis of measurement of assets and liabilities

General

In the notes to the receivables and liabilities to the company financial statements, the figures of 2020 have been adjusted for comparison reasons. These are further breakdowns within the category of current assets and current liabilities.

Non-current assets

Intangible assets (1)

Intangible assets are valued at acquisition or manufacturing cost, net of straight-line amortization. The amortization term is based on the expected useful life. At each balance sheet date an assessment is carried out to determine whether there is any indication that an asset may be subject to a particular reduction in value. If there are indications that the recoverable amount (the greater of value in use and realizable value) is less than the carrying amount, an impairment is recognized in profit and loss and explained in the notes.

Reversals of earlier impairment losses are also recognized in profit and loss. Impairment losses on goodwill are not reversed in subsequent periods.

When a business is acquired, all identifiable assets and liabilities of the business acquired are recognized in the balance sheet at their fair value at acquisition date, except in the case of 'common control' transactions (transactions involving the purchase or sale of equity in group companies), which are recognized at their carrying amounts. The acquisition price consists of the monetary amount or equivalent that has been agreed for the acquisition of the acquired business. Goodwill arising on acquisition is initially recognized as the difference between the acquisition price and the fair value of the identifiable assets and liabilities, or the Group's proportionate share thereof if applicable.

Research costs are recognized in profit and loss. Expenses for development projects are capitalized as part of the manufacturing cost if it is likely that the project will be commercially and technically successful (i.e. if it is likely that economic benefits will be obtained) and the costs can be reliably determined. A statutory reserve for capitalized development costs has been established in equity for the amount capitalized. Amortization of capitalized development costs starts as soon as commercial production has started and takes place over the expected useful life of the asset.

Property, plant and equipment (2)

Property, plant and equipment is valued at acquisition price after deduction of straight-line depreciation or at lower value in use. Assets are depreciated over their expected useful lives, taking account of any residual value. At each balance sheet date an assessment is carried out to determine whether there is any indication that an asset may be subject to a particular reduction in value. If there are indications that the recoverable amount (the greater of value in use and realizable value) is less than the carrying amount, an impairment is recognized in profit and loss and explained in the notes. Reversals of earlier impairment losses are also recognized in profit and loss.

Financial non-current assets (3)

Loans granted are stated at fair value on initial recognition. They are subsequently measured at amortized cost based on the effective interest method. In the absence of premiums/discounts, this is the nominal value.

Equity interests in investees are measured at net asset value. This valuation stops as soon as this net asset value has become zero or lower. If the Group stands surety for all or part of the debts of investees, or there is an actual obligation to provide investees with financial support, a provision is recognized for this. Investees over which APG Group cannot exert any significant influence are shown under financial non-current assets and measured at the lower of acquisition price and market value.

Deferred tax assets, including receivables arising from tax loss carryforwards, are recognized in the balance sheet to the extent that it is likely that there will be future taxable profits against which temporary differences and tax loss carryforwards can be offset. The calculation takes account of tax rates applicable in future years to the extent that these have already been enacted. Recognition is at nominal value.

Financial instruments are initially recognized at fair value, while including premiums/discounts and the directly attributable transactions costs in this first valuation. If, however, financial instruments are subsequently recognized at fair value with value adjustments in the profit and loss account, the directly attributable transaction costs will be recognized in the profit and loss account at initial recognition. After first recognition, financial instruments are valued as described below.

At each balance sheet date an assessment is carried out to determine whether there is any indication that an asset may be subject to a particular reduction in value. If there are indications that the recoverable value of a financial non-current asset is lower than the carrying amount and likely to remain so, a special impairment is recognized and explained in the notes.

Current assets

Receivables and prepayments (4)

Receivables and prepayments are initially recognized at their fair value. They are subsequently valued at amortized cost. This value usually corresponds to the nominal value after deduction of any provision for non-recoverability.

Cash & cash equivalents (5)

Cash & cash equivalents are measured at nominal value.

Group equity (6)

Equity is explained in the notes to the company financial statements.

Provisions (7)

General

Provisions concern liabilities or losses for which it is probable that they will have to be settled or taken, the amount of which can be reliably estimated and can be enforced in law. The size of the provision is determined by estimating the amounts necessary to offset the relevant liabilities and losses per balance sheet date and, insofar as long-term and material, are valued at the present value of the expected future expenditure. The actuarial interest is based on the interest rate at the end of the year of high-quality Dutch corporate bonds, taking into account the remaining term of the provisions.

Personnel-related provisions

Personnel-related provisions, including the restructuring provision, are valued at nominal value. The provision for long-service awards, are stated at the present value of the expected payments during the employment relationship. The calculation of the provision takes into account, among other things, expected salary increases, the likelihood of the employee's remaining with the employer and (pro)rating. The discount rate used is based on the interest rate at the end of the year for investment-grade Dutch corporate bonds, taking into account the remaining duration of the provisions.

Reorganisation provision

The reorganisation provision is nominated at face value. The formation of this reorganisation provision occurs when a detailed plan of the reorganisation has been formalised and has been shared with those involved. Withdrawals from the provision are made at the moment when the relevant expenditures for voluntary leave and redundancy take place.

Provision for onerous contracts

The provision for onerous contracts concerns the negative difference between the expected benefits from the performance to be received by the company after the balance sheet date and the unavoidable costs to meet its obligations. The unavoidable costs are the minimal costs to be incurred to get rid of the agreement, being the lowest of the costs of meeting the obligations on the one hand and the fees or fines for not meeting the obligations on the other hand.

Provision for claims, disputes and lawsuits

A provision for claims, disputes and lawsuits is formed when it is probable that the company will be convicted in a lawsuit. The provision concerns the best estimate of the amount needed to settle the obligation and also includes the litigation costs.

Provision for repair costs

Costs of repair resulting from the installation of an asset are accounted for through the accrual of a provision over the useful life of the asset. Allocations to the provision are charged to the profit and loss account. The height of the provision to be created is the best estimate of the amounts necessary to settle the obligation.

Non-current liabilities (8)

Non-current liabilities are initially recognized at fair value. They are subsequently valued at amortized cost. This value usually corresponds to the nominal value.

Current liabilities and accruals (9)

Current liabilities and accruals are initially recognized at fair value. They are subsequently valued at amortized cost. This value usually corresponds to the nominal value.

Principles for determining results

General

Items in the profit and loss account are largely a function of the valuation principles used in the balance sheet for investments and the provision for insurance liabilities. Both realized and unrealized results are accounted for directly in profit and loss.

Income, expenses, and benefit payments are allocated to the period to which they relate.

Net turnover

Management fees (10)

Fees received from third parties for pension administration activities and asset management, minus any discounts, are allocated to the period to which they relate.

Other operating income (11)

Income from other services provided to third parties is recognized after deduction of any discounts and taxes levied on turnover. Income from services provided is recognized on a percentage completed basis at balance sheet date relative to the total services to be provided.

Operating expenses

Personnel costs (13)

Salaries and social charges are recognized in profit and loss based on the terms of employment insofar as they are payable to employees. Pension schemes are accounted for in accordance with the liabilities method on the basis of the applicable pension agreements; pension contributions due for the financial year are recognized in profit and loss as expense.

Amortization and depreciation of non-current assets (14)

Amortization and depreciation is recognized from first use onwards in proportion to the expected useful life and taking into account any residual value, using the straight-line method.

Other operating expenses (15)

Operating expenses are allocated to the period to which they relate.

Interest and similar income (16)

Interest and similar income is allocated to the reporting year. Where necessary, the effective interest rate of the relevant assets is taken into account. Interest income includes income from checking accounts and deposits.

Interest and similar expenses (17)

Interest and similar expenses are allocated to the reporting year. Where necessary, the effective interest rate of the relevant liabilities is taken into account.

Taxes (18)

Taxes on profit are calculated on the result before taxes in the profit and loss account taking account of any available tax loss carryforwards (insofar as these are not included as part of deferred tax assets) and tax-exempt profit components, and after adding back any non-deductible costs. Temporary differences resulting from differences between accounting and tax valuation are expressed in (the development of) the deferred tax liability or asset.

In addition, changes in deferred tax assets and liabilities arising from changes in the applicable tax rates are taken into account.

Share of profit/(loss) of associates (19)

The result from investees is determined based on the change in the net asset value. This also includes any impairment losses on investees.

Leasing

Lease contracts in which the economic benefits and risks are not substantially transferred to the company as lessee are classified and recognized as operating leases. The lease payments are recognized in profit and loss over the contractual lease period on a straight-line basis, taking into account any compensation received from the lessor.

Principles of preparation of the cash flow statement

The cash flow statement has been drawn up using the indirect method and provides insight into the changes in the balance sheet item Cash and cash equivalents. Cash flows in foreign currency are converted at the average exchange rate.

Notes to the consolidated balance sheet

Non-current assets

Intangible assets (1)

Intangible assets include goodwill calculated upon the acquisition of business activities and equity interests, and the value of the client contracts identified with this acquisition. This item also includes purchased software. Movement in these items was as follows.

| | Goodwill | Client Contracts | Software | Totaal 2021 | Total 2020 |
|--|---------------|------------------|--------------|----------------|----------------|
| Opening balance | 89,096 | 68,207 | 3,243 | 160,546 | 206,185 |
| Investments | 236 | - | 340 | 576 | 931 |
| Divestments | - | - | - | - | - |
| Amortization | -12,459 | -31,480 | -1,593 | -45,532 | -46,570 |
| Closing balance | 76,873 | 36,727 | 1,990 | 115,590 | 160,546 |
| Cumulative acquisition value | 249,542 | 488,325 | 26,503 | 764,370 | 765,557 |
| Cumulative amortization and impairment | -172,669 | -451,598 | -24,513 | -648,780 | -605,011 |
| Carrying amount | 76,873 | 36,727 | 1,990 | 115,590 | 160,546 |
| Amortization percentage | 5-10% | 5-10% | 20-25% | | |

The economic life of intangible assets, with the exception of purchased software, is based on the period over which future economic benefits from underlying long-term contractual agreements are derived. Of the goodwill recognized at year-end 2021, € 76.9 million (2020: €89.1 million) has a remaining useful life of approximately six years. Of the client contracts recognized at year-end 2021, € 36.7 million (2020: €68.2 million) has a remaining economic life of approximately one year.

At year-end 2021, the management had no indication that these assets were subject to any particular impairment.

Software includes intangible assets that have already been fully amortized but are still in use. There are no intangible assets with limited ownership rights and no intangible assets have been provided as security for debts. For the capital expenditure commitments for intangible and tangible fixed assets already entered, we refer to the notes to the off-balance sheet liabilities on page 121.

Property, plant and equipment (2)

Property, plant and equipment comprises the furniture and fittings and data processing equipment.

Movement in these items was as follows.

| | Furniture and fittings | ICT | Totaal 2021 | Total 2020 |
|--|------------------------|---------------|---------------|---------------|
| Opening balance | 13,031 | 9,713 | 22,744 | 22,466 |
| Investments | 29,646 | 4,919 | 34,565 | 9,083 |
| Divestments | -467 | -54 | -521 | - |
| Depreciation | -2,985 | -4,579 | -7,564 | -8,282 |
| Currency impact | 644 | 100 | 744 | -523 |
| Closing balance | 39,869 | 10,099 | 49,968 | 22,744 |
| Cumulative acquisition value | 71,315 | 41,878 | 113,193 | 78,848 |
| Cumulative depreciation and impairment | | | | |
| Carrying amount | -31,446 | -31,779 | -63,225 | -56,104 |
| | 39,869 | 10,099 | 49,968 | 22,744 |
| Depreciation percentage | 10-20% | 20-25% | | |

The investments in furniture and fittings in 2021 mainly relate to the renovations to the new rental property Edge West. In addition, investments have been made for renovations in Heerlen as well as in the offices abroad.

Financial non-current assets (3)

The financial non-current assets include a deferred tax asset resulting from differences between accounting and tax valuations, equity interests in non-consolidated investees and other financial non-current assets including a loan granted.

The list of investees not included in the consolidation is included as part of the [notes to the company financial statements](#).

Movement in these items was as follows.

| | Deferred taxes | Loans | Equity interests | Other | Totaal 2021 | Total 2020 |
|---|----------------|--------------|------------------|--------------|---------------|---------------|
| Opening balance | 35,699 | 3,032 | 2,843 | 7,082 | 48,656 | 45,115 |
| Acquisitions and advances / allocations | - | 24 | 944 | 1,851 | 2,819 | 4,235 |
| Sales and repayments | - | -389 | - | -2,081 | -2,470 | -2,391 |
| Share of profit/(loss) of associates | - | - | -821 | - | -821 | -735 |
| Impairments | - | -221 | -1,212 | - | -1,433 | 1,029 |
| Revaluations | 934 | - | - | 1,047 | 1,981 | 4,381 |
| Change deferred taxes | -2,431 | - | - | - | -2,431 | -2,029 |
| Currency impact | 278 | - | - | 552 | 830 | -949 |
| Closing balance | 34,480 | 2,446 | 1,754 | 8,451 | 47,131 | 48,656 |

The item equity interests concerns the interests in Campus Heerlen Huisvesting BV and Campus Management & Development BV and the in 2020 acquired interests in Hyfen BV and Design Authority BV. In 2021, APG Group acquired an equity interest in Prikk1 BV, aimed at getting a better grip on the financial condition of Dutch people by means of accessible and affordable coaching and advice. For this equity interest, the company does not have dominant control but significant influence, hence, this equity interest is valued at net asset value. Based on an analysis of the recoverable amount, based on the indirect net realisable value, an impairment has been performed on the equity interests.

The deferred taxation mainly relates to temporary differences between the accounting and tax valuation of the goodwill arising as a result of the statutory unbundling of pension funds and administrators in 2008 (and agreed on with the tax authorities). € 6.2 million is expected to be realized in 2022. A deferred tax asset or liability is recognized for any temporary differences in value at balance sheet date. In the case of a deferred tax asset, this asset will be included to the extent that when the valuation differences to which the deferred tax asset relates reverse, the associated tax loss can be expected to be offset by taxable profits within the applicable time limits. The loan granted mainly relates to Campus Huisvesting BV. The item other relates to investments in relation to long term remunerations.

Current assets

| | 31-12-2021 | 31-12-2020 |
|---|----------------|----------------|
| Receivables, prepayments, and accrued income (4) | | |
| Related party receivables | 181,207 | 196,060 |
| Prepaid expenses | 45,740 | 38,425 |
| Corporate income tax | 33,599 | 45,231 |
| Debtors | 11,133 | 14,125 |
| Amounts pending invoicing | 5,690 | 3,925 |
| Taxes and social security contributions | 3,575 | 216 |
| Cash collateral related to derivatives | - | 5,282 |
| Other receivables, prepaid expenses, accrued income, etc. | 1,122 | 969 |
| Total | 282,066 | 304,233 |

Related party receivables relate mainly to asset management services provided to mutual investment funds by APG Group. The mutual investment funds are collective investment entities to which assets are contributed by several clients with common investment goals and management is performed by APG Group.

In short-term receivables, an amount of €3.7 million (2020: 4.8 million) has a term of more than one year. No security has been provided and no interest was received on the receivables.

| | 31-12-2021 | 31-12-2020 |
|--|----------------|----------------|
| Cash & cash equivalents (5) | | |
| Checking account balances with banks | 335,536 | 321,684 |
| Deposits | 230,000 | 170,000 |
| Total | 565,536 | 491,684 |

An amount of € 9.3 million (2020: € 8.0 million) of cash & cash equivalents is not freely available due to long-term obligations towards personnel.

No other forms of security have been provided, nor have any supplementary terms and conditions been entered into. Given the nature of the deposits (short-term), the interest rate risk is very low. The deposits have been placed with creditworthy financial institutions with minimally an A-rating according to rating agencies Fitch and Moody's and have a term of 3 months. As a result, the credit risk is limited.

Group equity (6)

The composition of APG Group's equity is explained in the notes to the balance sheet in the company financial statements.

Capital and dividend policy

Important starting points for the in 2021 applicable capital and dividend policy are: financial stability, room for possible strategic investments and a required return appropriate to a socially-minded organization. In 2021, the capital and dividend policy has been revised because the required return based on a Return on Equity objective no longer fits given the applicable tax transfer pricing agreements in the relationship between APG and its client ABP. In the new policy, the required return has been adjusted to take account of these tax transfer pricing agreements. The proposed dividend allocation is calculated annually based on an analysis of the available capital versus our required capital according to the capital and dividend policy.

Movements in group equity

Movements in group equity and comprehensive income (group result and direct changes) were as follows.

| | 2021 | 2020 |
|---|----------------|----------------|
| Opening balance | 631,813 | 764,531 |
| Group result after taxes | 77,843 | 41,822 |
| Translation differences, foreign associate | 1,673 | -1,525 |
| Overall result | 79,516 | 40,297 |
| Dividend distributed | -74,000 | -173,000 |
| Total direct changes relative to shareholders | -74,000 | -173,000 |
| | -11 | -15 |
| Closing balance | 637,318 | 631,813 |

Provisions (7)

Movement in other provisions was as follows.

| | Personnel-related provisions | Provision for reorganization | Other provision | Totaal 2021 | Total 2020 |
|------------------------|------------------------------|------------------------------|-----------------|---------------|---------------|
| Opening balance | 41,274 | 35,970 | 2,407 | 79,651 | 82,933 |
| Allocations | 16,635 | 3,701 | 7,455 | 27,791 | 25,872 |
| Withdrawals | -4,551 | -10,140 | - | -14,691 | -19,657 |
| Release | -2,360 | -7,820 | -2,543 | -12,723 | -9,450 |
| Other changes | -4,986 | - | 4 | -4,982 | -1,743 |
| Currency impact | 1,657 | - | 41 | 1,698 | 1,696 |
| Closing balance | 47,669 | 21,711 | 7,364 | 76,744 | 79,651 |

Of the total amount €11.5 million (2020: € 19.9 million) has an expected remaining term of more than five years. € 18.9 million is expected to be settled in 2022 (2020: € 11.7 million).

Personnel-related provisions

This provision was created for liabilities following long-term personnel remunerations (long-service awards, bonus plan) and a provision for a mortgage facility for former employees. In 2021, there was a change in estimate in the provision for service anniversaries due to a recalibration of the parameters and methodology used. As a result of this change in estimate, the financial result for 2021 is approximately € 4.8 million higher than it would be based on last year's accounting policy. This includes the accrual of new rights and the release for expired rights.

Provision for reorganization

This provision was created to cover the costs of reorganizations related to voluntary departure schemes facilitated by the employer and redundancy analogous to the various stages of the change programs within the group. In 2021 there was an allocation of € 3.7 million (2020: € 13.8 million). In 2021 it transpired that the total expected disbursements for reorganization were lower than originally estimated, resulting in a release of € 7.8 million (2020: € 8.1 million).

Other provisions

The other provisions mainly concern a provision for an onerous rental contract of € 6.1 million for the old office building which is no longer in use for business activities. The rental contract became loss-making in 2021 due to changed market conditions, as a result of which it is expected to take longer to sublet the property.

Non-current liabilities (8)

| | 31-12-2021 | 31-12-2020 |
|-----------------|---------------|---------------|
| Opening balance | 10,911 | 10,911 |
| Withdrawn | - | - |
| Repayments | - | - |
| Total | 10,911 | 10,911 |

The entire closing balance of € 10.9 million has a remaining term to maturity of more than five years (2020: €10.9 million). The interest rate is 7.5 percent p.a. (2020: 7.25 percent p.a.). No security has been provided. The fair value of the non-current liabilities is € 23.8 million (2020: €25.6 million). The repayment of the non-current liabilities takes place at the end of the term.

Current liabilities and accruals (9)

| | 31-12-2021 | 31-12-2020 |
|-------------------------------------|----------------|----------------|
| Related party liabilities | 149,858 | 153,409 |
| Other personnel-related liabilities | 41,806 | 39,985 |
| Invoices not yet received | 33,677 | 25,019 |
| Vacation pay and vacation days | 28,454 | 26,348 |
| Taxes and social security premiums | 23,021 | 26,121 |
| Amounts invoiced in advance | 17,439 | 13,518 |
| Rent reduction for office building | 16,807 | 6,555 |
| Payables | 16,369 | 10,595 |
| Debts to credit institutions | 3,476 | - |
| Accounts payable | 1,801 | 2,109 |
| Pension liabilities | 2,120 | 1,275 |
| Corporate income tax | 487 | 449 |
| Other liabilities | 3 | 105 |
| Total | 335,318 | 305,488 |

Liabilities to credit institutions concern cash collateral received in cover of the settlement risk of FX forwards. These were concluded to finance the future costs of the activities of the foreign investees. Current liabilities and accruals include an amount of € 15.4 million (2020: €6.6 million) falling due after more than one year. Related-party liabilities mainly relate to conducted asset management services and settlements with clients. In addition, a prepaid rental discount has been accounted for because of rented office buildings, which will be released over the term of the contract.

Off-balance sheet liabilities and assets

At balance sheet date, liabilities under current rental agreements in an amount of € 295.9 million were outstanding (2020: € 202.2 million), of which € 21.4 million was due within one year (2020: € 21.3 million), € 87.6 million at between one and five years (2020: € 86.5 million) and € 186.9 million at more than five years (2020: € 94.4 million). Rental costs of € 29.5 million were recognized in the reporting year (2020: € 20.5 million).

Liabilities in respect of long-term car leases total € 6.7 million (2020: €7.8 million), of which € 2.7 million due within one year of the end of the financial year (2020: € 3.1 million) and € 4.0 million at between one and five years (2020: € 4.7 million). There are no liabilities due beyond five years. In the reporting year € 3.0 million of leasing costs inclusive fuel costs were recognized (2020: € 3.7 million). The leasing liability is determined exclusive the fuel advance.

Liabilities in respect of maintenance and other contracts amounted to € 60.0 million (2020: € 32.5 million) of which € 20.1 million (2020: € 11.8 million) due within one year of the end of the financial year and € 39.9 million (2020: € 20.7 million) due at between one and five years. There are no liabilities due beyond five years.

At the end of the reporting year the group assumed investment commitments in respect of data processing equipment and software for € 11.1 million (2020: € 10.7 million).

In 2018, APG Group entered into a long-term contract for the purchase of professional services, ensuing from the sale of Inovita B.V. Liabilities in connection with this contract amounted to € 0.7 million (2020: € 1.0 million), which is due within one year of the end of the financial year. Minimum purchasing volumes were agreed in the contract. If the actual purchase volumes realized are lower than the minimum volume applicable at that time, APG Group is required to pay 30 percent of the difference.

Liabilities in respect of derivatives contracted to hedge the financing of foreign subsidiaries have a nominal value at balance sheet date of € 149.1 million (2020: € 126.6 million). The fair value of these derivatives at balance sheet date amounted to a positive € 2.9 million (2020: € 4.7 million negative). The liabilities have a term of less than one year. The contract conditions include the exchange of collateral to hedge the settlement risk.

There are tax groups within APG Group, specifically for corporate income tax and VAT. Within a tax group, the individual companies bear joint and several liability for each other's tax liabilities. Taxes are attributed to each company according to each company's share in the total tax as if the companies were independently liable for the tax.

With regard to the performance results from investments made under old mandates at a former associate, there is an entitlement to payments yet to be received (carried interest notes; 2021: €0.1 million, 2020: €0.1 million). For this liability, an outflow of resources is not considered probable.

APG Asset Management is being held liable by a client for damage resulting from an alleged error in performing services to this client. The outcome of this liability statement is uncertain and might result in future outflow of resources of APG Groep NV.

Notes to the consolidated profit and loss account

Net turnover

| | Totaal 2021 | Total 2020 |
|-----------------------------|----------------|----------------|
| Management fees (10) | | |
| Asset management | 621,187 | 521,667 |
| Pension administration | 230,563 | 219,399 |
| Total | 851,750 | 741,066 |

The management fees relate to the fees received for the performed asset management activities less custody fees and fees for pension management. The increase in asset management fees mainly relates to the increase in the assets under management and the increase in fixed fee due to increased strategic activities.

Other operating income (11)

This consists of realized income other than that arising directly from the administration contracts with pension funds and asset management for third parties.

Segmented information on net turnover

| | Totaal 2021 | Total 2020 |
|------------------------|----------------|----------------|
| Net turnover | | |
| Asset management | 622,088 | 522,796 |
| Pension administration | 246,105 | 240,820 |
| Support businesses | 4,166 | 4,268 |
| APG Group company only | 163,294 | 144,840 |
| Eliminations | -173,538 | -149,761 |
| Total | 862,115 | 762,963 |

The segmented information is mainly in accordance with the legal structure of APG Group, whereby there is segmentation into APG Asset Management, APG DWS en Fondsenbedrijf and supporting services.

Operating expenses

Costs of outsourced work and other external costs (12)

This item includes the cost of hiring external staff, auditor's costs, and consultancy costs.

| | Totaal 2021 | Total 2020 |
|-----------------------------|----------------|----------------|
| Personnel costs (13) | | |
| Wages and salaries | 344,290 | 319,478 |
| Pension charges | 39,388 | 34,042 |
| Social charges | 32,083 | 31,146 |
| Other personnel costs | 18,961 | 39,763 |
| Total | 434,722 | 424,429 |

Employee pension scheme

The pension scheme has been placed with Stichting Pensioenfonds ABP and PPF APC. Rights are accrued based on average pay and number of years of service, with conditional indexation. The pension scheme for the majority of the remaining employees has been placed with Stichting Personeelspensioenfonds APG. Rights are accrued based on average pay and number of years of service, with conditional indexation. APG Group has no obligation to make additional contributions in the event of shortfalls in these pension funds other than the payment of future contributions. Based on this so-called defined contribution scheme, it is sufficient for the company to report the contribution as a cost. The item Other personnel costs for the year 2021 includes the release of the provision for service anniversaries of € 4.8 million.

Specific schemes apply for most employees abroad.

Number of employees

In 2021 the group employed an average of 3,124 people (2020: 3,013), divided into the following segments.

| | Totaal 2021 | Total 2020 |
|---------------------------------|----------------|---------------|
| Management and supporting units | 685 | 678 |
| APG DWS en Fondsenbedrijf NV | 1,430 | 1,416 |
| APG Asset Management | 1,009 | 919 |
| Total | 3,124 | 3,013 |

In 2021 an average of 246 employees worked abroad (2020: 228). These employees are all employed by APG Asset Management.

Remuneration of Supervisory and Executive Board members (in euros)

The remuneration of Supervisory Board and Executive Board members is determined by the General Meeting of Shareholders.

| | Fixed fee | Commision fee | Employer charges and taxes | Totaal 2021 | Total 2020 |
|--|-----------|---------------|----------------------------|-------------|------------|
| Supervisory Board | | | | | |
| Pieter Jongstra | 48,564 | 5,396 | 2,833 | 56,793 | 69,513 |
| Dick van Well | 37,772 | 8,094 | 2,408 | 48,274 | 53,896 |
| Claudia Zuiderwijk | 32,376 | 8,094 | 2,125 | 42,595 | 53,337 |
| Sarah Russell* | 29,678 | 22,137 | - | 51,815 | - |
| Maes van Lanschot** | 13,490 | 18,685 | 6,190 | 38,365 | 54,830 |
| Roger van Bortel*** | 8,094 | 1,349 | 1,983 | 11,426 | 43,641 |
| José Meijer**** | 32,376 | 5,396 | - | 37,772 | 12,404 |
| Edith Snoei**** | - | - | - | - | 17,843 |
| * = as from May 15, 2021 fee included Asset Management | | | | | |
| ** = until May 15, 2021 fee included Asset Management | | | | | |
| *** = until April 1, 2021 | | | | | |
| **** = until April 27, 2020 | | | | | |
| ***** = as from September 5, 2020 | | | | | |

Based on a decision of the State Secretary for Finance, the supervisory activities of the Supervisory Board members of APC will no longer be performed as VAT entrepreneur from May 7 2021 onward. Hence, the Supervisory Board members are no longer allowed to charge VAT for these activities. As a result, the amounts mentioned under 'Employer charges and taxes' are lower in 2021 compared to 2020.

| | Compensation for reduction in pensionaccrual | | | | | Total 2020 |
|--------------------------------------|--|---------|------------------|-----------------|-------------|------------|
| | Direct salaries | in | Personal charges | Pension charges | Totaal 2021 | Total 2020 |
| Executive Board | | | | | | |
| Annette Mosman | 511,027 | 61,897 | 12,680 | 22,409 | 608,013 | 520,070 |
| Gerard van Olphen* | 293,666 | 41,341 | 6,627 | 11,754 | 353,388 | 647,649 |
| Ronald Wuijster | 645,147 | 101,992 | 9,765 | 24,527 | 781,431 | 748,865 |
| Francine Roelofsen - van Dierendonck | 434,968 | 61,897 | 12,680 | 22,409 | 531,954 | 520,070 |
| Jan Nijland** | 336,578 | 23,193 | 8,258 | 17,070 | 385,099 | - |
| Wim Henk Steenpoorte*** | - | - | - | - | - | 258,894 |

* = until July 1, 2021

** = as from March 3, 2021 (ad interim)

*** = until July 1, 2020

The column 'direct salaries' contains the fixed annual salary, the vacation allowance, and the year-end bonus. The column 'compensation for reduction in pension accrual' stems from a generic scheme at APG Group, whereby the reduction in the employer pension contribution due to the capping of pension accrual (2021: € 112,189 | 2020: € 110,111) accrues to the employee. The column 'personnel charges' contains the employer's charges; the column 'pension charges' contains the charges for pension contributions. As of March 1 2021, Annette Mosman has been appointed as chairman of the Executive Board, which has resulted in an increase in remuneration for her.

The above table does not include compensation relating to mobility and vitality (2021: € 79,703 | 2020: € 98,349). The mobility and vitality allowances are both part of the Collective Labor Agreement, whereby with regard to mobility a choice can be made between a reimbursement whether a lease car and the vitality allowance contribute to an active and healthy lifestyle.

All remuneration was unchanged except for the increase as per the collective labor agreement (CAO) which amounted to 1.5 percent for all APG Group employees in 2021. There are no early retirement schemes for members of the Executive Board.

Starting March 1st 2022, Ronald Wuijster will be re-appointed for a period of four years. Because of the performed achievements during his first term, his fixed remuneration will increase as of March 1, 2022 with € 40.000 per year (half of which in free time). This increase was carefully weighed against the social aspect of asset management services for the pension sector. With this increase, Mr. Wuijster is being remunerated below the market benchmarks.

No loans, advances, or guarantees have been provided to current or former members of the Executive or Supervisory Board.

| | Totaal 2021 | Total 2020 |
|---|------------------------|-----------------------|
| Amortization and depreciation of non-current assets (14) | | |
| Amortization of intangible assets | 45,532 | 46,570 |
| Depreciation of property, plant and equipment | 8,060 | 8,282 |
| Total | 53,592 | 54,852 |

| | Totaal 2021 | Total 2020 |
|--------------------------------------|------------------------|-----------------------|
| Other operating expenses (15) | | |
| Accommodation costs | 40,602 | 30,867 |
| Automation costs | 86,420 | 84,888 |
| Other | 5,366 | 10,505 |
| Total | 132,388 | 126,260 |

The increase in the item "Accommodation costs" in 2021 is a result of the move to a new office building which has caused double rental charges. In addition, the accommodation costs include an amount of € 6.1 million for the provision for the onerous rental contract for the old office building.

Interest and similar income (16)

Interest income mainly relates to the revaluation of securities accounted for under financial non-current assets (2020: € 1.0 million).

Interest and similar expenses (17)

The financial charges are mainly interest charges on current accounts. No interest or similar expenses pertained to related parties (2020: zero).

Taxes (18)

The taxes in the consolidated profit and loss account can be specified as follows.

| | Totaal 2021 | Total 2020 |
|---|------------------------|-----------------------|
| Result before taxes | 104,584 | 47,278 |
| Tax charges based on the Dutch tax rate | -26,146 | -11,819 |
| Tax effect from: | | |
| - Different applicable tax rates in foreign countries | 1,136 | 677 |
| - Non-deductible expenses en non-taxable income | -440 | 154 |
| Adjustment prior years | 17 | 1,890 |
| Revaluation deferred tax assets due to change in tax rate | 934 | 4,381 |
| Total | -24,499 | -4,717 |
| Effective tax rate | 23.4% | 10.0% |

The effective tax rate over 2021 was 23.4 percent, compared to a nominal rate applicable in the Netherlands of 25 percent. The lower effective tax rate in 2021 is mainly caused by deviating tax rates in the foreign countries in which APG operates and an incidental effect resulting from the change in tax rate in the Netherlands as of 2022. As of 2022, the tax rate in the Netherlands increases from 25 percent to 25.8 percent. As a result of this increase, APG has valued its deferred tax assets at year-end at 25.8%. Without this incidental effect, the effective tax rate is 24.3 percent. In the foreign countries in which APG operates, APG pays taxes according to the tax rates applicable there, which are lower than the current tax rate in the Netherlands.

Share of profit/(loss) of associates (19)

The result from investees is the result from investees not included in the consolidation including impairment losses on investees.

Notes to the consolidated cash flow statement

The statement of cash flows has been prepared using the indirect method. For a description of the composition of the cash, please refer to the notes to the consolidated balance sheet.

Interest on cash is included in the interest paid or received. These items are considered operational activities, and are therefore recognized as such.

The investments pertain to investments in furniture and fittings, data processing equipment, and software.

The cash flow from financing activities includes the dividend payment in the course of the financial year.

Events after the reporting period

There have been no events after the reporting period with an impact on the financial position at December 31, 2021 with impact on the financials statements.

Other notes

Related parties transactions

Transactions with related parties are conducted on market terms and conditions.

Stichting Pensioenfonds ABP, APG Group NV, APG DWS en Fondsenbedrijf NV, APG Asset Management NV, APG Trading BV as well as Entis Holding BV and Entis BV together form a tax unit for VAT. This means that the company is jointly and severally liable for the turnover tax liabilities of the tax entity as a whole. As for the corporate income tax APG Group forms a tax entity with APG DWS en Fondsenbedrijf NV and APG Asset Management NV. This means that these legal entities are jointly and severally liable for each other's tax liabilities. The corporate income tax of the fiscal unit is allocated to each company belonging to the fiscal unit on the basis of a company's share in the total corporate income tax. Transactions between our client ABP and APG Group must comply with the tax transfer pricing agreements.

Independent auditor's fees

KPMG Accountants N.V. has been the independent auditor of APG Group NV and its subsidiaries as of the financial year 2016. The auditor's fees are recognized in the costs of outsourced work and other external costs.

| | Totaal 2021 | Total 2020 |
|---|----------------|---------------|
| in € millions | | |
| Audit of the financial statements | 0.8 | 0.8 |
| Other audit assignments (including work in relation to ISAE 3402) | 2.4 | 2.3 |
| Tax advisory services | - | - |
| Other non-audit services | - | - |
| Total | 3.2 | 3.1 |

The auditor's fees for the audit of the financial statements are the costs that are attributable to the financial year.

The other audit assignments include € 1.4 million (2020: € 1.5 million) for audit-related work on reports to clients of APG Group NV in the context of the services provided by APG Group NV.

Company financial statements

Company balance sheet at December 31, 2021 (before appropriation of profit)

In thousands of euros

| | 31-12-2021 | 31-12-2020 |
|---|----------------|----------------|
| ASSETS | | |
| Non-Current Assets | | |
| Intangible assets (1) | 1,879 | 2,387 |
| Property, plant and equipment (2) | 37,868 | 16,640 |
| Financial non-current assets (3) | 503,531 | 487,357 |
| | 543,278 | 506,384 |
| Current assets | | |
| Receivables and prepayments (4) | 75,032 | 176,375 |
| Cash & cash equivalents (5) | 210,646 | 207,006 |
| | 285,678 | 383,381 |
| TOTAL ASSETS | 828,956 | 889,765 |
| LIABILITIES AND EQUITY | | |
| Equity (6) | | |
| Paid-up and called-up share capital | 352,649 | 352,649 |
| Share premium | 202,722 | 234,900 |
| Legal reserves | 3,619 | 1,946 |
| Other reserves | - | - |
| Undistributed result for the financial year | 77,843 | 41,822 |
| | 636,833 | 631,317 |
| Provisions (7) | 22,356 | 24,990 |
| Non-current liabilities (8) | 10,911 | 13,411 |
| Current liabilities and accruals (9) | 158,856 | 220,047 |
| TOTAL LIABILITIES & EQUITY | 828,956 | 889,765 |

Company profit and loss account for 2021

In thousands of euros

| | 2021 | 2020 |
|--|---------------|---------------|
| Share of profit/(loss) of associates after tax | 83,400 | 53,790 |
| Other results after tax | -5,557 | -11,968 |
| Result after taxes | 77,843 | 41,822 |

Basis of measurement and determination of results

The company financial statements have been drawn up in accordance with the statutory provisions of Title 9, Book 2 of the Dutch Civil Code and the authoritative statements from the Annual Reporting Guidelines published by the Dutch Accounting Standards Board. The accounting policies for valuation and for the determination of the result for the company financial statements and the consolidated financial statements are the same, with the exception that equity interests in group companies are valued in accordance with the equity accounting method on the basis of net asset value.

For the accounting policies for the valuation of assets and liabilities and for the determination of the result, please see the basis of measurement and determination of results to the consolidated balance sheet and profit and loss account.

Where items from the company balance sheet and company profit and loss account are not further explained below, please see the notes to the consolidated balance sheet and profit and loss account.

Notes to the company financial statements

In thousands of euros

Non-current assets

Intangible fixed assets (1)

The intangible fixed assets relate to purchased software. The goodwill relates to the equity interest in Prikkli BV which was acquired in 2021.

| | Goodwill | Software | Total 2021 | Total 2020 |
|--|------------|--------------|---------------|---------------|
| Opening balance | - | 2,387 | 2,387 | 3,543 |
| | - | - | - | 630 |
| Investments | 236 | 339 | 575 | - |
| Divestments | - | - | - | -1,786 |
| Amortization | -22 | -1,061 | -1,083 | 2,387 |
| Closing balance | 214 | 1,665 | 1,879 | 2,387 |
| Cumulative acquisition value | 236 | 11,736 | 11,972 | 11,397 |
| Cumulative amortization and impairment | -22 | -10,071 | -10,093 | -9,010 |
| Carrying amount | 214 | 1,665 | 1,879 | 2,387 |
| Amortization percentage | 10% | 20-25% | | |

Property, plant and equipment (2)

Property, plant and equipment comprises the furniture and fittings and data processing equipment. Movement in these items was as follows.

| | Furniture and fittings | ICT | Total 2021 | Total 2020 |
|--|------------------------|--------------|---------------|---------------|
| Opening balance | 8,035 | 8,605 | 16,640 | 824 |
| | - | - | - | 14,929 |
| Investments | 22,864 | 4,179 | 27,043 | 7,275 |
| Divestments | -467 | -54 | -521 | - |
| Amortization | -1,267 | -4,027 | -5,294 | -6,388 |
| Changes in value | - | - | - | - |
| Closing balance | 29,165 | 8,703 | 37,868 | 16,640 |
| Cumulative acquisition value | 53,356 | 37,064 | 90,420 | 64,021 |
| Cumulative amortization and impairment | -24,191 | -28,361 | -52,552 | -47,381 |
| Carrying amount | 29,165 | 8,703 | 37,868 | 16,640 |
| Amortization percentage | 10-20% | 20-25% | | |

The investments in 2021 with regard to furniture and fittings mainly relate to the renovations in the new rental property Edge West. In addition, investments have been made for renovations in Heerlen.

Financial non-current assets (3)

Financial non-current assets concern equity interests in associates, active deferred taxation and loans granted. Movement in these items was as follows.

| | Deferred taxes | Loans | Equity interests | Total 2021 | Total 2020 |
|---|----------------|--------------|------------------|----------------|----------------|
| Opening balance | 6,992 | 3,032 | 477,333 | 487,357 | 512,464 |
| Effect herstructurering | - | - | - | - | -10,022 |
| Acquisitions and advances / allocations | - | - | 33,544 | 33,544 | 30,261 |
| Sales and repayments | - | -378 | - | -378 | -1,463 |
| Share of profit/(loss) of associates | - | - | 84,832 | 84,832 | 53,790 |
| Dividend distributed | - | - | -101,494 | -101,494 | -95,867 |
| Conversion loan | - | -220 | 220 | - | - |
| Impairments | - | - | -1,432 | -1,432 | - |
| Revaluations | 199 | - | - | 199 | - |
| Change deferred taxes | -771 | - | - | -771 | - |
| Other changes | - | - | 1,674 | 1,674 | -1,806 |
| Closing balance | 6,420 | 2,434 | 494,677 | 503,531 | 487,357 |

The closing balance includes an active deferred tax asset of € 6.4 million (2020: € 7.0 million) and a loan granted of € 2.4 million (2020: € 3.0 million). In 2021, APG Group NV acquired an equity interest in Prikkl BV, aimed at gaining more control over the financial fitness of the Dutch people through accessible and affordable coaching and advice. APG Group does not have dominant control over this equity interest but does have significance influence exists over this equity interest. Hence this equity interest is valued at net asset value. Based on an analysis of the recoverable amount, based on the indirect realizable value, an impairment has been applied to the equity interests. In addition, a capital contribution in subsidiary APG DWS en Fondsenbedrijf was made in 2021 of € 33.0 million. In addition a capital contribution has been applied of € 0.3 million in Campus Management & Development BV.

Current assets

| | 31-12-2021 | 31-12-2020 |
|---|---------------|----------------|
| Receivables and prepayments (4) | | |
| Corporate income tax | 32,045 | 44,055 |
| Prepaid expenses | 26,117 | 23,537 |
| Receivables from group companies | 3,574 | 81,921 |
| Related party receivables | 7,293 | 20,322 |
| Receivables from credit institutions | - | 5,282 |
| Receivables related to derivatives | 2,951 | - |
| Taxes and social security contributions | 1,746 | 216 |
| Other receivables, prepaid expenses, accrued income, etc. | 1,059 | 958 |
| Debtors | 247 | 84 |
| Total | 75,032 | 176,375 |

The receivables, prepayments, and accrued income predominantly consist of receivables on group companies and prepaid amounts. In the receivables an amount of € 3.4 million has a term of more than one year. No security has been provided and no interest was received on the receivables.

| | 31-12-2021 | 31-12-2020 |
|--|----------------|----------------|
| Cash & cash equivalents (5) | | |
| Bank balances in current account | 70,646 | 127,006 |
| Deposits | 140,000 | 80,000 |
| Total | 210,646 | 207,006 |

The cash & cash equivalents are at free disposal of the company.

Equity (6)

| | 31-12-2021 | 31-12-2020 |
|-------------------------------------|----------------|----------------|
| Paid-up and called-up share capital | 352,649 | 352,649 |
| Share premium | 202,722 | 234,900 |
| Legal reserves | 3,619 | 1,946 |
| Other reserves | - | - |
| Undistributed result | 77,843 | 41,822 |
| Total group equity | 636,833 | 631,317 |

| | Paid up and called-up share capital | Share premium | Legal reserves | Other reserves | Undistributed result |
|--|-------------------------------------|----------------|----------------|----------------|----------------------|
| Opening balance | 352,649 | 234,900 | 1,946 | - | 41,822 |
| Movements resulting from appropriation of profit | - | - | - | 41,822 | -41,822 |
| Movement in legal reserves | - | - | 1,673 | - | - |
| | - | - | - | - | - |
| | - | - | - | - | - |
| Dividend paid | - | -32,178 | - | -41,822 | - |
| Result for the financial year | - | - | - | - | 77,843 |
| Other changes | - | - | - | - | - |
| Closing balance | 352,649 | 202,722 | 3,619 | - | 77,843 |

Paid-up and called-up share capital

In 2020, a reduction in the issued capital took place, with the nominal value has been reduced from € 1.00 per share to € 0.50 per share and the paid-up and called-up capital has been reduced by € 352.6 million in favor of the share premium. The deposited and called-up capital, after reduction of the nominal value, concerns the issued capital at incorporation, consisting of 650,000,000 ordinary shares with a nominal value of € 0.50 and 55,297,170 ordinary shares of € 0.50 were issued in 2011 upon the acquisition of the minority interests in APG DWS en Fondsenbedrijf NV (formerly APG Algemene Pensioen Groep NV) and Loyalis NV.

Share premium

The share premium paid upon incorporation, as well as the share premium paid as a result of capital contributions and withdrawals, the contribution of a subsidiary at fair value as well as share premium from the conversion of loans from shareholders into equity capital in the context of the recapitalization of APG Group, were included as share contribution in previous years.

Legal and other reserves

The legal and other reserves include direct changes in equity related to the development of the legal reserve for currency translation differences of € 1.7 million. The reserve for currency translation differences amounted to € 3.6 million at year-end 2021 (2020: € 1.9 million) and is included in respect of the foreign participating interests.

Undistributed result for the financial year

This comprises the result for the year under review.

Share premium, other reserves and the undivided result for the financial year can, in principle, be freely disposed of. The stipulations from regulators for group companies can result in restrictions on the extent to which the company's equity capital or APG Group's equity capital may be distributed. These stipulations may require that the equity capital of group companies be at a certain level. APG Group takes the stipulations from regulators into account in determining the potential for paying a dividend.

Proposed appropriation of profit

In accordance with the policy adopted, a proposal will be submitted to the General Meeting of Shareholders that a dividend in the amount of € 120.0 million be distributed: € 77.8 million from the net result and the remaining amount of € 42.2 million from freely distributable reserves.

Provisions (7)

| | Personnel-related provisions | Provision for reorganization | Other provision | Total 2021 | Total 2020 |
|------------------------|------------------------------|------------------------------|-----------------|---------------|---------------|
| Opening balance | 4,739 | 20,251 | - | 24,990 | 18,794 |
| | - | - | - | - | 8,603 |
| Allocations | 485 | 1,397 | 6,631 | 8,513 | 7,465 |
| Withdrawals | -955 | -5,317 | - | -6,272 | -5,618 |
| Release | -167 | -3,631 | - | -3,798 | -4,661 |
| Other changes | -1,077 | - | - | -1,077 | 407 |
| Closing balance | 3,025 | 12,700 | 6,631 | 22,356 | 24,990 |

Of the total amount, € 2.9 million (2020: € 7.4 million) is expected to have a term of more than five years. € 8.1 million is expected to be settled in 2022 (2020: € 4.8 million). The addition mainly relates to the onerous rental contract of € 6.1 million for the office building which is no longer in use for business activities. The rental contract became loss-making in 2021 due to changes in market conditions, as a result of which it is expected to take longer to sublet the property. In 2021, a change in estimate took place on the provision for service anniversaries due to a revision in the parameters and methodology used. As a result of this change in estimate, the result in 2021 is approximately € 1.1 million higher than based on the accounting policies applied in the previous year. This includes the accrual of new rights and the release from expired rights.

Non-current liabilities (8)

| | 31-12-2021 | 31-12-2020 |
|-----------------|---------------|---------------|
| Opening balance | 13,411 | 13,411 |
| Advances | - | - |
| Repayments | -2,500 | - |
| Total | 10,911 | 13,411 |

At year-end 2021, no liabilities to related parties exist. The liabilities to a group company at year-end 2020 of € 2.5 million have been settled with an internal current account position. € 10.9 million of the closing balance has a longer term to maturity than five years (2020: € 10.9 million). The interest rate is 7.25 percent per year (2020: 7.25 percent per year). No securities have been provided. The fair value of the long-term liabilities to third parties amounts to € 23.8 million (2020: € 25.6 million).

Current liabilities and accruals (10)

| | 31-12-2021 | 31-12-2020 |
|-------------------------------------|----------------|----------------|
| Liabilities to group companies | 121,952 | 201,453 |
| Invoices not yet received | 11,946 | 5,196 |
| Rent reduction for office building | 7,161 | 1,506 |
| Holiday pay and -days | 6,646 | 6,499 |
| Taxes and social security premiums | 4,081 | 4,134 |
| Debts to credit institutions | 3,477 | - |
| Amounts invoiced in advance | 1,077 | - |
| Accounts payable | 946 | 659 |
| Pension liabilities | 584 | 421 |
| Related party liabilities | 578 | 179 |
| Other liabilities | 291 | - |
| Other personnel-related liabilities | 117 | - |
| Total | 158,856 | 220,047 |

With regard to the debts to group companies, there are no interest obligations nor securities. € 6.4 million of the current liabilities has a term of more than 1 year (2020: € 1.5 million).

Off-balance sheet liabilities and assets

At balance sheet date, liabilities under current rental agreements in an amount of € 232.6 million were outstanding (2020: € 158.6 million), of which € 14.4 million was due within one year (2020: € 16.5 million), € 58.5 million at between one and five years (2020: € 70.0 million) and € 159.7 million at more than five years (2020: € 72.1 million). Rental costs of € 22.8 million were recognized in the reporting year (2020: € 14.7 million).

Liabilities in respect of long-term car leases total € 6.6 million (2020: € 7.8 million), of which € 2.7 million due within one year of the end of the financial year (2020: € 3.1 million) and € 3.9 million at between one and five years (2020: € 4.7 million). There are no liabilities due beyond five years. In the reporting year € 3.0 million of leasing costs inclusive fuel costs were recognized (2020: € 3.7 million). The leasing liability is determined exclusive the fuel advance.

Liabilities in respect of maintenance and other contracts amounted to € 26.6 million (2020: € 18.6 million) of which € 9.3 million (2020: € 6.9 million) due within one year of the end of the financial year and € 17.3 million (2020: € 11.7 million) due at between one and five years. There are no liabilities due beyond five years.

At the end of the reporting year the group assumed investment commitments in respect of data processing equipment and software for € 11.0 million (2020: € 10.7 million).

In 2018, APG Group entered into a long-term contract for the purchase of professional services, ensuing from the sale of Inovita BV. Liabilities in connection with this contract amounted to € 0.7 million (2020: € 1.6 million), of which € 0.7 million (2020: € 1.0 million) due within one year of the end of the financial year and € 0.0 million (2020: € 0.6 million) at between one and five years. Minimum purchasing volumes were agreed in the contract. If the actual purchase volumes realized are lower than the minimum volume applicable at that time, APG Group is required to pay 30 percent of the difference.

Liabilities in respect of derivatives contracted to hedge the financing of foreign subsidiaries amounted at balance sheet date to € 149.1 million (2020: € 126.6 million). The fair value of these derivatives at balance sheet date amounted to a positive € 2.9 million (2020: € 4.7 million negative). The liabilities have a term of less than one year. The contract conditions include the exchange of collateral to hedge the settlement risk. The contract terms include the exchange of collateral to cover the settlement risk. Directly related agreements between APG Groep NV and APS Asset Management NV have been formalized by means of back-to-back agreements.

Related party transactions

APG Group passes on costs to its subsidiaries APG Asset Management and APG DWS en Fondsenbedrijf. No profit mark-up is made on this allocation of costs, since these entities belong to the same tax group. The total amount passed on by APG Group in the year was € 161.3 million.

Liability statements

The company has issued liability statements for a number of subsidiaries included in the consolidation, as referred to in Articles 2,403 and 2.408 of the Dutch Civil Code. The liability statements concern APG DWS en Fondsenbedrijf NV.

Liability of a tax group

There are tax groups in APG Group, specifically for corporate income tax and VAT. Within a tax group, the individual companies bear joint and several liability for each other's tax liabilities.

Taxes are attributed to each company according to each company's share in the total tax as if the companies were independently liable for the tax. This means that each subsidiary will reimburse the parent company for its share in the tax owed in proportion to each party's taxable profit before the application of the loss set-off rules as stipulated in the Corporation Tax Act.

Number of employees

In 2021 APG Groep NV employed an average of 685 people (2020: 678), all in the Netherlands.

Directors' remuneration

For a description of the remuneration of Executive Board members, please refer to the consolidated balance sheet.

List of equity interests

In 2021, APG Service Partners BV was merged with APG DWS en Fondsenbedrijf NV and APG Groep NV has acquired an interest in PrikkI BV. APG Groep NV has the following equities interests:

Equity interests included in the consolidation

| | | |
|--|------|-----------|
| APG DWS en Fondsenbedrijf NV | 100% | Heerlen |
| APG Asset Management NV | 100% | Amsterdam |
| APG Asset Management US Inc | 100% | Delaware |
| APG Investments Asia Ltd | 100% | Hong Kong |
| APG Business Information Consultancy (Shanghai) Co Ltd | 100% | Shanghai |
| APG Trading BV | 100% | Amsterdam |
| Entis Holding BV | 76% | Amsterdam |
| Entis BV | 76% | Utrecht |

Equity interests not included in the consolidation

| | | |
|------------------------------------|--------|------------|
| Campus Heerlen Huisvesting BV | 50% | Maastricht |
| Campus Management & Development BV | 33% | Maastricht |
| Hyfen BV | 41.81% | Amsterdam |
| Vive Group BV | 3.21% | Amsterdam |
| Design Authority BV | 25% | Amsterdam |
| PrikkI BV | 40% | Deurne |

Amsterdam/Heerlen, March 8, 2022

Supervisory Board

Pieter Jongstra, chairman

Dick van Well, vice-chairman

José Meijer

Sarah Russell

Claudia Zuiderwijk

Executive Board

Annette Mosman, chairman

Jan Nijland a.i.

Francine Roelofsen - van Dierendonck

Ronald Wuijster

Chapter 7

Other information



Statutory appropriation of profits

The profit is appropriated in accordance with Article 36 of the Articles of Association. This article provides that APG Group NV can only make distributions as far as its equity exceeds the amount of the paid-in and called-up part of the capital, increased by the reserves that must be maintained by law.

Independent auditor's report



Independent auditor's report

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

Report on the audit of the financial statements 2021 included in the annual report

Our opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of APG Groep N.V. as at 31 December 2021 and of its result for the twelve months then ended, in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the financial statements 2021 of APG Groep N.V. ('APG' or 'the Company') based in Heerlen.

The financial statements comprise:

- 1 the consolidated and company balance sheet as 31 December 2021;
- 2 the consolidated and company profit and loss account for 2021;
- 3 the consolidated cashflow statement 2021; and
- 4 the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

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

We are independent of APG Groep N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Our audit procedures were determined in the context of our audit of the financial statements as a whole. Our observations in respect of going concern, fraud and non-compliance with laws and regulations and the key audit matters should be viewed in that context and not as separate opinions or conclusions.

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

Audit approach

Summary

Materiality

- Materiality of EUR 7.5 million
- 0.9% of management fees

Group audit

- Audit coverage of 99% of total assets
- Audit coverage of 99% of management fees

Going concern and Fraud/Noclar

- Going concern: no significant going concern risks identified
- Fraud & Non-compliance with laws and regulations (Noclar): management override of controls

Key audit matters

- Accurate recognition of revenue from management fees
- Reliability and continuity of the electronic data processing

Opinion

Unqualified

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 7.5 million (2020: EUR 7.0 million). The materiality is determined with reference to revenue from management fees (0.9%, 2020: 0.9%). We consider revenues from management fees as the most appropriate benchmark because of the nature of the Company's activities (pension fund administration services, asset management services and other advisory services) and due to the fact that this is a stable indicator of the size of the Company. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.



We agreed with the Supervisory Board that misstatements identified during our audit in excess of EUR 375 thousand (2020: EUR 350 thousand), would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

APG Groep N.V. is at the head of a group of components. The financial information of this group is included in the financial statements of APG Groep N.V.

Our group audit mainly focused on significant components due to their size and nature, being APG Groep N.V., APG Asset Management N.V. and APG DWS en Fondsenbedrijf N.V. For components APG Groep N.V. and APG DWS en Fondsenbedrijf N.V. we have performed the audit procedures ourselves. We have used a (KPMG) component auditor for the audit of APG Asset Management N.V. We have sent group audit instructions to the component auditor to communicate the focus areas for the audit, including the relevant risks of material misstatement and the information to be reported by the component auditor. We have discussed the reports issued by the component auditor. Furthermore, we have reviewed the audit file of the component auditor.

For the residual population not in scope we performed analytical procedures in order to corroborate that our scoping remained appropriate throughout the audit.

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

The audit coverage as stated in the section summary covers 99% of the Company's assets and 99% of its revenue from management fees.

Audit response to going concern – no significant going concern risks identified

The Company has performed its going concern assessment and has not identified any significant going concern risks. To assess the Executive Board's assessment, we have performed, inter alia, the following procedures:

- we considered whether the Executive Board's assessment of the going concern risks includes all relevant information of which we are aware as a result of our audit;
- we inquired with the Executive Board regarding significant assumptions in the going concern analysis;
- we analysed the Company's financial position as at year-end and compared it to the previous financial year in terms of indicators that could identify significant going concern risks; and
- inspected the analysis of the Executive Board pertaining to the future profitability and continuity of the Company.

The outcome of our risk assessment procedures did not give reason to perform additional audit procedures on management's going concern assessment.

Audit response to the risk of fraud and non-compliance with laws and regulations

In the paragraph 'Risk management' of the Executive Board report, the Executive Board describes its procedures in respect of the risk of fraud and non-compliance with laws and regulations.

As part of our audit we have gained insights into the Company and its business environment, and assessed the design and implementation of the Company's risk management in relation to fraud and non-compliance. Our procedures included, among other things, assessing the Company's code of conduct, whistleblowing procedures, incidents register and its procedures to investigate indications of possible fraud and non-compliance.

Furthermore, we performed relevant inquiries with the Executive Board, the Audit and Risk Committee of the Supervisory Board and other relevant functions, such as Group Internal Audit and Group Risk & Compliance. As part of our audit procedures, we:

- assessed other positions held by Executive Board members and/or other employees and paid special attention to procedures and governance/compliance in view of possible conflicts of interest;
- evaluated reports of Group Internal Audit and the quarterly reports of Group Risk & Compliance on indications of possible fraud and non-compliance;
- evaluated correspondence with supervisory authorities and regulators as well as legal confirmation letters.

In addition, we performed procedures to obtain an understanding of the legal and regulatory frameworks that are applicable to the Company and identified the following areas as those most likely to have a material impact on the financial statements:

- Regulatory (oversight) legislation, including the 'Wet op het financieel toezicht' (Financial Supervision Act, 'Wft'), CRR and IFD/IFR;
- the General Data Privacy regulation (GDPR).

We evaluated the fraud and non-compliance risk factors to consider whether those factors indicate a risk of material misstatement in the financial statements.

Based on the above and on the auditing standards, we identified the following fraud risk that is relevant to our audit, including the relevant presumed risks laid down in the auditing standards, and responded as follows:

— Management override of controls (a presumed risk)

Risk:

- Management is in a unique position to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively such as the area of determining the reorganization provision, personnel-related provisions and the provisions for onerous contracts.

Responses:

- We evaluated the design and the implementation of internal controls that mitigate fraud and non-compliance risks, such as processes related to journal entries and estimates.
- We performed a data analysis of high-risk journal entries and evaluated key estimates and judgments for bias by the Company's management, including retrospective reviews of prior years' estimates. Where we identified instances of unexpected journal entries or other risks through our data analytics, we performed additional audit procedures to address each identified risk, including testing of transactions back to source information.
- We incorporated elements of unpredictability in our audit, including the use of statistical sampling techniques (in which underlying entries are selected at random) and the physical inspection of the vacated office building related to the onerous rental contract (as included on page 119 of the financial statements), that was recorded for the office location no longer in use for business activities as of the end of 2021.

We assessed the presumed fraud risk on revenue recognition as irrelevant, as APG Groep N.V. only has a limited number of clients and a limited possibility to materially influence revenues, among other things due to the fact that no significant estimation is present in recording revenue, or the necessity to determine different service elements in revenue contracts.

Our procedures to address the identified risks of fraud and related to non-compliance with laws and regulations did not result in a key audit matter.

We communicated our risk assessment, audit responses and results to the Executive Board and the Supervisory Board.

Our audit procedures did not reveal indications and/or reasonable suspicion of fraud and non-compliance that are considered material for our audit.

Our key audit matters

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

Compared to prior year, the key audit matters have not changed.

Accurate recognition of revenue from management fees

Description

APG receives management fees for its pension administration activities, asset management and other advisory services provided to its clients. The management fees amount to EUR 852 million for the financial year 2021 (2020: EUR 741 million) and is the largest caption in the consolidated financial statements of APG Groep N.V. Due to the size of the management fees, we determined that the accurate processing of the management fees is a key audit matter in our audit.

Our response

Among other things, we have performed the following procedures:

- In relation to the fixed management fees, we reconciled the recorded management fees with the underlying contracts based on specific item testing. For these contracts, we evaluated the authenticity.
- In relation to the variable management fees, which mainly related to the asset management services, we recalculated the recorded management fees based on the contractual agreements and other source documents. The variable management fees are partly based on the assets under management. We reconciled the assets under management with the investment administration of APG. For the other variable management fees, we reconciled these management fees with underlying source documents to verify the accurate price and services rendered based on specific item testing.
- We have reconciled a significant part of the revenues to the receipts on the underlying bank statements.
- We determined the appropriateness of disclosures relating to management fees in the financial statements.

Our observation

Based on the procedures performed, we determined that the management fees are accurately recognized and disclosed in the financial statements of APG.

Reliability and continuity of the electronic data processing

Description

Providing services to pension funds greatly relies on electronic data processing. The core activities of APG are, by nature, largely dependent on the reliable and continuing operating of the IT infrastructure and the protection of data of pension funds and their participants. The reliability and continuity of the electronic data processing is therefore a key audit matter in our audit.

Our response

We evaluated the reliability and continuity of the electronic data processing as part of our financial statement audit. As such, we have included IT auditors in our audit team. Among other things, we have performed the following procedures:

- evaluation of the controls around changes to the IT infrastructure and applications (change management);
- evaluation of the controls around logical access to systems and key data;

- inspection of the outcome of and controls performed by APG itself, mainly aimed at the IT general controls (including cyber security) and IT application controls and evaluation of the impact on our audit; and
- inspection of the service organization reports (SOC) which APG prepares for its clients.

Our observation

Based on our procedures performed as part of the financial statements audit of APG Groep N.V., we have not identified significant findings related to the reliability and continuity of the electronic data processing. In our reporting to management and the audit and risk committee we have reported our findings with respect to the IT control environment. We refer to page 78 in the Annual Report where these findings are described by APG.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information.

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

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

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

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

The Executive Board is responsible for the preparation of the other information, including the information as required by Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities regarding the financial statements

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

The Executive Board is responsible for the preparation and fair presentation of the financial statements in accordance Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Executive Board is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. In that respect the Executive Board, under supervision of the Supervisory Board, is responsible for the prevention and detection of fraud and non-compliance with laws and regulations, including determining measures to resolve the consequences of it and to prevent recurrence.

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

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

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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

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

Amstelveen, 8 March 2022

KPMG Accountants N.V.

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Appendix:

Description of our responsibilities for the audit of the financial statements

Appendix

Description of our responsibilities for the audit of the financial statements

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

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

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

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

From the matters communicated with the Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We



describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Chapter 8

Appendices



About this report

In this annual report, the Executive Board of APG Group NV renders account for the company's financial and non-financial results in the financial year 2021, which runs from January 1 through December 31. The annual report has been prepared in accordance with the Dutch annual reporting rules. The Executive Board renders account for the core activities performed by APG, both in the Netherlands and via its international subsidiaries. APG is based in Heerlen and Amsterdam and has subsidiaries in New York and Hong Kong, as well as satellite establishments in Brussels, Shanghai, and Beijing.

Sustainable long-term value creation

APG comprehensively reports on its vision of long-term value creation and the associated strategy and plans. The value creation model shows how our core activities create value for our stakeholders: clients, staff, and shareholders, as well as for society as a whole.

The basis for our value creation is summed up in our mission statement: "Building your sustainable future together." Our core values show that APG is about pensions, about people, about life, and about living together. We want to make a difference so that we, our parents, and our children are ensured a good income today, tomorrow, and beyond.

The building blocks for creating value are the activities we carry out for our clients – the pension funds for which we work. Our clients have entrusted us with the administration of and with communicating about their pension schemes and managing their assets. In line with this we provide advice and help participants become financially fitter. It is to a significant extent due to our specialized staff and our high degree of innovation and information technology that we are able to do so. This and our sophisticated automation processes enable us to make a significant contribution to value creation. Our networks and collaborative ventures are essential for us as a knowledge company. Being a major social organization, we also need a healthy and solid financial basis. We regard our efforts in the area of sustainability as extremely important and relevant.

This annual report is based on the guidelines of the Value Reporting Foundation and the Global Reporting Initiative (GRI). The framework provided by the International Integrated Reporting Council has been implemented in full. The key indicators for measuring our added value and using this value as a yardstick are set out in the chapter "The World of APG." The GRI content index, additional sustainability information, and information about our staff are addressed in the appendices.

APG publishes a [Responsible Investment Report](#), in which we explain our client's investment policies and the drive towards greater sustainability of our investment portfolio in more detail. The report also describes our progress in terms of the Sustainable Finance Disclosure Regulation (SFDR) and the Covenant on International Socially Responsible Investment for Pension Funds (*Convenant Internationaal Maatschappelijk Verantwoord Beleggen Pensioenfondsen*).

Engagement with our stakeholders

This annual report is primarily intended for our key stakeholders. These are the parties that directly impact our strategy and core activities. Just as in 2020 these include our clients (pension funds and the employers and participants registered with them), our employees, and our shareholders. Apart from this core group we consider as stakeholders legislators and regulators, our strategic partners, and the companies in which we invest. Within this wider group we play an important role as a social organization. We constantly reflect which other organizations or institutions may be considered as stakeholders.

We regularly consult with all our stakeholders. This dialogue continued even during the pandemic, so that we were constantly aware of what moved them. Below, we provide a brief overview of how we engage with our stakeholders.

Clients

Eight pension funds, and their directors, served by APG

APG closely engages with the pension funds, both formally and informally. We hold intensive consultations with them about the above-mentioned material themes. Although particular attention is given to the key strategic theme “Pension of the Future,” we also discuss other topics which are relevant to the pension funds for the implementation of their policies, such as regulation and international developments. For instance, we pool our knowledge through our client teams and share this with the pension funds.

Employers registered with these eight pension funds

We engage on a daily basis with employers registered with these pension funds. This takes place in the form of personal visits, video calls, by phone, and via email. We offer them support where they offer the pension scheme as a term of employment or, additionally, as part of their staff policy.

Participants accruing pension via these eight pension funds

We engage with the participants accruing pension via the funds on a daily basis through our Client Contact Center or by phone, email or chat. After each engagement, the client is asked to rate the contact. We also conduct regular surveys and test our products via client arenas and client validations. The outcome of these is used to make improvements.

Staff

Directors

In addition to scheduled contacts such as board meetings, we also engage on an ad hoc basis with our directors, for instance during the periodic senior leadership event. These talks primarily focus on strategic topics and strategy progress.

Managers

Our managers play an important role in the process of translating the strategy into the goals to be achieved. They ensure that the teams work well together, motivate them, and help the team members attain the team goals. Managers are assisted in this by a tailor-made leadership program.

Employees

We hold work and team meetings with our employees and regular meetings with the managers. Via (global) online Townhalls employees are updated on important developments within APC. We periodically discuss with the management and staff our efforts to increase the sustainability of our own operations, also with regard to office accommodation and business trips. These discussions help us to reinforce the foundations of APC's long-term value creation. Staff are also kept informed via the intranet, in the form of news bulletins, blogs, and vlogs.

Works Council

There are regular consultations with the Works Council. In addition, there are consultative meetings between the Works Council and the Management Board. Twice a year a general consultation is held, which is also attended by the Supervisory Board, and which addresses the course of affairs within APC. Among the topics that are discussed are requests for recommendations and consent. Other topics include staff development and wellbeing, and strategy. Negotiations on terms of employment are conducted with the labor unions.

Shareholders

Our shareholders are Stichting Pensioenfond ABP (92.16% of the shares) and Stichting SFB (7.84% of the shares). In addition to the annual General Meeting of Shareholders, there are half-yearly meetings at which the remuneration, governance, strategy, dividends, and the annual report are discussed. Current developments are discussed with the shareholders every three months.

Strategic partners

With several parties APC has established long-term co-operations. With each of these partners we hold bilateral business consultations. The content of these meetings depends on the nature of this co-operation.

Parties in which APC invests

Via our portfolio managers we engage with the parties in which we invest. Our leading long-term investment strategy is a major topic in meetings with their management. This is discussed in more detail in our Responsible Investment Report.

Materiality analysis

As part of the stakeholder analysis APC's 2020 annual report included a materiality matrix. This matrix helps us to ensure that APC's strategy, policies and accountability are in line with the expectations, requirements and needs of our stakeholders. In 2020, a survey was conducted among our internal and external stakeholders. This survey was based on an extensive analysis of 20 material topics. The survey revealed the seven topics that our internal and external stakeholders consider the most important.

We updated the materiality analysis in 2021, based on developments and discussions that had occurred in the course of the year and the topics addressed during the dialogue with the stakeholders. We carried out a media assessment to identify the topics in respect of which APC had made the news. We also conducted a number of interviews with internal stakeholders.

The two material topics, “Contributing to a future-proof pension system” and “Transition to the new pension contract,” were combined into one topic: “The new pension system.” This makes it easier for us to position the developments regarding the new pension system and prevents overlap. This combination also made it possible to add “Digital security and privacy” to the topics.

- Controlled pension administration
- Responsible investing
- Highest net result
- The new pension system
- Pension trust
- Offering grip on income for today, tomorrow, and beyond
- Digital security and privacy

These material topics are related to our five strategic building blocks, which are discussed in the chapter “Our ambitions and strategy” of this annual report.

The results of the qualitative update were discussed in and validated by the Integrated Reporting project team. The selection of the top seven materials topics was validated by the Executive Board and received a positive recommendation from the Audit and Risk Committee.

Best-efforts obligation under the Climate Agreement

Apart from the material themes listed above, the Greenhouse Gas Protocol (GHG Protocol) and the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) constitute an important part of our integrated accounting system as well. Via our external disclosures we are transparent about the manner in which we promote the financial industry’s best-efforts obligation to implement the Climate Agreement. We again emphasize our climate objectives. By 2030, we want our operations to be climate-neutral and the assets we manage to be in line with the Paris agreements. By 2050, the net emissions of the investment portfolio we manage will be zero. This is discussed in more detail in the chapter “Our present and future world,” as well as in the appendix “Other sustainability information,” and in the Responsible Investment Report.

Reporting process

Within the Executive Board, it is the Chief Finance & Risk Officer (CFRO) who owns the annual report. The CFRO has entrusted the preparation of the report to the Group Finance Director. The latter has put together a steering group representing the principal departments within APG. Meeting once a month, the steering group determines the principles, structure, synopsis, and content of the annual report. The report is compiled on the basis of interviews held with the Executive Board and various key persons, as well as written input and reports. A project team supervises the preparation of the report.

The data is gathered based on the regular reporting process within APG. By integrating the risk management in the primary processes as well as in the reporting process, the reliability of both the financial and non-financial data is guaranteed. In this way, we ensure that the data included in the report is accurate. During the business plan cycle, indicators are determined for the performance of the key strategic topics. These indicators are periodically used as a yardstick via the performance reports. These are discussed via the performance dialogue organized across all levels of the organization.

The Supervisory Board's Audit and Risk Committee is actively involved in reviewing the texts of the report. The content of the annual report is ultimately adopted by the Executive Board.

Scope and degree of assurance provided by the auditor

APG asked its external auditor, KPMG, to audit or review the external disclosures. The degree of assurance applicable to the disclosures is presented below.

- KPMG audited the (consolidated) financial statements for 2021 of the annual report. On March 8, 2022, KPMG issued an unqualified audit opinion on the (consolidated) financial statements. The audit opinion is included in chapter 7, "Other information".
- For the first time, the audit also explicitly focused on 10 non-financial data. On March 8, 2022, KPMG issued an opinion providing a limited degree of assurance in respect of this non-financial data. This audit opinion has been implemented hereafter.

The scope of the audit opinion on non-financial information will be further widened in the years to come. We have made arrangements with the auditor about the steps that must be taken to obtain an integrated report in 2024, in respect of which KPMG will provide a reasonable degree of assurance about financial and non-financial data.

Report on non-financial information

Non-financial information

We defined 15 performance indicators which are applicable to our operations. These indicators reflect the added value created by adopting the framework published by the Integrated Reporting Council.

| Non-financial KPIs | 2021 | 2020 |
|---|------------------|-----------------|
| In scope | | |
| Reputation score | 71.6 | 72.6 |
| Net result | € 78 million | € 42 million |
| Excess return (5 years) in basis points | 54 | 45 |
| Return on equity | 19.5% | 10.7% |
| Carbon footprint of operations (in metric tons) | 7,218 | 8,173 |
| Benchmark UN Principles for Responsible Investment | A+ | A+ |
| Gender diversity % | 64 / 36 | 65 / 35 |
| Number of employees | 3,193 | 3,085 |
| Sickness absence | 3.5% | 3.6% |
| Employee engagement | 7.6 | 7.8 |
| Out of scope | | |
| Average price per participant | 70.30 | 66.30 |
| Participants with insight into their income for later | 1,995,000 | 1,965,000 |
| Participants with insight into pension assets | 1,040,000 | 1,015,000 |
| Net promoter score | +3 | -1 |
| Assets managed in Sustainable Development Investments | € 112 billion | € 91 billion |

In 2021, our external auditor reviewed 10 performance indicators. In 2020, the auditor had reviewed only the items “Net result” and “Return on equity” in the audit’s report on the financial statements.

Assurance report of the independent auditor

KPMG has issued a separate assurance report on the non-financial information with this annual report. This report provides a limited degree of assurance with respect to the 10 performance indicators applicable to this information in 2021. The external auditor reviewed these 10 elements on the basis of the dossiers of these indicators specified by Group Finance. The report is included below.



Assurance report of the independent auditor

To: the General Meeting and the Supervisory Board of APG Groep N.V.

Our conclusion

We have reviewed the non-financial information related to the below themes as included on page 162 (hereafter: the 'non-financial information') of the Annual Report of APG Groep N.V. for the year ended 31 December 2021. A review is aimed at obtaining a limited level of assurance.

Based on the procedures performed nothing has come to our attention that causes us to believe that the non-financial information is not prepared, in all material respects, in accordance with the reporting criteria as described in the 'Reporting criteria' section of our report.

The sustainability indicators in scope consist of the following indicators:

- Reputation score
- Net result
- Excess return (5 years) in basis points
- Return on equity
- Carbon footprint of operations (in metric tons)
- Benchmark UN Principles for Responsible Investment
- Gender diversity %
- Number of employees
- Sickness absence
- Employee engagement

Basis for our conclusion

We performed our review in accordance with Dutch law, including Dutch Standard 3000A 'Assurance-opdrachten anders dan opdrachten tot controle of beoordeling van historische financiële informatie (attest-opdrachten) (assurance engagements other than audits or reviews of historical financial information (attestation engagements))'. This engagement is aimed to obtain limited assurance. Our responsibilities in this regard are further described in the 'Auditor's responsibilities' section of our report.

We are independent of APG Groep N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence). Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

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

Reporting Criteria

The non-financial information needs to be read and understood together with the reporting criteria. APG Groep N.V. is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

The reporting criteria used for the preparation of the non-financial information are the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) (option: Core) and own criteria as described in 'Other sustainability information' on page 172 and the 'Glossary' on page 177 of the Annual Report.

Materiality

Based on our professional judgement we determined materiality levels for each relevant part of the non-financial information. When evaluating our materiality levels, we have taken into account quantitative and qualitative considerations as well as the relevance of information for both stakeholders and the company.

Scope of the group review

APG Groep N.V. is the parent company of a group of entities. The sustainability information incorporates the consolidated information of this group of entities to the extent as specified on page 141 of the Annual Report.

Limitations to the scope of our review

The Annual Report includes prospective information such as ambitions, strategy, plans, expectations and estimates. Inherently the actual future results are uncertain. We do not provide any assurance on the assumptions and achievability of prospective information in the Annual Report.

References to external sources or websites in the Annual Report are not part of the Annual Report itself as reviewed by us. Therefore, we do not provide assurance on this information.

Comparative information not reviewed

For the non-financial information no review was performed in prior years. As such, the comparative information and the related disclosures regarding prior year are not part of the conclusion of our assurance report.

Responsibilities of the Executive Board and the Supervisory Board

The Executive Board is responsible that the preparation of the non-financial information is in accordance with the applicable criteria as described in the 'Reporting criteria' section of our report, including the identification of stakeholders and the definition of material matters.

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

The Supervisory Board is, amongst other things, responsible for overseeing the APG Groep N.V. reporting process.

Auditor's responsibilities

Our responsibility is to plan and perform our review in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

Procedures performed to obtain a limited level of assurance are aimed to determine the plausibility of information and vary in nature and timing, and are less in extent, compared to a reasonable assurance engagement. The level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

We apply the 'Nadere Voorschriften Kwaliteitssystemen' (NVKS, Regulations for Quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have exercised professional judgement and have maintained professional skepticism throughout the review, in accordance with the Dutch Standard 3000A, ethical requirements and independence requirements.

Our review included among others:

- Performing an analysis of the external environment and obtaining an understanding of relevant societal themes and issues, and the characteristics of the company;
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the Annual Report. This includes the evaluation of the results of stakeholder dialogue and the reasonableness of estimates made by the Executive Board;
- Obtaining an understanding of the reporting processes for the non-financial information, including obtaining a general understanding of internal control relevant to our review;
- Identifying areas of the non-financial information where a material misstatement, whether due to fraud or error, are most likely to occur, designing and performing assurance procedures responsive to these areas, and obtaining assurance information that is sufficient and appropriate to provide a basis for our conclusion. These procedures included, amongst others:
 - Interviewing management and relevant staff at corporate level responsible for the strategy, policy and results;
 - Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures over, and consolidating the data in the non-financial information;
 - Obtaining assurance information that the non-financial information reconciles with underlying records of the company;
 - Reviewing, on a limited test basis, relevant internal and external documentation;

- Performing an analytical review of the data and trends.
- Evaluating the consistency of the non-financial information with the information in the Annual Report which is not included in the scope of our review;
- Evaluating the presentation, structure and content of the Annual Report;
- Considering whether the Annual Report as a whole, including the disclosures, reflects the purpose of the reporting criteria used.

We have communicated with the the Executive Board and the Supervisory Board regarding, among other matters, the planned scope and timing of the review and significant findings that we identify during our review.

Amstelveen, 8 March 2022





KPMG Accountants N.V.

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Connectivity matrix

The connectivity matrix shows in detail how we govern our organization in an integrated manner, with the aim to create the envisaged value for our stakeholders.

Connectivity matrix

| | Strategic context | Strategic ambition | Strategic opportunities and risks | Performance indicators |
|--|---|---|---|--|
| | Stakeholder analysis and dialog | Building your sustainable future together | | |
| | Internal and external environment analysis of material themes | | | |
| | Clients <ul style="list-style-type: none"> Low costs Highest net return Superior client experience Offering control over income for today, tomorrow, and beyond Innovation Digital security and privacy Controlled pension administration Center of expertise in the field of pension insights* Transition to the New Pension Contract* | <ul style="list-style-type: none"> Maximize pension value A Leading administrator B Vital funds C Trusted guide | <div>Opportunity</div> <ul style="list-style-type: none"> New pension system Increasing digitalization Changing needs in services Effect of COVID-19 pandemic on services Robust administration processes Improve data quality, privacy and security Rate of technological developments Client satisfaction Outsourcing Available capacity for change <div>Risk</div> | <ul style="list-style-type: none"> Average price per participant Excess return (5 years) in basis points Net Promoter Score Participants with insight into pension assets Participants with insight into their income for later |
|  No Poverty | Employees <ul style="list-style-type: none"> Meaningful employer Engaged employees | <ul style="list-style-type: none"> Great place to work | <div>Opportunity</div> <ul style="list-style-type: none"> Flexibility of employees Attention to integrity and conduct Personal (continued) development Work in a socially-relevant context Effect of COVID-19 on staff members <div>Risk</div> | <ul style="list-style-type: none"> Number of employees Employee engagement Sick leave (gender) Diversity |
|  Reducing Inequality | Society <ul style="list-style-type: none"> Trust in pensions Contribution to a future-proof system Collaboration in the pension sector Responsible investments Sustainable business management Contribution to social initiatives Dutch workers and employers* Contribution to energy transition* | <ul style="list-style-type: none"> Sustainability | <div>Opportunity</div> <ul style="list-style-type: none"> Trust in the pension sector Increasing importance of responsible investments Sustainability initiatives Sharing knowledge and experience Reputation <div>Risk</div> | <ul style="list-style-type: none"> Reputation score Benchmark UN PRI Assets managed in Sustainable Development Investments Carbon footprint of operations |
|  Climate Action | Shareholders <ul style="list-style-type: none"> Financially sound organization | <ul style="list-style-type: none"> Return appropriate for a social business | <div>Opportunity</div> <ul style="list-style-type: none"> Strong solvency and liquidity Guarantee continuity of administration Changing market conditions Available change capacity Effect of COVID-19 pandemic on shareholders <div>Risk</div> | <ul style="list-style-type: none"> Net result Return on equity |
|  Partnerships | | | | |

Value creation model

GRI content index

The GRI Index reflects how we implement the 10 principles of the UN Global Compact. By adding the four UN development goals embraced by us – no poverty, reduced inequality, climate action, and partnerships – we emphasize how our mission and goals lead to the desired value creation through an integrated approach.

| INDICATOR | DESCRIPTION | CROSS-REFERENCE/FULFILLMENT/EXPLANATION |
|-------------------------------|---|---|
| GENERAL DISCLOSURES | | |
| Organizational profile | | |
| GRI 102-01 | Name of the organization | APG Groep N.V. |
| GRI 102-02 | Primary activities, brands, products, and/or services | Annual Report – Accounting policies |
| GRI 102-03 | Location of headquarters | Annual Report – Accounting policies |
| GRI 102-04 | Number of countries where the organization operates | Annual Report – About this report |
| GRI 102-05 | Ownership structure and legal form | Annual Report – Accounting policies Scope en reikwijdte |
| GRI 102-06 | Markets served | Annual Report – Who we are and what we do |
| GRI 102-07 | Scale of the reporting organizations | Annual Report – The world of APG (3 visuals: 1, 2, 3) |
| GRI 102-08 | Composition of the workforce | Annual Report – Other personnel information |
| GRI 102-09 | Description of the supply chain | Annual Report – Financial statements (Costs of outsourced work and other external costs) |
| GRI 102-10 | Significant changes during the period under review | None |
| GRI 102-11 | Explanation of application of the precautionary principle by the reporting organization | Annual Report – Risk Management |
| GRI 102-12 | Externally developed economic, environmental, and social charters, principles endorsed by the organization | Annual Report – APG en de ontwikkelingsdoelen van de Verenigde Naties - About this report - APG's human rights policy |
| GRI 102-13 | Memberships of associations (industry associations) and domestic and international interest groups | APG is, either as APG Group or through its subsidiaries, affiliated with a wide range of associations and interest groups. Examples include the Dutch Fund and Asset Management Association, Global Real Estate Sustainability Benchmark, Vereniging van Institutionele Beleggers in Vastgoed, Nederland, Eumedion, Climate Action 100+, Council of Institutional Investors, and the Investor Leadership Network. |
| Strategy | | |
| GRI 102-14 | Statement from the organization's senior decision maker on the relevance of sustainable development to the organization and its strategy. | Annual Report – Foreword |
| GRI 102-15 | Disclosures on key impacts, risks, and opportunities. | Annual Report – Our world of today and tomorrow |
| Ethics and integrity | | |
| GRI 102-16 | Disclosure on the organization's values, | Annual Report – Corporate Governance |
| Governance | | |
| GRI 102-18 | The organization's governance structure | Annual Report – Corporate Governance |
| Stakeholder engagement | | |
| GRI 102-40 | List of stakeholder groups that the organization has engaged | Annual Report – What do our stakeholders consider important |
| GRI 102-41 | Employees governed by collective bargaining agreement | Annual Report – Other personnel information |
| GRI 102-42 | Principles for identification and selection of stakeholders | Annual Report – What do our stakeholders consider important |
| GRI 102-43 | Approach to stakeholder engagement | Annual Report – Engagement with our stakeholders |
| GRI 102-44 | Key topics and concerns raised in consultations with stakeholders | Annual Report – Materiality analysis - What do our stakeholders consider important |
| Reporting | | |
| GRI 102-45 | List of entities included in consolidated financial statements and not covered by this report | Annual Report – List of equity interests |
| GRI 102-46 | Process for defining report content and specific boundaries and principles used | Annual Report – Accounting policies |
| GRI 102-47 | Material topics defined in defining report content | Annual Report – Materiality analysis |
| GRI 102-48 | Impacts of any restatements of information provided in a previous report and the reasons behind the restatement | Annual Report – Materiality analysis - About this report |
| GRI 102-49 | Significant changes compared to previous reporting periods on the scope and boundaries | Annual Report – About this report - Annual Report – Other sustainability information |
| GRI 102-50 | Reporting period to which disclosures relate. | 2021 |
| GRI 102-51 | Date of most recent previous report | 02-mrt-21 |
| GRI 102-52 | Reporting cycle | Annual |
| GRI 102-53 | Contact point for questions regarding the report or its content communicatie@apg.nl and sustainability@apg.nl | communicatie@apg.nl en sustainability@apg.nl |
| GRI 102-54 | The selected "In accordance with" option | Our annual report was prepared in accordance with the GRI guidelines (core options) of the Global |
| GRI 102-55 | The GRI content index for the option selected | Annual Report – GRI content index |
| GRI 102-56 | Assurance policy | Annual Report – Assurance policy for non-financial information |

| INDICATOR | DESCRIPTION | CROSS-REFERENCE/FULFILLMENT/EXPLANATION |
|--|---|---|
| MATERIAL TOPICS | | |
| Controlled pension administration | | |
| GRI 103 | 1. Boundaries per material topic | Annual Report – Materiality analysis - Strategische pijlers |
| | 2. Management approach | Annual Report – The new pension |
| | 3. Evaluation of the management approach | Annual Report – What have we done as a pension administrator |
| Responsible investment | | |
| GRI 103 | 1. Boundaries per material topic | Annual Report – Materiality analysis - Strategic pillars |
| | 2. Management approach | Responsible Investment Report |
| | 3. Evaluation of the management approach | What we have achieved with our asset management |
| Own indicator | Benchmark UN PRI | Annual Report – Sustainable Development Goals |
| Own indicator | Sustainable Development Investments | Annual Report – Sustainable Development Goals |
| Highest net return | | |
| GRI 103 | 1. Boundaries per material topic | Annual Report – Our ambitions and strategy |
| | 2. Management approach | |
| | 3. Evaluation of the management approach | Annual Report – Assets under management |
| Own indicator | Extra return achieved above the market average | Annual Report – The world of APG/Results - Excess return |
| The new pension contract | | |
| GRI 103 | 1. Boundaries per material topic | Annual Report – Materiality analysis - Preparing for the new pensions system |
| | 2. Management approach | |
| | 3. Evaluation of the management approach | |
| Trust in retirement | | |
| GRI 103 | 1. Boundaries per material topic | Annual Report – Materiality analysis - How we have applied our knowledge and skills |
| | 2. Management approach | |
| | 3. Evaluation of the management approach | |
| Own indicator | Reputation score | Annual Report – The world of APG/Participants |
| Offering grip on income for today, tomorrow, and beyond | | |
| GRI 103 | 1. Boundaries per material topic | Annual Report – Materiality analysis - How we serve our participants |
| | 2. Management approach | |
| | 3. Evaluation of the management approach | |
| Own indicator | Participants with insight into pension assets | Annual Report – The world of APG/Participants |
| Own indicator | Participants with insight into their income for later | Annual Report – The world of APG/Participants |
| Digital safety and privacy | | |
| GRI 103 | 1. Boundaries per material topic | Annual Report – Materiality analysis - Digital safety and privacy |
| | 2. Management approach | |
| | 3. Evaluation of the management approach | |

Other sustainability information

Working on demonstrably climate-neutral operations

We are reducing our environmental impact by cutting back on our energy consumption, making fewer business-related trips, and recycling our waste. We will increase the use of renewable sources. Finally, we are compensating unavoidable emissions. In 2020, we adopted policies and measures to reduce the emissions that still need to be compensated to a negligible level by 2030.

Carbon emissions from operations

We measure the carbon footprint of energy consumption, mobility, refrigerant leakages, and waste. In 2021, APG's gross CO₂ emissions amounted to 7,218 metric kilotons (8,173 metric kilotons in 2020). This is equivalent to 2.4 kg per FTE (2.8 kg per FTE in 2020). Because we use renewable resources, our net CO₂ emissions are less. APG's net CO₂ emissions in scopes 1 and 2 are subsequently compensated through the purchase of Gold Standard certificates.

In conformity with the Greenhouse Gas Protocol (GHG Protocol), the carbon footprint is expressed in terms of various "scopes." Scope 1 emissions are direct emissions from sources owned or controlled by APG. Scope 2 emissions are indirect emissions generated by purchased energy. In accordance with the CO₂ performance ladder manual, business trips with private cars and business flights are also taken into account when calculating the scope 2 emissions. Scope 3 emissions are all relevant indirect emissions (not included in scope 2) which occur in APG's value chain. This refers for example to the carbon footprint of staff commutes.

APG charts the carbon footprint of the investment categories Shares, Corporate Bonds, Property and Private Equity. This is reported on each year in the Responsible Investment Report in accordance with the recommendations of the Taskforce on Climate-related Financial Disclosures and the methodologies used by the Partnership for Carbon Accounting Financials (PCAF) in respect of corporate investments and the Global Real Estate Sustainability Benchmark (GRESB) with respect to property investments.

| Gross CO ₂ emissions in metric ton | | 2021 | 2020 |
|---|--|-------------------|----------------------|
| Scope 1 | natural gas | 1,143 | 814 |
| | refrigerants | 0 | 0 ¹ |
| | fuels - company-leased vehicles | 1,008 | 1,234 ^{1,2} |
| Scope 2 | electricity | 4352 ⁴ | 4,436 ¹ |
| | district heating | 34 | 33 |
| | air travel | 66 | 407 |
| | vehicle fuels - kilometers traveled for business purposes | 81 | 85 ² |
| | public transport - kilometers traveled for business purposes | 1 | 48 ² |
| Scope 3 | waste | 368 | 111 ⁴ |
| | vehicle fuels - commute | 153 | 970 ² |
| | public transport - commute | 9 | 18 ^{1,2} |
| | wastewater | 0 ^{3,4} | 13 ⁴ |
| | water | 3 ^{3,4} | 4 ⁴ |
| Total | | 7,218 | 8,173 |
| <i>1 not including New York</i> | | | |
| <i>2 not including Hong Kong</i> | | | |
| <i>3 not including Basisweg 30</i> | | | |
| <i>4 not including Basisweg 10</i> | | | |

| Net CO ₂ -emissions in metric ton | | 2021 | 2020 |
|--|--|------------------|----------------------|
| Scope 1 | natural gas | 1,143 | 814 |
| | refrigerants | 0 | 0 ¹ |
| | fuels - company-leased vehicles | 1,008 | 1,234 ^{1,2} |
| Scope 2 | electricity | 228 | 80 ¹ |
| | district heating | 34 | 33 |
| | air travel | 66 | 407 |
| | vehicle fuels - kilometers traveled for business purposes | 81 | 85 ¹ |
| | public transport - kilometers traveled for business purposes | 1 | 48 ² |
| Scope 3 | waste | 368 | 111 ¹ |
| | vehicle fuels - commute | 153 | 970 ² |
| | public transport - commute | 9 | 18 ^{1,2} |
| | wastewater | 0 ^{3,4} | 13 ¹ |
| | water | 3 ^{3,4} | 4 ¹ |
| Total | | 3,094 | 3,817 |
| <i>1 not including New York</i> | | | |
| <i>2 not including Hong Kong</i> | | | |
| <i>3 not including Basisweg 30</i> | | | |
| <i>4 not including Basisweg 10</i> | | | |

Since March 18, 2020, virtually all Dutch staff have been working from home due to the COVID-19 restrictions. These restrictions have had the following effect on APG's CO₂ emissions:

- The drop in our CO₂ emissions was mainly the result of the decrease in emissions caused by sharply reduced mobility.
- However, no major reduction in energy consumption was apparent because the buildings were still being heated/cooled for the staff who continued working there. These numbered some 100 employees who were present all the time, more or less all over the premises.

These factors resulted in an increase in energy emissions (gas and electricity) relative to the total emissions.

Methods for measuring CO₂ emissions

APG bases most of the conversion factors on the "List of emission factors" published on www.CO2emissiefactoren.nl. In the Netherlands, APG uses green energy for its operations. This origin and source of this green energy, which is guaranteed by means of Guarantees of Origin (GOs), is European wind. When calculating the net scope 2 CO₂ emissions, this energy is given an emission factor of zero. The emission figure related to commuting is an estimate. It is based on the commuting allowance the staff receives and the assumption that employees who receive a commuting allowance and who live more than 7 miles from work will commute by car. Because the commuting allowance continued to be paid during the period when staff worked from home, as from March 18, 2020, this would create a distorted picture of the emissions. It was therefore assumed, on the basis of attendance records, which commuting declined by 97.5% as from Q2.

The CO₂ emissions were measured for APG Group.

Energy consumption of our premises

We use the Carbon Risk Real Estate Monitor (CRREM) methodology to obtain insight in the intensity of energy and greenhouse gases (GHG). In this context, energy consumption and, in the case of GHG, refrigerant leakages as well, are divided by the leased floor area. We want our business premises to remain below the 1.5-degree pathway of Paris and aim to achieve the 2050 goal earlier.

In 2021 we found that the GHG-intensity of our Dutch business premises in the years 2019 and 2020 had not been correctly calculated, because no account had been taken of the fact that our Dutch business premises are powered by green energy. This is guaranteed by Guarantees of Origin for European wind.

| Energy intensity in kWh/m ² /year | | 2019 | 2020 | 2021 | 2021 target 1.5-degree pathway | 2050 target 1.5-degree pathway |
|--|-------------|------|------|------|-----------------------------------|-----------------------------------|
| Netherlands | Heerlen | 258 | 217 | 248 | 220.8 | 13.3 |
| | Symphony | 95 | 67 | 74 | 220.8 | 13.3 |
| | Basisweg 30 | 261 | 203 | 205 | 220.8 | 13.3 |
| US | New York | - | - | - | 275.7 | 12.1 |
| China | Hong Kong | 102 | 120 | 140 | 278.3 | 5.1 |

| GHG-intensity in kgCO ₂ e/m ² /year | | 2019 | 2020 | 2021 | 2021 target 1.5-degree pathway | 2050 target 1.5-degree pathway |
|---|-------------|------|------|------|--------------------------------------|--------------------------------------|
| Netherlands | Heerlen | 12 | 11 | 16 | 97.9 | 2.7 |
| | Symphony | 4 | 3 | 5 | 97.9 | 2.7 |
| | Basisweg 30 | 31 | 27 | 28 | 97.9 | 2.7 |
| US | New York | - | - | - | 73.7 | 2.8 |
| China | Hong Kong | 56 | 66 | 78 | 224.6 | 3 |

Separate waste collection

APG wants to reduce the residual waste it produces to no more than 10% in 2022 and to virtually 0% in 2030. In 2021, residual waste made up 18% of total waste (42% in 2020). This is equivalent to 9.3 kg of residual waste per FTE (7.8 kg of residual waste per FTE in 2020). The increase in 2021 relative to 2020 is due primarily to clearing out the former offices in Amsterdam. The resulting waste was for the most part disposed of separately.

| Waste in kg | 2021 | 2020 ¹ |
|-------------------------------------|--------|-------------------|
| Paper and cardboard | 51,087 | 9,943 |
| Other seperated waste | 79,699 | 22,105 |
| Residual waste | 28,181 | 22,919 |
| ¹ not including New York | | |

Other staff information

| | 2021 | | 2020 | |
|--|------------|------------|------------|------------|
| | Male | Female | Male | Female |
| Male/ female ratio on December 31 | | | | |
| Supervisory Board | 40% | 60% | 67% | 33% |
| Executive Board | 33% | 67% | 50% | 50% |
| Board layer ¹ | 87% | 13% | 75% | 25% |
| Management layer ¹ | 74% | 26% | 78% | 22% |
| Sub-top ¹ | 74% | 26% | 76% | 24% |
| Total (not including the Supervisory Board) | 64% | 36% | 65% | 35% |
| <i>1 not including Hong Kong en New York</i> | | | | |

| | 2021 | | 2020 | |
|--|--------------|--------------|--------------|--------------|
| | FTE | Employees | FTE | Employees |
| Number of employees as on December 31 | | | | |
| Netherlands | 2,793 | 2,942 | 2,692 | 2,843 |
| Hong kong | 82 | 82 | 78 | 78 |
| New York | 169 | 169 | 164 | 164 |
| Total | 3,044 | 3,193 | 2,934 | 3,085 |

| | 2021 | | 2020 | |
|--|--------------------|--------------------|--------------------|--------------------|
| | Permanent contract | Temporary contract | Permanent contract | Temporary contract |
| Number of employees as on December 31 | | | | |
| Male | 1,899 | 152 | 1,873 | 126 |
| Female | 1,021 | 121 | 985 | 101 |
| Total | 2,920 | 273 | 2,858 | 227 |

| | 2021 | | 2020 | |
|--|--------------|------------|--------------|------------|
| | Full-time | Part-time | Full-time | Part-time |
| Number of employees as on December 31 | | | | |
| Male | 1,769 | 282 | 1,746 | 253 |
| Female | 600 | 542 | 560 | 526 |
| Total | 2,369 | 824 | 2,306 | 779 |

Glossary

Controlled pension administration: a robust, cost-efficient, and future-proof pension; in processes and systems.

Benchmark UN Principles for Responsible Investment: the United Nations supports an international network of investors who collaborate on implementing the six principles for responsible investment. A reference framework provides insight in the consequences of sustainability for investors.

Offering grip on income for today, tomorrow, and beyond: helping participants get a grip on income for today, tomorrow, and beyond, among other things by providing overviews and insight through advice and coaching propositions.

Breaam: Building Research Establishment Environmental Assessment Method, a certification method for a sustainably built environment.

CO₂ emissions: the release of carbon dioxide into the atmosphere.

Carbon footprint: annual calculation which gives insight in the amount of CO₂ and other greenhouse gases emitted.

Compliance risk: the risk of material financial losses, damage to APG's reputation, and sanctions from supervisors as a result of non-compliance with laws and regulations and/or unethical conduct.

Connectivity matrix: diagrammatic overview of the way aspects relevant to long-term value creation depend on one another.

Digital security & privacy: the protection of digital data relating to participants and employers. This means preventing this data from being accessed or manipulated by unauthorized persons and from being abused.

Participants: persons who accrue or have accrued pension entitlements with a pension fund, or who receive a pension. The number of participants is the sum of the number of active participants, former participants, and pensioners (pension beneficiaries).

Extra return (5 years) in basis points: the return in excess of the benchmark; the return we achieve measured over an average period of five years. The basis point reflects the smallest change and equals one hundredth part of a percent.

Fiduciary model: model ensuring the separation of the three roles in the investment process: providing independent advice to our clients, investing pension capital, and managing the risks.

Financial risk: the risk of an undesirable event that impacts APG's balance sheet and/or income statement, caused by variations in uncontrollable market variables or insured loss probabilities.

Governance: the conduct of a business: how it works, with whom and on what terms.

Highest net result: achieving the highest net result for the pension funds and their participants, i.e. after deducting the costs.

ICLAAP: Internal Capital Adequacy Assessment Process, European guidelines encouraging the financial sector to reflect on their capital and liquidity risks in a structured way, and to measure and control these risks.

Inclusion policy: asset management policy setting out in which companies we can invest, based on return, risk, costs, and sustainability. We distinguish outliers (high-scoring companies), promising (companies we encourage, by engaging with them, to do better), and laggards (companies that need to take serious steps if we want to continue to invest in them). Our investment decision therefore depends on the qualification.

Liquid investments / Illiquid investments: liquid investments concern readily marketable investments, for which an objective price is available virtually all the time, unlike illiquid investments, for which this is not the case.

Maximum pension value: creating the best possible pension for the participants: the greatest number of income years for the future and high-quality services at a market-based price, while caring about intergenerational solidarity, sustainability, and an inclusive society.

Employee engagement survey: a survey measuring the APG staff's job satisfaction and whether they are energized by their work. In addition to involvement, six other themes are measured: vitality, inclusion climate themes, development opportunities, identification with APG, leadership and support, and collaboration and psychological safety. This survey is carried out every six months. The score reported is that of the survey conducted in October.

MiFID: Markets in Financial Instruments Directive, which aims to improve competition in the European financial markets by creating a single European market for investment services and activities.

Net promoter score: an instrument for measuring customer loyalty.

New pension system: contributing towards a future-proof system of providing pensions, for instance by easing the transition to the Pension of the Future through careful preparation.

Operational risk: the risk of losses due to external events, failing internal or outsourced processes and ICT systems, or undesirable behavior on the part of the staff. Operational risks may have undesirable consequences for our clients. The associated outsourcing risk for clients is part of APG's integrated risk management.

Pension administrator: if a pension fund is the head, a pension administrator is the hands. Everything is thought out in the pension fund and carried out by a pension administrator. An administrator often does this for several pension funds at the same time. This makes it cheaper and more efficient. According to the definition applied by the Dutch Central Bank, APG is a pension administration organization (PAO), whereas a pension fund or insurer is a pension administrator.

Pension administration: all administration and communication services that APG provides as an administrator on behalf of its client pension funds to employers and participants in accordance with Article 1, pension administrators, of the Pension Act.

Personal Pension Pot: a simple way to inform the participants of their pension entitlements. It shows the amount accrued by a participant to date, how much he/she has contributed, and how

much is contributed by the employer, and the return on the investments.

Reputation score: the reputation score, which is obtained by a reputation study conducted by the Reputation Institute, provides insight in the reputation. The method not only measures the reputation, but also the causes and effects. The score reported is the average score over the year.

Risk profile: the risk profile indicates how much risk our clients - the pension funds - are permitted to take with the participants' capital. The risk profile is drawn up by APG in consultation with the client. The client's risk profile is based on an Asset/Liability model. This is a calculation model based on assets and liabilities identifying, on the basis of the pension fund's preferences, the desired return and the related acceptable degree of risk.

Analysis of stakeholders: overview of the most significant stakeholders involved in and exerting influence over our organization.

Strategic risk: the risk that strategic objectives will not be attained as a result of changes in the competitive situation, political decisions, stakeholders, reputation and/or business climate or the organization's ability to adapt to these changes.

Sustainable Development Goals (SDGs): global goals for sustainable development, formulated by the United Nations.

Responsible investing: achieving a responsible investment result which generates not only a financial, but also a social return, by focusing on people, the environment, and good governance.

Reporting risk: the risk that errors in the administrative processes or system result in inaccuracies in the financial reporting products.

Pension trust: the trust society puts in pensions.

Value creation model: the effect of the interaction between human capital, the organization and the client is referred to as value creation. The value creation model is a schematic representation of the value creation process.