



Annual Report APG Group NV 2019



Preface



Gerard van Olphen, chairman of APG Group, is not one to sit on his hands. He is determined to actively contribute to modernizing the pension system. He also wants to further improve the way pension fund participants are provided with clear information about their current, medium-term and long-term income. APG has everything necessary for this - the knowledge, the data and highly motivated personnel.



These are unreal times.

'Shocking so. In 2020 society finds itself confronted by the coronavirus, with an unreal situation full of uncertainty. Particularly in such uncertain times it is crucially important for there to be some certainties that people can count on: electricity, water, light and medical assistance. But also the financial infrastructure, payment traffic, and with it, pensions. By offering the same service as always, we contribute to the confidence that is necessary in society at times like these.

At the moment 95% of APG employees are working from home and I do not think our funds, their participants or employees really notice this much. I am proud of how APG employees are coping with the new reality and how the processes keep working. I fully understand that these are difficult times for everyone.

The new pension contract has not become less important as a result of this crisis, but it has become less urgent. Wherever possible we will continue to work in the background, looking at possible solutions, exploring alternatives and working out variants. So that when the time comes we will not be seen to have been passive in this area.'

The rest of the report was written before the outbreak of the corona virus.

These are also turbulent times in the pension world.

'Yes, there's a lot going on, in APG too. There's finally a pension agreement. That's important. But let's not exaggerate, because the agreements are mainly about the AOW state old-age pension. The social partners and the government are going to sign contracts on pensions. That will happen in the course of this year.'

Why are we getting new contracts?

'Because the present pension system is unsustainable. It's based on employment relations as they were in the fifties and sixties when it was common to work for the same company for forty years. What's more, the ratio of young to old is becoming more and more skewed. And the interest you get on any money you put aside is low; it doesn't produce enough. In short, pensions are going to become more expensive. We have to take this into account. At the same time, we must safeguard the underlying principles of solidarity, risk sharing and duty to save for later, but in a way more suited to the times we live in. We really need new agreements.'

So the whole system has to be completely overhauled?

'A whole lot of things are going to change, but if APG has anything to do with it, those three principles I just mentioned will be maintained. All of us together share the investment risks and also the risk that we have to pay pensions for longer because we live longer. And the reason the system can exist is because it's obligatory to put money aside for your pension. Collective saving for old age is a great benefit for society. This approach always produces more and is a stabilizing factor for the Dutch economy. What will change is not clear yet. It is possible that we would start out from defined contributions instead of defined benefits as we've been used to up to now. Or that we're shifting the pension target - 70% of the average wage for example - to the pension ambition. That means the expected benefits could vary in amount, and that in turn would depend on the investment results and the growth of the economy.'

The minister says he has no intention of reducing pensions for now. Isn't this just kicking the can down the road?

'It's important that we get a new pension system. A system that goes with our times. It's true that in the pension sector there's a tendency to defer problems. Sometimes that's good - after all we're a long-term industry, so we don't have to react to daily price fluctuations. But society is really demanding a different system now. This deserves to be given priority. Delaying

reduction is really only justified if, at the same time, we make sure a new system is coming. It's really necessary to bring the pension market back to life with new contracts, to reinvent it. APG is willing and able to make a contribution to this and to offer solutions. We think it's better to give the social partners time to agree, within certain conditions, on the new pension contract and to forget about reductions for the time being. We're actively thinking about this on all kinds of fronts.'

What does that mean for the participants?

'Whatever variant eventually comes out on top, and whichever contracts are signed, we see that more responsibility is going to lie with the participants themselves. People are going to have to get used to this. Our point of view is that good advice is more necessary than ever. Participants must get a grip on their income, now and later. Maybe it's a good idea to start saving now, or to repay more on your mortgage, perhaps you'll keep working until you're 70 and it would be better to change jobs or to get some training. We're gearing our business entirely to the needs of participants, so that our clients - the pension funds - can communicate even more clearly, more simply and more comprehensively with their participants. Which is not always easy, since not everyone is waiting for information about his or her pension. And yet, you want to know if you're on the right track. Ultimately, everyone wants to carry on living in the manner they're accustomed to. We've been hammering away for ages about how we have to explain more about what's going on and what might happen in the future.'

They're certainly going to need help...

'Participants will be given more responsibility and at the same time a lot of extra uncertainty. But they're often not interested in pensions or simply can't deal with them. So, it's important to emphasize helping participants and employers to be able to make good choices. Together with the pension funds we're fully committed to this.'

Is APG the best partner for this?

'Yes, we work in the interest of the pension funds. We manage the assets, the money that belongs to the people we have on the telephone. We also have the role of trusted guide and we're there to offer an insight into their accrued pension entitlements. We've developed all kinds of products and programs for this, such as the "Clear Overview and Insight" online service, but there's still a long way to go. We're continuing to develop apps and we're going to focus even more on giving individual attention. Our work is all about increasing the value of participants' pensions. Our ambition is to bring down the average price per participant, while at the same time getting as much extra return as possible and increasing our Net Promoter Score.'

But the value of participants' pensions is still the priority?

'Of course, we put as much of the contributions as possible into pensions for participants. That means we have to be careful not to spend too much money, to obtain good investment results, and to make sure participants and employers can make the right choices based on the right information.'

There's a lot of money involved. And that brings with it social responsibility.

'We don't just look at risk and return, we also look at what a company does about the environment, working conditions, diversity and human rights. Wherever possible we exercise our influence as shareholders. We're regarded worldwide as exemplary active investors. Ultimately, we also aim to contribute through our investments to the U.N.'s sustainable development goals or SDGs. One of those goals goes straight to the core of our work: ending poverty. In essence that's what pensions are all about: they're there to prevent poverty. Pensions enable people to continue to lead a normal life after their working life. In the Netherlands there's plenty of moaning about pensions, but along with Luxembourg, the Netherlands has the lowest poverty rate among the elderly.'

How is APG itself doing as regards sustainability?

'Honesty compels me to say that there's still plenty of room for improvement. Just observing the same standards as those we require of the businesses we invest in is not good enough. I'm thinking of mobility for example: we still travel too much between offices both in the Netherlands and abroad. In any case the merging of the Amsterdam offices is getting closer: in six months' time we'll be moving to a single modern, energy-neutral building near Sloterdijk train station. That's not just good for the environment, it will also save us millions in overheads. But there's plenty of work still to be done: we're simply not sustainable enough yet. Noblesse oblige.'

How did APG perform on other fronts in 2019?

'Although it differs from one pension fund to another, costs per participant dropped, and the pension funds are quite pleased with that. This is in the interests of participants, since the lower our costs are, the more money we commit to the pensions. We enjoy the benefits of a number of reorganizations that have made us more flexible and efficient.'

We see it as our job to give every participant the pension to which he or she is entitled. The quality of our data and the accuracy of information is essential here. By far the most information in our systems is correct. We have, however, discovered errors in some of our data. We will, of course, correct them, because these errors affect people. We will work hard to solve this and prevent it in the future.

Regarding the investments, in absolute terms returns are unprecedentedly high. But this past year we didn't manage to outperform the market as a whole, which is always our goal. The performance of a number of asset classes was disappointing. But fortunately there's lots of good news too. I'm very glad that participants' satisfaction with most pension funds has grown strongly: participants are positive about how we listen to them, about the accessibility of the website and about our services. And financially we had a good year and we're able to pay shareholders a fine dividend. It's a pity we had to end the year by saying goodbye to Jaap van Manen, who retired from the Supervisory Board due to personal circumstances.'

Is APG also satisfied with the sale of the insurer Loyalis to a.s.r.?

'We have different strategic focuses; it's better for us to go our separate ways. APG wants to focus primarily on pensions, and an insurance company doesn't really fit with that anymore. And with a.s.r. Loyalis will have all the space it needs to develop further. It's a fine, strong company with unique products. We're very grateful to everyone who worked so hard for Loyalis. And we're maintaining our ties: we have cooperation agreements that benefit both Loyalis' clients and the pension funds' participants.'

So all in all you're a proud chairman?

'I think as APG we could be a bit prouder. In particular the 3,000 people who do all the work here. Our employee engagement survey revealed some high-scoring aspects, but also things requiring attention. For example, our people want to know what APG stands for. I think we could bring this out a bit more. We have all the knowledge and data about pensions in-house. We have an unrivaled overview of possible developments. We're pension administrators, but we're also more than that: we're part of the process of reflection on all facets of the new contracts, from the basic concept through to eventual execution. In this way we serve society as a whole. Our employees are also sincerely involved with the participants. But what we exactly do is still not sufficiently visible. If APG were to let itself be seen more, I think our employees would find it easier to be proud of their work. What they do really counts. Whether we're talking about the investment managers or the employees in the call center. We all want the best for the people who pay contributions and receive pensions. We see pensions as more than just a financial product. It's about people and their lives.'

At a glance

Benchmark UN Principles
for Responsible Investment

A+ **A+**
2019 2018

(gender) diversity

65/35 **64**
2019 2018

New York

CO₂ footprint HQ
(metric tons)

22,497 **22,797**
2019 2018

Number of employees

2,980 **3,110**
2019 2018

Return on
equity

7.6%
2019

Average price
per participant

67.30 **69.40**
2019 2018

Extra return
(5 years) in basis points

56 **103**
2019 2018

Net Pr
Score

+10
2019

Reputation score

70.7
2019

Amsterdam

apg



4/36
2018

Absenteeism

4.6% 2019 5.1% 2018



Managed in Sustainable Development Investments

72 billion 2019



Hong Kong

ees

Employee engagement

52
2018

6.6 2019 6.7 2018



6.4%
2018

Net result

53 million 2019 48 million 2018



omoter

+1
2018



Participants with insight into income for later

1,845,000 2019 56,000 2018



Participants with insight into pension assets

975,000 2019

850,000 2018



Heerlen

Explanation 'At a glance'

In this annual report we describe the value that we create for our stakeholders. The most significant indicators for measuring this value and taking management decisions based on it are described under 'At a glance'. These indicators are explained in the text; this is indicated in the text with the following icons:



Our clients



Our employees



Society



Our shareholders

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

Chapter 1

About APG



Who we are

Every day APG Group NV (APG) is busy with something that already concerns millions of Dutch people and one day will concern millions more: pensions. For APG pensions are about people, life and living together. We want to make a difference so that we, our parents and our children have a good income now and in the medium and long term.

APG is the biggest pension administrator in the Netherlands and indeed in Europe. We work on behalf of eight pension funds. These are ABP (government and education), bpfBOUW (construction), SPW (housing corporations), BPF Schoonmaak (cleaning), PWRI (social/labor inclusion), SPMS (medical specialists), the Pension Fund for Firms of Architects and PPF APG (APG personnel pension fund). We implement the pension schemes and carry out the pension communication for them. And, for four of these clients, we also manage their assets.

Our higher goal is to 'Build together for your sustainable future'. Our organization is geared to achieving a pension value as high as possible for our clients. For more about this, please refer to the chapter headed 'How we create value'.

APG has approximately 3,000 employees. We have two locations in Amsterdam and one in Heerlen. Overseas we have establishments in Hong Kong and New York. We also have satellite locations in Brussels, Shanghai and Beijing.

APG works for eight different funds



In 2019

APG looked after the pensions of

4.7 million participants

22,000 employers

APG received

€ 13.2 billion in client contributions

APG paid out

€ 14.0 billion in benefits on clients' behalf

APG managed

€ 538 billion in assets on clients' behalf

APG invested in

6,000 different assets for clients

Services to Participants and Employers

We see it as our responsibility to provide participants of our pension funds with insight into their pensions. This enables them to take better decisions about their income for now and in the medium and long term. The importance we attach to the participant can be seen in our organization model. In 2018 we set up DWS, which in Dutch stands for Participants and Employers Services and merged the departments that dealt with participants and employers. With DWS we've strengthened and renewed our services to participants and employers and we expect to be able to make even more progress in this area.

Many of the people working in DWS have backgrounds in working with consumers and giving information. They often have a view of the process that's a bit different from that of pension specialists. So together they can develop useful products and services. In this way we help not just the participants themselves but also the pension funds. Because it enables them to improve their services to participants and employers too. This is important, because participants and employers are being given more responsibility and freedom of choice concerning pensions.

Participants and employers can get answers to their questions, whether simple or complex, from our Customer Contact Center (KCC in the Dutch abbreviation), where they are attended by expert employees.

Funds business

The funds business is the beating heart of APG. This is where we carry out the pension administration for the pension funds. These are actually huge ICT systems in which the agreements with the 4.7 million participants are stored and with which contributions are collected and pensions paid. Multi-discipline client teams are active on behalf of the pension funds. Together with the eight pension funds they set the course for the major issues at stake. We also pay close attention to the feasibility of pension contracts.

Because we work on behalf eight pension funds, we can keep the costs low. And by working ever more smartly we push the costs down further.

Asset Management

Asset Management invests the pension contributions paid in by participants of ABP, bpfBOUW, SPW and PPF APG. They invest in equities and bonds, but also in projects around the world, including in infrastructure and real estate. The aim of the investments is to obtain returns as high as possible for a given risk profile defined by the client at costs as low as possible. For this reason, we work as much as possible with our own portfolio

managers. Over 800 investment specialists work in our offices in Heerlen, Amsterdam, New York and Hong Kong. They manage 72% of the assets; the rest is invested by external experts. Over the past 25 years the pension assets have grown by an average of around 7% a year. In short, about two thirds of the money paid out in pensions has been built up from the return on investments.

We spread the risk; we cannot afford to lose participants' money. In this way we also put together portfolios that best match the wishes of the pension funds and their participants.

Sustainable investment is a focus: in every investment decision we take we consider sustainability. APG is one of the most sustainable investors in the world and has developed specific instruments to be able to monitor the market on this point. We also take responsibility for helping others with this.

Because we invest large scale and long term, we have many possibilities worldwide. Potential partners know that they can build on us and that we have the knowledge within the organization. For participants the long-term approach increases the chance of our obtaining positive results even in times of fluctuations.

Chapter 2

Important developments for the pension world



In the world around us a lot of things happen that have direct and indirect consequences for pensions and also for our work. APG has significant input thanks to its available knowledge and expertise. Yet, we regularly face face things beyond our control to which we must react in a quick and appropriate manner.

Coronavirus

Toward the end of December 2019 the first infections with the coronavirus, COVID-19, were detected. In the first quarter of 2020 the virus spread around the world and had an unprecedented impact. World financial markets were also hit hard, putting pension funds' financial position under more pressure. In many countries, including the Netherlands, society has come to an abrupt halt in order to contain the further spread of the virus. As a result of these developments many businesses are finding it increasingly difficult to continue to provide their services. As managers of millions of participants' pensions, we have as our priorities the welfare of our APG employees and the continuity of the business.

Gerard van Olphen: 'We regard the things we normally do in normal circumstances as ordinary and self-explanatory. Doing ordinary things in these circumstances makes you realize that normal things are actually quite special. APG's role in paying pensions, speaking with participants and employers, investing and being entrusted with managing the biggest pool of savings in the Netherlands, is a special one, and one that is of fundamental importance in underpinning the structure of society. This is also reflected in our place on the list of "critical organizations".'

Pension agreement: many uncertainties remain

A highlight of 2019 was the new pension agreement. That was necessary, because the old system has become unsustainable, due among other things to the aging population, all-time low interest rates and a changed labor market. Falling interest rates and rising life expectancy have led to many pension funds having been unable to realize their indexation ambitions for some years now. Following years of negotiations, at the beginning of June came agreements between the social partners in the Social Economic Council (SER). APG was not officially a partner in the consultations, but our specialists have been closely involved with them. The agreements mainly concern the

AOW state pension age and in broad lines also pension schemes. These will not assume specific form until further negotiations among the social partners have been concluded.

We currently hold collective pension schemes with mandatory participation. In the new pension schemes, there will be no more commitments made, so it is conceivable that there will be more room for including expected returns. Participants will then see the prospect of an increase in their pensions sooner. But if things go badly, pensions will also be reduced sooner. Pensions are going to track economic fluctuations more closely. If participants wish to have more certainty about the amount of their pension, they can arrange something extra themselves. APG will be happy to support them in this. We will do this by bringing our knowledge to bear so that pension funds and employers can inform their participants and employees as good as possible, in a personalized way and help them with their personal choices.

The very low interest rates have placed the financial positions of pension funds under heavy pressure. Low interest rates make pensions more expensive. Because of the exceptional circumstances, the Minister of Social Affairs and Employment found a way to avoid pension reductions in 2020 when possible. From September on interest rates rose again somewhat, so in the end most pension funds did not need to make use of this arrangement.

Fewer participants in pensions

Fewer and fewer Dutch people are accumulating pensions. In 2011 82.7% of the working population had some form of pension; in 2018 the figure had fallen to 78.8%, according to figures published by the CBS (Central Statistics Bureau). And the number is expected to fall even further. One of the reasons for this is that more and more people have loose employment contracts or are self-employed. 34.7% of the working population is at risk of not building up enough pension. We foresee self-employed people being able to join pension schemes in the future. Their numbers will vary by sector: for example, there are many more self-employed people in the construction sector than in government.

Trust in pension funds is decreasing

APG provides services to the participants of eight pension funds. Although the minister said he was scrapping reductions of most pensions for the time being, threatens the market. It is difficult to explain: pensioners see that their pensions do not grow even though the economy is doing well and the assets of the pension funds are increasing. Uncertainty about the future pension system is also a factor in this lack of trust. APG is concerned

about this. With our knowledge and our energy, we are trying to help the sector restore trust.

Concentration of pensions with large pension funds and administrators

The number of pension funds in the Netherlands continues to fall sharply. In 1997 there were 1,060 pension funds; according to the latest count there are now fewer than 200. As a result the five biggest pension administrators (apart from APG these are PGGM, TKP, MN and AZL) now manage around 84% of all pensions. This concentration is expected to continue or increase. This has its advantages: for example costs can be better managed. Schemes must be simplified and streamlined, while retaining differentiating and necessary elements for certain groups or sectors.

The concentration of pension administration referred to above also offers new opportunities to reduce supervisory costs with direct supervision of pension administrators. APG is a proponent of this direct supervision and is participating wholeheartedly in the pilot scheme with DNB.

Economic developments

Pension funds invest the money entrusted to them in equities, debt securities, commodities and other assets. And they do so all over the world. Even a diversified portfolio is not completely risk-free, but it is a necessary condition for a favorable trade-off between expected returns and risk incurred. The way the value of investments evolves is ultimately dependent on economic magnitudes. The most important of these are economic growth (and any shocks to it), interest rates and inflation. In 2019 economic growth weakened slightly.

Uncertainty over trade

China, an important importer and trading partner for the rest of the world, has to leave behind the high growth rates of the past few years. This affects exports, including those from the euro zone and from commodity exporting countries. The other big importer on the world market, the U.S., is trying to open up other markets, particularly China to more U.S. products, and threatening to erect trade barriers if it does not get its way. As a result of this uncertainty, businesses are reluctant to invest. In Europe this is happening on a smaller scale now that the EU and the U.K. are busy trying to find a new relationship with one another. The uncertainty is reflected not just in lower economic growth, but also in decreasing business confidence.

Sharply lower interest rates

The U.S. and euro zone central banks see the attainment of their inflation targets threatened: if the economy weakens and there is no improvement in sight, the chance of higher inflation becomes that much smaller. As early as the beginning of 2019 the central banks announced that they were slowing the pace at which monetary policy would be normalized. As a result, financial markets recovered from the sharp blows it had received in the closing months of 2018. In the summer, when slow economic growth became noticeable, central banks went so far as to revert to quantitative easing. This led to sharply lower interest rates, not only short-term but also very long-term rates. Equity markets at first reacted negatively to the lower growth figures, but rallied later because fears of major economic decline dissipated, and also because the alternative to equities, bonds, were offering very low or even negative yields. The low level of interest rates in developed markets led central banks to point out that their ability to stimulate the economy is not unlimited. They point to the possibility of governments turning to fiscal stimulus.

Sustainable and responsible policies are gaining in importance

Major themes such as the elimination of poverty and hunger, safe working conditions, fair pay, equal opportunities for all and access to education are gaining in importance. The Sustainable Development Goals (SDGs) of the United Nations have clearly contributed to this. Furthermore, climate change is a serious threat. Governments and increasing numbers of businesses are developing policies on these and adapting their conduct. In the Netherlands we have already seen a concrete result with the Climate Agreement that was negotiated around a number of different tables. Our chairman Gerard van Olphen was invited to the Industry sector table as chairman of the Finance group. The financial sector has the responsibility and the energy to invest where it can in businesses that contribute to a more sustainable world. The whole financial sector agrees with this point of view. Government, businesses, banks and pension funds are now going to work together more to achieve this.

Chapter 3

How we create value



Together with the pension funds we build good pensions, for now and in the future. The collective pension system as we now know it is unique. It makes a contribution to the Dutch economy and helps to prevent poverty among the elderly.

We are proud to work in a pension system that once again has come out as the best in the world: the Netherlands has the most money per participant available for pensions, and together we share the risks and opportunities. And yet society's faith in the system is at a low. We are faced with a wide expectations gap.

Much of what APG does cannot be directly expressed in money. For example, our specialists share their knowledge and experience, and the whole of society benefits from this. Within our tasks and responsibilities, we do our best to maintain a good pension system.

Our investments also have a considerable influence on society, both in the Netherlands and far beyond. APG currently manages over €538 billion, nearly twice as much as the Dutch government's total annual expenditure. We invest that pension money in companies and projects that subsequently provide returns, but that are also responsible. In this way we work at making a world that will be livable in the future too. Organizations at home and abroad speak highly of our way of investing responsibly and follow our example.

Our stakeholders

We work for our clients: the pension funds, and their employers and participants. We also have a number of other important stakeholders.

Analysis of stakeholders



We asked our most important stakeholders about their interests and needs. And we worked these into our strategy. We maintain ongoing dialogue with them on the material issues. In our value creation model, we express how we create value for our individual stakeholders.

How we create value

Input

Value creation



For our clients

- Pension administration and communication for over 4.7 million participants and some 22,000 employer members of the pension funds
- Over €500 million assets under management in accordance with a clear long-term investment vision
- Executive consultancy



Our employees

- Contribution of expertise and many years of experience of pension administration and asset management by nearly 3,000 client-minded employees with diverse backgrounds, knowledge and experience



Innovation and information technology

- Assiduous application of innovation to continually renew our provision of services
- Robust IT
- Professional data management



Networking and collaboration

- Cooperation, knowledge sharing and years of experience with pensions and investments
- Active dialogue with our stakeholders to promote our clients' interests



Sustainability

- Sustainability aspects integrated into and used to guide our clients' investments
- Integration of sustainability aspects into the management of our business and the role we play in society



Finances

- Financially responsible policy and management

“APG is determined to make a difference so that we can secure a better future for our clients and our children. We focus on long-term income, now and in the future, and long-term value creation.”



...ed to make the
...we, our parents
...a have a good
...in the medium
...term”



Clients

For pension funds

Optimal client service

- Expert advice, such as on investment choices, the amount of pension contribution and management advice
- Less complex processes and provision of services
- Innovative solutions

For participants and employers

Provision of services such as

- A good pension
- Communication that is comprehensible, personal and relevant
- Overview and insight: now and in the medium and long term
- Prior explanations



Employees

- Attractive employer
- Engaged and flexible employees
- Safe and healthy work environment



Society

- Contribution to the development of a future-resilient pension system that people will trust contribution to a livable world through sustainable investments
- Contribution to efficient and responsible financial markets
- Reduced environmental footprint
- Social engagement



Shareholders

- Financially sound organization

Our higher goal

We want everyone to have a good income, now and in the medium and long term. 'Building together for your sustainable future' is our higher goal. That is what drives us. We want to be more than an administration office or an investor: for us, pensions are about real people, about their lives. We are there in order to make it possible for participants to have certainty as to the future.

Where we are headed

Our aim is to arrange the best pension possible for all participants. To this end we focus on three important elements: how efficiently we do our work, with the highest possible returns, how we can strengthen the ties between the pension funds and the participants, and how we can be the best possible guide in the pension world.

Low costs, high income, livable world

Our efforts are directed at maximizing the value of the pensions we manage. The basis of our work is the good service we provide to the pension funds, their participants and the employers. We are appreciated for how we invest the money entrusted to us. We are going to expand and improve this further. Because we want to be able to pay out as much money as possible in the form of pensions, we pay close attention to our costs. At the same time, we want our investments in equities, bonds and projects to produce good returns in the long term. And the risks have to be acceptable. As exemplary investors we strive to obtain a higher return than the market average. Furthermore, we strive to bring about a livable world. For this reason, where we can we invest in projects and enterprises that help to make society better and the world we all live in more beautiful. After all, what's the use of a good pension if the world around you has become unlivable? Of course, we cannot impose our will on all parties, but we certainly do have influence because we have huge amounts under management: the savings of millions of pension participants.

Strong pension funds

APG currently works for eight pension funds, their participants and the employers. We are at their service. The pension funds want to align themselves with their participants' wishes. That is what forms their identity and determines their choices. We empower the funds with our knowledge and expertise and with customer-oriented advice. For example, we help to intensify the connection between the funds and the participants and employers will all kinds of communication solutions such as websites and apps. In our Customer Contact Center (KCC) too, we speak with participants on behalf of the funds and try to answer their questions clearly.

In a world that is becoming more complex by the day and in which changes come in quick succession, good communication is essential, as is mutual trust.

The trusted guide

The world of pensions is a complicated one. The media give it a lot of attention and politicians talk about it too. The issues that attract the most discussion are the threat of pension cuts, the question of whether coverage ratios are high enough and upcoming changes in the contracts. These are complex issues. And for participants there will probably be a substantial change: whereas now many things are firmly established for them, we expect them to have to make many more choices in the future about their immediate and future income or pension. In this complex situation, we believe it is more important than ever for participants and employers to be well informed. To have the issues and the actual or possible consequences for them explained more clearly than ever. We see this, too, as one of our most important tasks: we are the trusted guide, who aims to make everyone aware of the current situation and of what possible changes may mean.

Our identity

APG wants to make the difference by being an engaged organization with its own identity. We are going to show ourselves more clearly to the pension funds, their participants and society as a whole. We will show the outside world what knowledge we have within the organization and how we can use it to amplify social voices by supporting them with technical expertise. In collaboration with and as a complement to the pension funds, we aim to be the place where people come for clear information about their income now and in the medium and long term.



To be successful in this we need insight into two things: how well APG is known by the public and how we are perceived. That is why, in mid-2018, we started measuring our reputation using the RepTrak method from the Reputation Institute (RI). In 2019 we learned that 17% of the people in the Netherlands are familiar with APG and that our reputation score of 70.7 is considered high. APG's reputation score is stronger among people who know us very well. We received our highest scores on Products & Services and Work Environment (equality, remuneration and engagement). The lowest score was for Innovation, but even this was above average. Governance (ethical dealings, honest conduct of business and transparency) is seen as the most important reputation driver for APG. APG scored over 5 points more than the financial sector as a whole on this.

Sound foundation

We are well aware that all of this is only possible if we have a solid foundation. This consists of a number of factors. First of all, we can only keep our promises if we have the best people in the right jobs. Without proud, satisfied employees, we can achieve very little. That is why we put so much effort into making APG a great place to work and supporting our employees if they want to develop themselves through training or work in another part of our organization. It is also important that we make the best possible use of all the data, with the most up-to-date and secure IT. We have robust systems for pension administration and investments, which help us to continuously develop in an ever more complex environment. Because we aim to be a trusted guide, it is important that we have high-quality data that we can make available in many ways.

APG is a financially sound organization. Our aim is not to maximize profits, but to achieve a return that is appropriate to the social organization that we are.

Integrated management

We manage our organization in an integrated way in order to create the target value for our stakeholders. The interests of society and those of our stakeholders give direction to our strategy, the associated risks and opportunities and the way we measure our progress. The interdependence is reflected in the connectivity matrix in the appendix headed 'About this Report'.

Chapter 4

What we have achieved for our clients



Participants and employer communication

APG works to provide the best possible service to the pension funds, their employers and participants. Our services and client experience need to be relevant in today's world. In order to be able to offer this in 2019, we further transformed our organization. Satisfaction is growing, both among participants and with the pension funds.

Defining role for employers

The coming changes in the pension market will mean more individualization and fewer obligations. Employers will have a defining role to play when it comes to choosing a pension scheme – more so than participants. That's why it is important for us to continue investing in the services we provide to the employers. They need optimal service from us, especially where it concerns their administrative responsibilities and their duty to their employees. The employers are an important communication channel for the pension funds, since they are close to the participants. In 2019, we improved our services to employers by working together more.

Information to participants

We see that participants need insight and overview when it comes to their pension. We do our best to give it to them. To develop clear explanations for participants, we start out from what we call the customer journey, under a name such as 'Retiring'. Before reaching pensionable age, many things that happen in a person's life, such as getting married or divorced, having children, changing jobs - moments that count. We go in depth into the customer's real needs, think along with participants and explain to them what these changes mean. In 2019, we further adapted our organization and way of working to this approach.

Customer service at the center

In order to align our services with participants' and employers' needs, we saw that we had to give them a more important role, in fact a leading role, in the organizational arrangements. That is why we have brought together the teams devoted to directly serving participants, employers and sectors, plus our innovation activities, under a single department, DWS. As a result, we have made good progress in the services we provide both online and offline. Our Customer Contact Center (KCC) is a good example of

this. Our KCC employees are in direct contact with participants via email, telephone, chat or social media. Last year we had more than 605,000 contact moments through these channels. We also started an experiment in which we pay much more attention to measuring participants' emotions. This gives us a better understanding of what is going on and helps us provide our services with excellent content and with empathy. We want to strike a balance between the quality and the duration of a conversation. Because we work from the customer journey, we focus on what participants experience and where the real needs lie.

In 2019, we started using the Participant's Compass for ABP. With the help of this compass, which we tested and developed together with ABP in 2018, we can get a better idea of how participants perceive our services. There are four main elements: participants' degree of trust in the fund, whether they feel they are understood, how they perceive the help they are given and how easy it is for them to conduct transactions. In this way ABP aims to provide an excellent customer experience.

Since October, the KCC has also been answering all telephone calls and emails for our pension fund client SPW and its participants. This used to be handled by the Pension Administration department. We made this change in order to ensure that participants were at the center in their first contact with us, allowing us to better help them and more efficiently attend to their needs. When the call center gets a more complex question, they work in close cooperation with colleagues from Pension Administration.

Pension promises

With policy coverage ratio of over 110% and complaints from participants that could be counted on one hand, the pension fund for the housing corporations (SPW) has had little to complain about these past few years. The annual customer satisfaction survey confirms. And yet together with APG the fund concluded that something was missing. To what extent did participants really feel involved with SPW? Did participants feel connected? For this it is important for people to know what they can expect from SPW. So together with participants, both parties set out on a quest to bring about more connectedness. This resulted in six promises:

1. Guaranteed income for as long as you live, for you and your partner.
2. Your contributions in good hands, with proven returns.
3. Room for you to choose how you want your pension handled.
4. Personal pension check, whenever you wish.
5. Complete overview of and insight into your income for later.
6. Our pension scheme (yours and ours together), made to measure for housing corporations.

According to the figures, SPW is performing well. What made you think there was something missing? Jim Schuyt, chairman of the employers with SPW, can well imagine the question. 'At first sight, indeed there's no need to look for that connection, among other things because the fund is performing well. And because of the sector-related mandatory contributions, participants can't move to another fund.' That could be a reason for a fund to sit back and relax. Jim: 'But for us that's precisely a reason to make an extra effort to tie participants and employers to us; it creates a responsibility. Even if it weren't mandatory, participants should want to choose us: that's how we look at it. With the pension promises, we make the subject of pensions and the service SPW provides more tangible and we show what the fund stands for.'

'There'll soon be nothing left for me'; 'there's nothing to choose'. Participants still have many concerns about pensions, notes Birte van Ouwkerk, marketing communication strategist with APG. 'You can explain to them that those concerns are largely unfounded. But you can also say it more powerfully by promising that participants' contributions are in good hands, by promising that there is, indeed, room to choose and by promising that we'll make every effort to provide a comprehensive overview and insight.'

Research has shown that SPW participants don't really know what they can expect from their pension fund. Birte: 'With these promises we've set the bar high for participants and for the employees of SPW and APG.' Just when promises about pensions are becoming less firm, this is a brave step, and Jim understands this well. 'We're really sticking our necks out with this. I wouldn't be surprised if the number of complaints from participants and employers rose in the near future, but then hopefully it will be participants and employers that feel some ties with SPW and know what we stand for.'

SPW's promises have an impact on the fund, but also on the APG's services. Birte: '25 of our people were involved in bringing about the promises. From employees of the Customer Contact Center (KCC) to the Employer Services and Pension Administration departments. These promises are very valuable for APG, too. The promises give APG employees greater clarity about what's expected of them and it shines a spotlight on the services we provide.'

Pension funds and APG scoop up awards

APG's innovative achievements have also been noticed in the outside world. ABP's 'Personal Pension Pot' won the Pensioen Pro award for communication in June at the 2019 Pensioen Pro congress. This award also went to www.loopevenmee.nl, the interactive, public-friendly annual report that APG put online at the beginning of 2019. The major public award, the Golden Pensioen Pro Award, went to PWRI, the Pension Fund for Work and (Re-)Integration. The pension fund was voted Best Dutch Pension Fund 2019.



We also pay attention to what participants themselves can do, especially online. In 2018, we introduced the digital Clear Overview & Insight, together with SPW. This is a platform on which people can obtain an overview of and insight into their pension situation and what they can do themselves. In 2019 we made further improvements and extended it to over 1.8 million participants (2018: 56,000). We are busy incorporating the AOW state pension into this same overview.

The number of participants with insight into the 'Personal Pension Pot', an initiative of ABP and APG, also grew from 850,000 in 2018 to 975,000 in 2019.

In order to ensure that this all runs smoothly, we invest continuously in the quality of our data, systems and processes.

Growing appreciation

We constantly measure what participants think of the service we provide. Our efforts produce results - the appreciation of the work we do on behalf of the pension funds grew in 2019. We see this, for example, in the 'transactional' Net Promoter Score (NPS), the figure that indicates the degree of satisfaction of the participant with the contact and the likelihood of his or her recommending our services to others.



This NPS has risen from 1 in 2018 to 10 in 2019. This score is an average measure of the most important communication channels across a large number of clients. The individual scores are used to make internal adjustments. APG's pension funds also perform well on the Customer Effort Score (CES). For this, participants answer the question: how much effort did you have to make to get your problem resolved? We note that the evaluation of ease of use in particular has grown.

Sector management

The representatives of employers and employees determine the content of the Collective Labor Agreement in their sector and, jointly, the content of the pension scheme. APG Sector Management deals with specific pension issues in the sectors.

In consultation with the pension funds, we determine how we can best be of service to the social partners in the various sectors. The objective is to show pension as an attractive employment condition.

Success of innovative services

Our independent online platform, Kandoor, also saw considerable growth in 2019. Kandoor.nl, which we started in 2016, is a place where anyone can ask questions about his or her finances. Most questions concern tax and tax declarations. Questions about pension and AOW state pension follow in second place. In principle, the answer comes from a chatbot, but if it can offer no solution, an expert gives information free of charge. The number of visitors grew sharply this past year. In all of 2018 just 85,000 questions were handled, compared with 2019 when that grew to 635,000. Partly as a result of this, we have renewed and improved the site. We intend to develop Kandoor further: it is a good example of how we can answer participants' significant questions in an easily accessible, user-friendly way.

The success of Kandoor and also of the Personal Pension Pot and Clear Overview & Insight encourages us to develop more services. In 2019, we set ourselves a clear goal for the future: every year we are going to conduct 20 experiments, both big and small, in our innovation department, the 'GrowthFactory'. A minimum of five of these will be introduced either in the APG organization or online for participants. We will choose experiments that produce visible results in the short term, within two to three years. One condition is that projects must fit with the main themes of our strategy.

In 2019, the GrowthFactory attracted international attention. Our 'innovation incubator' won the golden award in the 'Pension Fund Achievement of the Year' category at the annual IPE Awards. IPE (Investments & Pensions Europe) made the award on December 3 in Copenhagen.

Administration, advice and automation

In 2019, we continued to work on reducing the 'price per participant': the less we spend on the organization, the more money left per participant that can actually be put into the pension. Differences from one fund to another are unavoidable. They depend, among other things, on what services the pension funds receive from us. We strive to deliver top quality to all our clients.



We are on track. As in previous years, the average price per participant in 2019 fell once more, to €67.30. The decrease in 2019 amounted to 3.0%, despite the sharp general increase in costs (such as personnel costs, indexation and licensing costs).

It is important for us to make our organization as lean and as flexible as possible. We want to be an organization with skilled people who can react quickly and flexibly to one another in order to offer the best services to the pension funds, their employers and the participants. To this end we reorganized or merged a number of departments in 2019. What that means is that certain processes now come under the responsibility of a team of people with varied abilities and specialist knowledge. For example, if there is a disturbance in a system, the team resolves it directly, so no one in another department is sitting waiting. As a result, we need fewer people. Most of the employees that were no longer needed were temporary hires. But it did involve our having to retrain or give additional training to some permanent employees. We will continue this in 2020.

Working efficiently always has our attention, the more so now since further cost reductions are becoming ever more difficult to achieve. Meanwhile, we are also looking at possibilities of doing certain things together with other organizations in the pension sector. The five biggest funds have asked the pension administrators, including APG, to look into whether further collaboration is possible. The condition set by the pension funds is that they be able to retain their own character.

Gearing the business more to funds' needs

Within our advisory services, we have been working with special teams (clusters) since October 2018 that are fully devoted to one or more funds. Each fund deserves a tailored approach. With the clusters, we are better placed to address special wishes

and needs. We concentrate all our knowledge and expertise in these groups. For example, our actuaries, legal experts and employees with in-depth knowledge of consumers work together in these clusters. In this way they have a comprehensive picture of the issues at stake in each specific fund and can give them the best possible advice.

2019 was the first full year with this way of working. The results are very positive. We do not express the pension funds' satisfaction in figures, but we assess the results on the basis of conversations and reports. At least once a year, we talk with them about the collaboration and the quality of our services.

Annual pension overviews

A crucial service we provide is sending out 'uniform pension overviews'. These annual summaries show participants where their pension stands at that time. This is always a massive undertaking for APG, since it involves 4.5 million statements. Needless to say, they must all be accurate and timely, but that is not all. We see room for improvement here, too. For example, many participants have several pensions because they have changed jobs several times. We are working toward bundling these various statements and sending them all together in a single mailing.

Automation powers goes on

In 2019 we made progress in simplifying the pension administration, especially that of bpfBOUW. We tightened the data requirements and entered hundreds of thousands of participants in the administration in accordance with these new standards. This is how manual calculations can be reduced. In the next two years, we intend to do the same with our biggest client, ABP. These are radical processes involving large numbers of participants and many different pension stipulations.

Automation helps us to bring down costs and reduce the risk of error. Much of the work that we do is, broadly speaking, the same for all the funds. That is why we seek to streamline our way of working. There are tasks, on the other hand, that are specific to particular funds. We take into account that each fund has its own character. That needs to be visible in the communication with the participants.

On a trial basis in 2019, we started using several datastreams in the construction sector: we compare the participants' change-of-employer data with data from the UWV (Employee Insurance Agency) and the tax authorities, and assess whether the information is complete. This means we can act and adapt faster.

Pensions for self-employed construction workers

Together with the associations for the self-employed and bpfBOUW (construction sector pension fund), we are exploring possible pension solutions for people who work for themselves in the construction sector. The idea is to make it easier for self-employed people to save for their pensions, but it remains voluntary. Saving for pension becomes the new standard, but those who are self-employed can opt out. International experience shows that once people are in a pension scheme, they tend to stay in it. As soon as the legislation is amended, we can start provisional trials with temporary pension solutions for the self-employed. Another pension fund APG administers may possibly join us in this experiment. Together with this pension fund, we are looking at the possibility of allowing self-employed people in the sector to accumulate pensions.

New pension scheme for the armed forces

July saw the end of a long-running case: the unions and the Ministry of Defense reached an agreement on employment conditions and with it a new pension scheme. Nearly all pension participants currently have an average wage arrangement which means that their pension is based on the average income over their working lives. The approximately 40,000 military personnel were an exception, and this placed ABP and APG in a difficult position. But now they, too, will move to the average wage system. From APG's point of view the main thing is that the new scheme is appreciably less complex and, therefore, easier to administer and explain, now and in the future.

Sharper focus on core tasks

After deep consideration, in 2019 we transferred a number of our services to other organizations that offered a better fit. The main change was the sale of the insurance company Loyalis to a.s.r.. Over 200 employees moved to the insurer. The thinking behind this move is that APG will devote itself primarily to pensions, while Loyalis will be better able to grow as an insurance company with a.s.r.

In April we completed the move of our ICT services for UWV (Employee Insurance Agency). 45 APG employees have gone to work there. Apart from this the Minister of Defense has decided to fully 'insource' the 'care coordination' for veterans and to merge the administration into a single organization. Until now APG had taken care of benefit payments, pensions and other services at the 'Veterans' counter'. This process has now been transferred, together with 21 APG employees, to the Ministry of Defense.



Insight and action through data analysis

Thanks to improved data analysis we are now better equipped to screen our administration and check for inaccuracies. Pension funds depend for their administration on data from various sources such as employers, the UWV and Social Security. Over the years, the multiplicity of data sources can lead to errors. And human error cannot be ruled out. Although we are now better equipped to trace all these inaccuracies thanks to data analysis, it is bothersome for the participant if mistakes are made. If we detect an error, the first thing we do is to establish whether it has consequences for other people. At the beginning of 2019, for example, we discovered that in the period 2013-2019, more than 500 ABP participants had been receiving a partner supplement to which they were not entitled. In many cases the amounts had run into thousands of euros of excess benefits paid, so it came as a shock to the participants concerned. After asking for the money to be returned there were many protests, some through the MAX Ombudsman [MAX being a TV broadcaster focusing on the elderly. In July ABP decided to bring an end to the requests for reimbursement, having concluded that the reclamation policy was not reasonable for the participants. ABP paid back the money that participants had already reimbursed. There was also the reverse case: more than 600 participants had received too little. To them the partner supplement was paid retroactively. Meanwhile, in light of these experiences, the reimbursement arrangements is adjusted to a maximum reclamation period of nine months.

Faster alerts

We have learned from this. For example, thanks to data analysis we were able to put another thing right for ABP. The fund discovered that some 16,000 participants had not applied for AOP disability pension because they did not know they were entitled to it. This was discovered after the ABP data was compared with those of the UWV. We want participants to get what they are entitled to, even if they do not know what that is. Therefore, we contacted the ABP participants concerned. This was a huge operation. We helped the participants apply for this pension. We have also simplified the procedure and now proactively draw participants' attention to the scheme. Most participants are eligible for premium-free accrual. Some of these participants are also entitled to AOP benefits - on average this is about €200 gross per month per participant.



Investing

We always strive for maximum pension value. We achieve that by keeping our costs as low as possible and aiming with our investments at as high a return as possible.

We invest the monthly contributions paid by pension fund participants and employers into different categories, such as real estate, equities and bonds. Our starting point is to invest in a sustainable and responsible way. Together with ABP and our other clients, we are committed to optimizing these aspects of the investment policy. In doing so, we only take acceptable risks. We invest in our organization, knowledge and systems in order to further refine and extend our way of investing.

We are proud to be known worldwide as a leading, long-term investor.

Assets under management increased

Investments returns were positive, reaching 17.0% in 2019 (2018: -1.9%).



At the end of the financial year, APG was managing assets of over €538 billion, compared with €459 billion at year-end 2018. Sustainable investment has been important to us for years. And we now also measure which of our investments contribute to the United Nations sustainable development goals (SDGs). The objective of contributing to these goals with at least €58 billion of investments by 2020 was already amply achieved in 2019. At year-end we had invested over €72 billion in these sustainable development investments.

	NAV (mln EUR)	2019 return (%)	Excess return (bps)	5 year return (%)	Excess return (bps)
Fixed income					
<i>APG Fixed Income Credits</i>	69,860	9.7	74	4.4	69
<i>APG Euro plus treasuries</i>	9,304	5.7	-1	2.0	-5
<i>APG Index Linked Bond</i>	10,843	5.8	6	2.0	4
<i>APG Long Duration Treasury</i>	2,309	11.7	2	4.9	0
<i>APG Emerging Market Debt</i>	17,895	15.2	-92	6.0	0
Equities					
<i>APG Developed Markets Equity</i>	128,817	28.8	-157	10.7	-8
<i>APG Emerging Markets Equity</i>	45,302	25.4	367	8.4	108
<i>APG Equity Minimum Volatility</i>	16,663	23.0	-277	10.2	-2
Alternatives					
<i>Strategic Real Estate **</i>	35,327	16.2	787	9.8	130
<i>Hedge Funds * ***</i>	20,257	5.3	292	4.0	277
<i>APG Commodities *</i>	19,343	16.7	-35	-2.9	119
<i>APG Tactical Real Estate</i>	11,327	28.8	169	9.7	71

The growth in assets under management was mainly due to price increases on the financial markets. Nearly all asset classes increased in value. Additionally, due to the drop in interest rates in 2019, we were able to reinvest collateral released from the interest rate derivatives. This further contributed to an increase in our assets under management. Equities provided the highest returns. After a sharp recovery in the first quarter, equities were essentially flat for six months and rallied strongly afterwards. We attribute the rise in equities to low interest rates, tempting investors to buy assets with higher than expected return than cash, and the expectation that central banks and other policy makers will continue to support financial markets in times of trouble. The strong performance of equities was not due to improved corporate earnings, since these actually deteriorated. Fixed-income securities increased in value as a result of falling interest rates and diminishing credit risk. On the flip side, reduced interest rates have led to a substantial increase in pension liabilities. As a result, the funding ratios of the pension funds declined.

Our performance as an investor is best assessed over a longer period. The table shows the annualized returns of APG funds after deduction of external management fees and performance fees.

Disappointing excess returns



Measured in euros the returns were substantial: nearly €80 billion. But there is a caveat. As active investors we aim to achieve positive excess return for our clients in the longer term. We do this by outperforming the market. This also contributes to a higher pension value. Our goal is to outperform the market, which also contributes to a higher pension value. Over the past five years we have outperformed the market by an average of 56 basis points (bps). In that regard, 2019 was an atypical and disappointing year since, for the first time in a decade, we failed to beat the market. The return on the investment portfolios lagged the market average by 151 bps (1.51%).

We draw on four sources that usually provide us with the excess return. During this past year smart beta had the most significant impact on negative excess return. We were also disappointed with the excess returns on asset allocation and liquid investments.

We apply smart beta strategies for one of our clients. These strategies are aiming for making certain adjustments to certain asset classes to have a better long-term riskreturn. The yield difference is measured by comparing the smart benchmark to the common benchmark, which is the benchmark that shows returns of the asset class without the Smart Beta strategy. The

negative effect for 2019 is mainly caused because of the used smart benchmark contains a larger liquid component than the common benchmark and liquid investments increased more in value than illiquid investments. This was particularly the case with real estate. Over a five-year period the combined smart beta strategies have produced 12 bps of excess return a year.

The quantitative investment strategies focus mainly on stock picking based on quality and valuation. It is precisely these strategies, which yield long-term value and are suitable for large portfolios, that tend to perform poorly in a context of highly accommodative central bank monetary policies. In 2019, all major quantitative investment styles performed poorly; stock picking based on valuation and quality and stock picking based on recent price trends both yielded negative returns. This combination is seldom seen.

APG uses various strategies in its investment processes to achieve extra returns. These are strategies based on human judgment, predictive models and macroeconomic or company-specific analysis, strategies within certain investment categories or spread across the various categories. None of these strategies is fail-safe, but they all offer a good chance of better-than-average returns over the longer term.

In general terms, strategies based on predictive models did not work well last year. For example, in the first quarter tactical asset allocation anticipated a weakening economy. However, equities rebounded when some progress was made in the U.S.-Chinese trade negotiations. Emerging market equities fell back in the second quarter as the climate for negotiation again worsened. These equities were relatively cheap compared with developed markets and were, therefore, overweight in the portfolio. We are working to improve these predictive models, using modern techniques that also enable us to incorporate 'unstructured' data into our processes.

Sources of excess returns

Sources of excess return in basepoints (1/100 of 1 percent)	2019	5 year
<i>Tactical asset allocation</i>	-25	-3
<i>Smart Beta</i>	-107	12
<i>Excess return liquid investments</i>	-8	8
<i>Excess return illiquid investments</i>	-11	39
Totaal excess return	-151	56

Investment costs

While striving for as high a return as possible, we also pay close attention to costs - both the costs we incur within our organization and those incurred for our clients in managing their investments. We are convinced of the added value that active, sustainable and responsible investment brings in the long term. This way of investing does however involve higher costs. Because we strive for maximum pension value, we manage all costs as effectively as possible in order to obtain excess returns.

Given the choices made as to how we invest, we must get much (excess) return as possible. To test this, we benchmark both our own costs and our clients' total investment costs. One of the ways we do this for our clients is by taking part in CEM Benchmark surveys. These surveys show that given their choices around investment style and asset classes, our clients' investment costs are, on average, lower than those of their peers. Over time, we also see that our clients' investment costs have declined in relative terms. This decrease is partly due to APG's increase in both internally managed portfolios and direct investments. These are examples of developments that lead to higher costs within APG that are more than offset by lower external costs. The net result is lower overall costs and, therefore, higher returns.

Comprehensive investment policy

As long-term investors we take a comprehensive approach. This means that our investment portfolio managers take sustainability and corporate governance into account for every investment. We have not assigned this dialogue with companies on the implementation of sustainable policies to a separate 'sustainability department'; - the portfolio managers themselves are responsible for this. Responsible investment, thus, has a place at the heart of our organization. We weigh the risk, return, cost, and sustainability considerations of every investment decision we make.

Our advice on and the execution of the sustainable investment policies empower our clients in this important area of investing. A testament to our funds' good performance as responsible investors is their high scores on the Association of Investors for Sustainable Development survey. (VBDO in the Dutch abbreviation).



APG Asset Management and our three participating clients have once again scored above average on the UN Principles for Responsible Investment benchmark, earning an A+ for strategy and governance. We placed above the median asset managers on 14 of the 18 components measured. Our overall result is

comparable to 2018.

Our approach to responsible investing is in line with national and international laws and regulations. The OECD guidelines for multinationals form the starting point for the inclusion policy, explained below. APG has given further expression to this commitment by encouraging our pension fund clients to sign the covenant for international socially responsible investment (IMVB in the Dutch abbreviation). We also expect the companies in which we invest to subscribe to the UN Global Compact, which contains a number of principles in the areas of human and labor rights, the environment and anti-corruption.

Inclusion through dialogue and analysis

In order to have a real impact as investors, we focus on inclusion. This means we set clear and affirmative standards for the companies and investments we include in our clients' portfolios. We use our position as shareholders to influence how companies behave and, if necessary, try and persuade them to change. We urge the companies we invest in to conduct their business in more socially responsible, ethical and sustainable ways. We talk with them about their policies and practices around such things as human rights, the environment, labor conditions and anti-corruption. In our opinion, this approach achieves more than simply selling or excluding a particular investment. When we sell an interest in a company, we lose whatever influence we might have had.

In order to streamline our investment decisions, we have set up an Inclusion Board. In this board, investment teams discuss the inclusion standards and decide how they will be applied by the organization. This approach fosters an internal culture of active collaboration. We also want our external, international managers to look at companies the same way we do.

Sifting leaders from laggards

In 2019 we made continued progress implementing our inclusion policy. We assessed all 10,000 or so companies that we could invest in - our 'investable universe'. As with all potential investments, we analyzed these companies based on return, risk and costs, but also assessed the sustainable and responsible conduct of the business. Starting in 2020, our clients want to invest only in companies that either meet our strict criteria or those that we expect can improve sufficiently in the near future.

We can do this analysis because we continue to invest in digital technologies, artificial intelligence and other ways of gathering data on companies and investments. As much as possible, we want to judge the sustainability of investments for ourselves rather than relying on outside assessments. To this end, our ESG

specialists have developed a largely automated system. Based on various criteria, our teams determine how sustainable and responsible an investment is and to what extent it meets the expectations of our pension fund clients.

Based on the outcome of our analysis, we determine whether we are dealing with a 'leader' or a 'laggard'. We might still decide to invest in a laggard, but only if we can use our influence to improve the company. If that is not possible, we will not invest. We call a company that has started on an improvement path with us a 'potential,' one that shows promise for becoming a leader.



In our Report on Responsible Investment, we go into more detail on the outcomes of this inclusion policy. There are also companies, sectors and countries that APG excludes, such as the tobacco industry. A complete list can be found on our website: <https://www.apg.nl/en/asset-management/responsible-investing>.

Investments and climate

In close coordination with their clients APG increasingly takes account of climate change in its investment policy. For us as investors both risks and opportunities play a role here.

We have set up a system for keeping watch on the risks of investments subject to direct or indirect consequences of climate factors. Changes in policy, technology, consumer preferences or even changes in climate can have major effects. In certain sectors such as energy, construction, chemicals and aerospace, we already see a transition in the short and medium term. Our portfolio managers and sector specialists keep a close watch on all relevant developments in the areas of regulation, markets and technologies.

With the investees themselves, too, we look at opportunities in the area of climate. As a major player in the market, we can use our influence and, in agreement with the pension funds, invest their assets in parties that contribute to the energy transition. As shareholders, in some cases major shareholders, we are also in active dialogue with companies about reducing their CO₂ emissions. One of the ways we do this is through the Climate Action 100+ collaboration. In 2019 we achieved some excellent results with BP and Nestlé among others.

CO₂ footprint

All the pension funds have objectives to reduce the CO₂ footprint of their equity portfolios. We keep a constant watch on the CO₂ footprint of our equity investments; we always take emissions into account when making investment decisions. In 2019 the CO₂ footprint of our overall equity portfolio was 23.5

million metric tons, a 30% reduction in emissions from our 2014 baseline.

Enel issues SDG bonds

On behalf of ABP, bpfBOUW and SPW, APG made a special investment in 2019 connected with the UN Sustainable Development Goals (SDGs). We invested in the first 'SDG bond' issued by Italian energy company, Enel. Enel tapped our knowledge and made use of our advice in developing this sustainable debt instrument. With regard to SDG 7 (affordable and clean energy), Enel promised investors that by the end of 2021 at least 55% of the energy it generated would be sustainable, i.e. from renewable sources such as wind or solar. If Enel does not achieve that goal (it is currently at 46% clean energy), investors receive 0.25 of a percentage point more interest. So, it is also in Enel's interest to make the most of sustainable energy sources.

Launch of energy transition fund

On behalf of ABP, we set up the ABP Netherlands Energy Transition (ANET) fund at the beginning of 2019. This fund invests in companies in the Netherlands that commit to transitioning to sustainable energy. ANET aims at investments in relatively small and innovative projects and businesses. ABP has set aside €50 million for ANET; the pension fund has the possibility of increasing this amount in the future.

Investing in wind

We made our first investment in a wind farm in which we also took a development risk in Sweden. This is something that very few parties are able to do and new for APG.

Green mortgages

In January on behalf of ABP, bpfBOUW and SPW, APG worked with Rabobank subsidiary Vista to invest over €500 million in green mortgages in the Netherlands. With this investment, APG obtains a good long-term return and contributes to making the Netherlands sustainable.

Stronger with partners

Although APG is a major player as an asset manager, we are exploring the possibility of working on an even larger scale. Meaning that we aim to participate in larger investments. This will enable us to make even better deals with good returns for our clients and to exert even more influence on, for example, sustainability. We are looking to scale up with other like-minded pension funds and government funds that would like to work with us because of our focus on the long term.

For example, we have further expanded our collaboration with E Fund, one of China's leading investors. We exchange knowledge with E Fund about asset management, ICT and pension administration. Thanks to E Fund's knowledge of the Chinese market, APG can strengthen its position there. E Fund benefits from our experience as a sustainable investor. Through this partnership, APG invests in 'A-shares'. Since November we have also invested in corporate bonds on the Chinese market, which were previously available only to local investors.

Brussels Airport, return versus sustainability

Since the beginning of December 2019 APG has been an official co-shareholder in Brussels Airport. Airports can be attractive to institutional investors as a long-term investment, but the sector is also faced with a huge task if it is to become sustainable. How does APG deal with this? In weighing up our interests we did not cut corners, say Ron Boots, Head of Infrastructure Europe and Derk Welling, Senior Responsible Investment & Governance specialist.

Why does APG expect this investment to produce attractive returns for participants?

Ron: 'The airport has a large and attractive catchment area as regards potential passengers and is located at the economic and political heart of Europe. As a result, there's a mix of business travelers and tourists. And even during the crisis the airport managed to produce stable returns. In addition to the income from air traffic, there are also plenty of other possibilities for income from side activities such as hotels, offices, retail and car parks. Relative to comparable airports Brussels Airport still has sufficient growth potential.'

APG previously invested through funds in two London airports. Now APG is a direct shareholder together with a consortium. Why have you opted for this construction?

Ron: 'First of all we save a lot of costs by not investing through a fund. By investing directly in the airport, we have more influence and can make our mark more effectively, for example on sustainability. We know our fellow shareholders well. They, too, have a long-term horizon and share our vision.'

How much did sustainability weigh in this investment decision?

Derk: 'For all our investments we assess their performance in the areas of environment, social and governance (ESG) next to the risk, return and costs. And we follow an exclusion policy. Airports don't come under this. Within that sector however, we do seek front-runners in the area of sustainability. Brussels Airport is just such a front-runner. Not counting the emission of the planes, the airport itself operates on a CO₂ neutral basis - solar panels between the runways, electric buses, a circular system for keeping aircraft wings ice-free. These are just a few examples.'

What is the airport doing to reduce aircraft emissions?

Ron: 'As well as already operating the airport on a CO₂ neutral basis, Brussels Airport also aims to reduce aircraft emissions. Among other things, the airport is busy phasing out short flights such as those between Amsterdam and Brussels. Brussels Airport seeks to further promote sustainability in its allocation of landing rights. Airlines with more economic and quieter aircraft will pay less. By improving seat allocation, Brussels Airport has succeeded in the past ten years in growing to a record number of passengers of around 26 million with no additional aircraft movements. This has avoided a lot of extra CO₂ emissions.'

Are there any other sustainability actions that APG would like to see at the airport?

Derk: 'As part of our investment process, we require participation in the Global Real Estate Sustainability Benchmark (GRESB). That applies to Brussels Airport, too. In this way airports' sustainability performances are made measurable. As a shareholder this helps us focus on specific improvements that an airport can make in the area of sustainability.'

Suppose a new opportunity comes along to invest in an airport. What are the minimum sustainability requirements?

Derk: 'As far as sustainability is concerned, APG follows the guidelines of the International Finance Corporation, which is part of the World Bank. If an airport has an unsatisfactory score according to these guidelines, for example on noise, then that must first be improved. The internal stakeholders must of course agree to the deal. They, too, will look critically at whether an investment fits with their sustainability requirements.'

Better visibility on real estate sustainability

APG has €49 billion invested in real estate, of which €24 billion in sustainable real estate. Reducing CO₂ emissions of real estate can make a significant contribution to attaining the Paris goals. Worldwide, real estate is responsible for around 30% of total CO₂ emissions and 40% of energy consumption. Real estate qualifies as a Sustainable Development Investment (SDI) if it is in the top 40% best performing funds based on the annual survey of the Global Real Estate Sustainability Benchmark (GRESB). APG is one of the initiators of the GRESB and strives to persuade all investment funds to report to it.

Investors have ever more need of reliable data in order to be able to judge to what extent real estate investments are compatible with the Paris agreements on reducing global warming. Therefore, APG has joined forces with, among others, pension fund service provider PGGM. This initiative seeks to extend the Carbon Risk Real Estate Monitor (CRREM) for climate risks in commercial real estate in Europe to the rest of the world and to residential property. This will give investors worldwide insight into the extent to which real estate contributes to attaining the goals in the Paris Agreement.

Support for SDGs

The 17 Sustainable Development Goals of the UN, the SDGs, have been established in order to bring about a better, sustainable world. In order to attain these goals, so much money is needed that even governments cannot provide it; companies and investors increasingly contribute.

In 2019, APG focused even more emphatically than before on the SDGs. In October, we signed a collaboration agreement with 29 major international companies and investors. On behalf of our pension fund clients in the coming years, we are going to invest hundreds of billions of euros in businesses and projects that contribute to a better, more sustainable and fairer world. The group of investors, called Global Investors for Sustainable Development (GISD), consists of APG and major companies in the finance sector such as PIMCO, Bank of America, Citigroup, Santander and UBS. The initiative is a special one in which even competitors work together. The project has initially been slated to last two years.

The initiative dovetails with our clients' objectives. They, too, want to invest much more in the SDGs in 2020.

SDI Asset Owner Platform

With our responsible investment policy, we set standards that are adopted by other institutional investors. Together with PGGM we have started a project based on the SDGs. We have invested in the development of a system that can scan the data of thousands of companies using artificial intelligence. Our subsidiary Entis has developed this. We are now able to assess companies' contributions to the SDGs efficiently and reliably and to use the outcomes in reaching decisions on investments.

We are working to develop an SDI Asset Owner Platform. Investors who sign up to the platform, get insight into the extent to which companies' products and services contribute to the SDGs. This insight helps investors with their sustainable investment decisions.

APG funds rank top in sustainability

ABP has been named the most sustainable Dutch pension fund by the Association of Investors for Sustainable Development (VBDO in the Dutch abbreviation). Just as it did in the previous year, our biggest client ABP came first in the VBDO Sustainable Investment Benchmark ranking. The fund scored 4.6 out of a maximum of 5 points. Other clients of APG also performed well in this benchmark: bpfBOUW rose from third place to second. SPW was in fifth place, the same as in 2018. The ranking is important: every year VBDO looks at how responsibly the 50 biggest pension funds in the Netherlands invest. Total assets under management of these 50 biggest pension funds are currently more than €1.23 trillion.

Chapter 5

How we make ourselves more sustainable



APG is strict in our assessment of the sustainability performances of the companies we invest in. When we subject our own organization to the same assessment, we have to acknowledge that there is still room for improvement in various aspects. That's why we are now working on a sustainability policy appropriate to our business - one to which we will hold ourselves accountable. We already take the sustainability of our premises into account.

We cannot change everything from one day to the next, but in 2019 we took significant steps. From 2019 on, sustainability is a strategic theme. This means that for every business decision we scrutinize the consequences for people, the environment and society. This also aligns with the agreements that we made in July: some 50 banks, insurers and pension funds committed to the Dutch government's climate goals.

To define our starting point, we filled in two important frameworks: a benchmark score for the values with which APG assesses external organizations and a zero reading for our organization's CO₂ footprint.

The benchmarking revealed three areas of attention where APG needs to pull its socks up: premises and administration, mobility, and diversity and inclusiveness. The results of the CO₂ footprint measurement, set out in accordance with the GHG Protocol scope hierarchy, confirm this picture.



CO₂-footprint

	Total 2019	Total 2018
<i>Scope 1: direct emissions</i>	6,242	6,275
<i>Scope 2: indirect emissions</i>	12,627	12,438
<i>Scope 3: other</i>	3,628	4,084
Total in metric ton	22,497	22,797

The zero measurement was carried out with data from 2018 in accordance with the international market standard, the GHG Protocol. The data for the New York and Hong Kong offices and

the datacenter in Beek were not included in the measurement; they will be in 2020. The assumptions were filled in as well as possible (rather conservatively in fact). None of the changes in 2019 that possibly could have had an impact, such as the sale of Loyalis, the care coordination for the Ministry of Defense and UWV-ICT, had any significant consequences individually. Also, in 2019 some of the personnel were based in another location in connection with the current renovation of our office building. It is not necessary to adjust the zero measurement for this. The measurement gives us an initial picture of what we can, will and must aim for.

The reported volumes in metric tons are gross, that means before taking into account the offsetting of CO₂ emissions. 53% of our emissions are related to our offices and 47% to mobility. To the extent that peers' figures are available and comparable, the totals seem high. And the share of offices is also large compared with that of peers.

Ambition

In September 2019 the Executive Board decided to set a high ambition for sustainability in the APG's operations and, specifically, to reduce our CO₂ footprint. The ambition for 2020 is to match the benchmark, in other words meet the requirements that APG has for potential investees. In 2020 a long-term ambition (2025 to 2030) will be established. In order to attain the goal set for 2020, we formed teams to tackle specific points for attention.

Travel

APG employees travel a lot between home and office, between the Heerlen and Amsterdam offices, and internationally. We intend to adapt our policy so as to avoid unnecessary travel. We intend to reduce the use of cars by, among other things, encouraging employees to use public transportation. We are also going to make the leased-car fleet more sustainable. At the same time, we want to reduce the number of flights. Targets and deadlines will be established in 2020. Meanwhile, we have joined the Anders Reizen ('Traveling Otherwise') coalition, which has the ambition to halve emissions of business travel by 2030 (base year 2016).

Premises

We aim to make our offices more sustainable. As a first step, in 2021 all employees from the two offices in Amsterdam will move to a single, completely climate-neutral, building close to the Sloterdijk train station. Renovation is under way. This will set the standard for the Heerlen office, which we are also working to make climate-neutral. Together with our partners and suppliers, we are looking at the various possibilities. In 2019 the Heerlen office was assessed with BREEAM, a sustainability

certification, although it has not yet been certified. We also looked at making further use of connections to Mijnwater [Mine Water, a project of the municipality of Heerlen to use the water accumulated in abandoned coal mines], not only for cooling our datacenter but also for heating and cooling the office building. In 2020 we will see whether we can adjust our sustainability ambition for the procurement of green electricity going forward 2019 was the last year we will buy offsets for the CO₂ emissions from our energy consumption and we will use the money instead for sustainable solutions in order eventually to reduce CO₂ emissions still further.

Diversity & inclusion

APG attaches great importance to creating a diverse and inclusive culture in which employees feel at home and can be themselves. We regard this as part of our sustainability policy. More information on how we implement this policy can be found in the chapter headed 'How we work together'.

APG in society

APG takes a visible role in Dutch society in a number of different ways. We believe this is fitting for a social organization like ours. We share our knowledge, for example, in congresses, in the media and in consultative bodies. We also lend emphatic support to projects that are close to our heart. Here are a few examples.

APG is committed to promoting social contact with and among the elderly. One of our initiatives is the ZilverUitje (Silver Outing): on February 12 at our Heerlen headquarters we invited one hundred seniors from the region to an afternoon of high tea and music. Over 30 APG employees looked after them, we might even say pampered them. On November 19 we did the same thing in Amsterdam.

The Zilverlijn (Silver Line) is another way we show our dedication to seniors. We adopted this initiative of the Nationaal Ouderenfonds (National Fund for the Elderly) at the end of 2018. The Silver Line is a free calling service for solitary seniors. APG supports this line not just financially but we also have many employees who volunteer to make weekly calls to seniors.

In 2019 we once again held the APG Summer Course. At this event, people outside our organization share their stories, successes and ambitions to inspire the directors of our pension fund clients.

In June APG took part in the Global Entrepreneurship Summit in The Hague. Approximately 2,000 representatives of prominent businesses attended this renowned investor summit. Among the participants were also the world's biggest asset manager

BlackRock and fellow Dutch pension-administrators PGGM. The speaker on behalf of APG was Ronald Wuijster, chairman of the board of APG Asset Management.

We have raised our hand to collaborate on the beautification of the Sloterdijk area in Amsterdam. Our office there is currently under renovation and we will move into it in 2021. We are in discussions about what we can do to help with the municipality. We are ready to invest in the so that Sloterdijk can develop into a mixed area for working, living and recreation. Ideas include better walking routes, narrower roads and more greenery.

Every month APG employees donate money to our good-causes foundation SWAP. This year the donations were used to carry out further work on an education center in Tanzania. Construction started in 2006 with a single classroom for 40 children, which soon overflowed. Now there is a whole complex. SWAP donated €10,000 for the lavatory building. A number of APG employees helped by working on the construction.

In Romania the SWAP foundation collaborated on the extension of Casa Kiwi, a shelter for neglected and traumatized children. Eight APG employees volunteered to help with the work in Romania.

In the garden of our Heerlen office on August 15, South Limburg's first Indonesia monument was unveiled. With this monument, the Waringin [weeping fig] foundation seeks to annually commemorate all the victims of the Japanese occupation in the Second World War, of the former Dutch East Indies and those of the Indonesian War of Independence. The location underlines the historical ties between the Indonesian community, Heerlen, SAIP (Foundation for the Administration of Indonesian Pensions), ABP and APG. The Limburg mining industry acquired much of its knowledge in the former Dutch East Indies. APG carries out the administration of SAIP on behalf of ABP. APG also administered special schemes for war victims.

Chapter 6

What we have achieved financially



Our financial position



APG's primary goal is to maximize the value of participants' pensions, not to maximize our own profits. Even so, largely thanks to the efforts of our people, APG ended the year with a fine financial result of €53 million (2018: €48 million). This means a return on equity of 8.1% (2018: 6.4%).

As a result of the sale of Loyalis on May 1, the structure of the result has changed; both turnover and costs declined appreciably relative to 2018. There were also a number of non-recurring gains in 2019 as a result of the sale. These had a positive effect on the result.

Also worth noting is the increase of €25 million in management fees for the activities of Asset Management. This is the result of the increase in total assets under management, to which this remuneration is linked. Also, some investment strategies were insourced, leading to higher turnover for APG. This contributes to an overall reduction in investment costs for our clients or a higher expected extra return for the participants. This is the goal of our strategy: to maximize the value of the pensions

On the Funds business side, we see an increase in the number of participants and a decline in turnover, which contributes to a lower price per participant. This, too, contributes to maximizing the value of the pensions.

Operating costs include the costs of implementing our strategy, the ongoing expenditure on setting up DWS (Participants and Employers Services) aimed at strengthening the provision of services to these two groups, and an addition to the provision for reorganization. This last item derives from the process already under way of making the organization more effective and agile for the future. This has consequences for the composition and size of the workforce.

The effective tax rate in the reporting year was 8.6%. This is lower than usual due among other things to an incidental effect in corporation tax of €6 million. This resulted from the liquidation of a company on account of the sale of Loyalis. The effective tax rate without incidental effects was 22.4%.

Capital and dividend

Following the sale of Loyalis APG also established, in consultation with its shareholders, a new capital and dividend policy. Following the sale, we had more capital than we wished to have. At the same time the old policy linked to Solvency II requirements no longer applied. With the sale of Loyalis the Solvency II supervisory regime ceases to apply. Important starting points for the new policy are: financial stability, room for possible strategic investments and a required return appropriate to a socially-minded organization of 6.1%.

As a result of this new policy and the sale of Loyalis, in 2019 APG paid an interim dividend of €235 million to its shareholders. In addition to this interim dividend, APG expects to distribute a further €90 million to shareholders in early 2020 as a result of a capital reduction. In this way the over-capitalization resulting from the sale of Loyalis will have been given back to the shareholders. Looking ahead, APG expects a more stable but lower result and, therefore, a lower dividend stream.

Tax policy

APG's tax policy is based on paying tax in accordance with local legislation in all countries where it is active itself or on behalf of clients. APG welcomes international initiatives aimed at achieving a more balanced way of raising taxes. At present these are leading to legislation to combat aggressive tax planning. APG believes that attention must be paid to the special position of pension funds, which in international affairs are often pointed to as being exempt from tax on their investment results.

In 2017 APG signed a Horizontal Supervision covenant with the tax authorities. Transparency, understanding and trust are important terms on which cooperation with the tax authorities is based. APG has established a Tax Control Framework, a tax quality system for internal management and internal and external checks. The aim is to be demonstrably in control or demonstrably to take control of all processes and procedures in which tax plays a role. 2019 was a year for setting up monitoring processes, some of them based on data analysis. With this APG expects to further improve the quality and efficiency of its tax processes.

Chapter 7

How we work together



We want to be a 'great place to work' for our employees. That means being a modern employer that brings out the best in its employees. That stimulates them to develop themselves and helps everyone's talents to find expression. We work at creating an inclusive culture. We stimulate mental and physical health.

A change of focus

When the world changes – including the world of pensions – APG must change with it: we want to understand what participants think and gear the provision of our services to that. Throughout the organization we place the participant center-stage. This requires different skills from everyone; such a volte-face is no trifling matter.

So we need people who can make the most of a constantly changing environment and who can work well with their colleagues. In this way we can join together in building a sustainable future for our participants, APG and ourselves. This is the basis for resolving complex problems together. And this comes about only in a safe, healthy and vibrant environment in which all employees are valued for who they are and what they can do – an organization in which we work together focused on results and with pleasure.

We have incorporated the shift in focus into our HR strategy. In 2019 the emphasis was on four themes: strategic personnel planning, leadership, the program 'The Making of You' and the healthy organization.

Strategic personnel planning

We are seeing significant trends in the labor market. There is tightness in various sectors. The need for ongoing development of employees is great. The advance of automation is a worldwide development: much manual work is disappearing. Employees must retrain or get extra training in order to be able to take up changed or new functions, but even so companies must in many cases take their leave of employees who often have many years of service. At the same time the digital landscape is becoming ever more complex, so that many companies need specialized employees. And they tend to be scarce. APG notices these trends too.

Looking ahead

Working on development compels us to concern ourselves with the skills of tomorrow and thereafter. Rather than taking action when the moment is upon us, we project our view now, three

years ahead. By researching which jobs are likely to remain, which will disappear and which will emerge, we can change gears in time. We communicate openly with employees about the expected changes. And that is not always easy; especially when the employee's skills no longer fit with those we need. In 2019 we made a start on this strategic personnel planning. We look at how the capabilities of the current APG employees fits and where we can develop. We offer training and encourage employees to work on their personal development with the program 'The Making of You'. In this way we increase the resilience and flexibility of our organization.

Number of employees



The major changes have led to many shifts within APG. People have left (among them the more than 200 employees of Loyalis, the 45 people who gave gone to UWV (Employee Insurance Agency) and the 21 Defense employees), but new people also joined us. Wherever and whenever we have to cut down, we first look to see if we can reduce the intake of people from outside. Measured over the period 2016-2019 the permanent workforce has decreased by over 200 employees and hiring of external employees has fallen by over 300.

Internal vacancies

In order to encourage employees to develop themselves and to retain them for APG, we alert them to our internal vacancies. This is bearing fruit. The number of internal candidates for vacancies have grown: from 500 in 2018 to over 900 in 2019. Vacancies are announced internally through the Future Center, the central point where employees can talk about their ambitions and ask about their development and finding an appropriate job within APG.

Leadership

Having to work and think in new ways stands or falls with leadership. Leadership is much more than seeing that tasks are carried out correctly and on time. Especially now that we think from the participant's standpoint, the human aspect has become more important. Supervisors see their own and their employees' development as a core task. They must inspire and stimulate employees; they are in charge of making the organization more flexible and resilient. We are shifting from ordering to connecting. To this end we work on leadership with a clear vision and a profile that fits with the strategy. The supervisor is a role model who encourages employees to work at their self-knowledge and development. The leadership program has been constructed along three lines: individual, per team and collective.

The Making of You

Continuous learning is a part of our work. It helps us to boost our employees' capacity to adapt to change. It helps them develop themselves in their work and for the jobs of tomorrow and beyond. We do this with 'The Making of You', the program for personal development for all APG employees. It lets employees discover their strengths and motivation. We help them make the best of their opportunities within APG and possibly elsewhere in the labor market.

Learning route

We help employees take control, with the Learning Route from The Making of You. 47% of the employees and 57% of supervisors have followed the Learning Route in order to form a personal vision.

Based on this personal vision, employees can make informed choices as to what they want to develop further in their position or in another position within APG, or possibly a position outside APG, for example in the care industry. At present APG makes it possible to move into the care industry by offering a solution that focuses on the person's individual situation.

Results

We measure the results of The Making of You. There are many positive outcomes to report in 2019. The number of employees reporting that they are busy with their own development has risen from 59% to 79%. 70% of respondents say they have been inspired by The Making of You and 84% say they have recommended the Learning Route to their colleagues.

Lilian Marell switched from APG to the care sector:

'After 34 years I go to work singing again. I had a kind of itch. I no longer felt quite at home with APG, but you know how it is, you just hang on. With the new reorganization I thought: right, I'm going to find out what makes me happy. In December I started with The Making of You. Deliberately in a group in which I didn't know anyone, thinking that maybe people I didn't know would be able to give me some hints. Someone said: I see you sitting in a wheelchair van listening to Schlager music. Making sure people have a nice day. I thought: if someone who doesn't know me says that, I should do something about it. I was attracted by the care sector. I spent a few days in wheelchair transportation, activity accompaniment and care assistance, and then I went on a proper work experience and learning program. I particularly enjoyed activity accompaniment for the elderly. Like: come on lads, just because you don't have legs doesn't mean you can't do great things. I applied, and as for the associated three-year training, well I just accepted it. I'm grateful that APG was good to me for all those 34 years. And I'm grateful for that internship. My manager stood behind me and said, 'follow your heart' and that's what I did. So, it's never too late to switch.'

A healthy organization



At the beginning of 2019 APG's absentee rate was 5.1%, quite high. APG employees are not sick frequently, but when they are sick it is often for a long time. In 2019 we started various initiatives aimed at reducing this long-term absenteeism. This was successful: the absentee rate had fallen to 4.6% at the end of 2019. That is still too high, but we have made progress. Long-term absenteeism has fallen structurally. One of the main thrusts of the approach is that whenever possible, and certainly more intensively than in the past, we kept in touch with the absent employees.

Prevention

Preventing absenteeism is also an important part of our approach. In October we offered the Personal Health Check, which half of our employees took advantage of. Part of it was having blood pressure meters in the office. Thanks to this several employees discovered in time that they were in the danger zone and went straight to their GP, preventing anything worse.

Our employees receive a personal budget that they can choose how to apply to working on good physical and mental health. For example, they can choose sport, mindfulness or yoga.

How diverse and inclusive we are

APG strives for greater diversity and an inclusive culture in which employees can be themselves. Apart from the fact that we believe in equal opportunities for all, this also gives rise to greater satisfaction and more engagement. The results of the employee engagement survey confirm that significant progress was made on inclusion in 2019 but that there is still plenty of room for improvement. We also want to encourage creativity, innovation and better decision making. More diversity and inclusion will contribute to this and help us to remain an attractive employer.

In various parts of the organization we are working hard on this subject. Proposals and ideas come from the organization itself, 'bottom up'. Within APG, diversity communities have been set up. They organize events themselves and attract enthusiastic ambassadors. They are supported by the Executive Board and managers. In the Collective Labor Agreement, a budget has been agreed for implementing new plans suggested by employees. Fine examples of initiatives include the raising of the rainbow flag on the occasion of the appearance of the Dutch Nashville Statement and a panel discussion with TV personality Ellie Lust about diversity and inclusion.



Gender pay gap closed

In 2019 APG became the first company in the Netherlands to do away entirely with the difference in pay that existed between male and female employees. A total of 125 women saw their salaries increase as a result, 13% of the total number of female employees. Our research had shown that women earned on average 2.2% less than their male colleagues with comparable jobs, experience and age. How this difference arose is something we do not yet have a clear view of. We are investigating this further, but in any case we thought it important to close the gap immediately.

More women in the organization



In comparison with many other companies in the financial sector we still have a long way to go in terms of gender diversity. Two thirds of APG employees are men. It is also noticeable that particularly in the IT and Asset Management departments there are relatively few women working. We are trying to gradually bring about some change in this situation. At the top we take it explicitly into account, and with the recruitment of other employees, too, we ask the agencies to work with us actively on our diversity ambitions. We offer talented women the possibility of following a program on developing personal leadership. This can help them in their ambition to climb within APG.

Inclusive employer

There is a small group of people working at APG with limited work capacity who would have few opportunities in the labor market if they had to leave APG. For this reason, we established in the Collective Labor Agreement that we had arranged for ten accompanied customized workstations. These are meant specially for our own employees so that we can take account of their work capacity and retain them for APG.

How satisfied our employees are

At APG we are there for one another, and we believe it is important for everyone to enjoy coming to work. We need positive energy and engagement to be renewed every day. We are keen to know what our employees think of our changed organization and our approach. Therefore in 2019 we conducted an employee engagement survey (EES). We use the results along the route toward the APG that we seek to become.

We see that engagement, or the motivation and energy that employees have for their work, has remained stable relative to the previous year. Elements in which we have invested as APG, such as The Making of You and the themes of diversity and inclusion, seem to have a positive effect on important building blocks for engagement. For example, the results from responses to questions about the climate of inclusion at APG and the extent to which people are building their career objectives have improved significantly, as have those relating to the degree to which people feel supported by APG. We observe also that the EES results can vary significantly from one team to the next.

To build up our employees' motivation further, all teams have the possibility of organizing sessions with a team coach. This is part of the collective approach to leadership and team development.

Scores



Employee engagement scored approximately just as high in 2019 as in the previous year, namely 6.6 (6.7 in 2018). In view of the turbulent times behind us, this score is satisfactory in relative terms, but our ambition is to achieve better figures.

Offices

In 2021 the Amsterdam employees will move from the two current locations to a single office on Basisweg in Amsterdam Sloterdijk. This office is currently being renovated by project developer The Edge into one of the most sustainable and contemporary buildings in Europe. In this new office, we make tangible our aim of being a great place to work. In the building, different ways of working - focused work, getting together and agile work - are made possible in specially designed zones. In this way - much more than before - employees have different kinds of working environments available and can choose the one that best suits their work at any particular time. That promotes effectiveness. Our Heerlen office is being refurbished too. A start has already been made there on the new working environment which will help employees to get the best from themselves. Employees' initial experiences of their new work environment are positive.

Remuneration policy

We pursue a well-controlled and careful remuneration policy for all employees in our organization. This remuneration policy has to enable us to attract qualified employees with integrity and to retain them in all positions in the organization. To this end we take an overall look at a combination of three aspects: 1. internal ratios, 2. external ratios and 3. conformity with society.

By the internal ratios perspective, we mean that there must be the right balance between the remuneration of the Executive Board and that of the employees, and among the various parts of the organization, but also for example between men and women. Where there are differences in remuneration, we must be able to explain and justify them. Where we cannot do so, we intervene.

Attention to external ratios enables us to attract and retain the right people without remunerating them excessively. For this we make use of specific benchmarks for functions and components of the organization.

As an organization in the midst of society, we keep a close eye confirming to social standards and norms. We take responsibility for the social function that we perform by seeking the proper balance between a fair remuneration proposal and the goal of maximizing the value of pensions.

We have a central remuneration policy whereby, based on the

changes we want to bring about as APG, we pay ever more attention to the softer aspects and the development and training possibilities. As well as a fixed salary in line with the market, we have good pension provision and the possibility of taking part in complementary insurance schemes on an optional basis.

In order to achieve maximum pension value for our pension funds and their participants, APG needs professionals with the right knowledge, experience and skills. APG strives to retain talent and at the same time to attract new talent. The remuneration structure for employees of Asset Management must be in consonance with this goal.

We consciously choose to make as many of our investments as possible ourselves rather than outsourcing them to other parties. At present we make roughly three quarters of the investments ourselves. Our own investment managers know how to translate the interests of our funds and participants into new investment proposals. With this local knowledge we can obtain good returns. That seems to conflict with the higher salary costs that we have to pay. And yet our costs are lower than they would be if we were to outsource the investments. As examples of this, we have been running a private equity program for several years now in which we increasingly select and monitor private equity managers ourselves, and we also increasingly invest directly in real estate and infrastructure instead of through investment funds. With these developments,

we save tens of millions per year in investment costs for our clients. In this way more return is left for the participant. Whenever we see that outsourcing benefits the participant, that is the choice we make.

For the remuneration of employees in other countries, we seek a balance between what is acceptable and what is necessary locally to attract and retain good employees. These rewards have a different structure and can be higher than in the Netherlands.

Variable remuneration

The only employees who receive variable remuneration are those in Asset Management directly related to investments and employees of Entis. The amount of the variable remuneration depends on the position and on the quantitative and qualitative performances achieved. Variable remuneration is more than 50% dependent on non-financial indicators. We are very careful with our variable remuneration. For a large part of the employees the variable remuneration, depending on how much it is, is payable on a deferred basis. Half of it is paid in the year following the performance year and the other half is paid in three equal parts following a re-evaluation of the performances.

In other countries variable remuneration forms a greater part of the total remuneration proposition. This has to do with local legislation and labor markets. Performance-related remuneration constitutes an inherent component of the culture. Here, too, we look at the three aspects and we conclude that a total remuneration with a larger share of variable remuneration is necessary. We use the greater share of variable remuneration to guide performance and to attract and retain the right people.

Every year we carry out a risk analysis in order to establish that our remuneration policy, and especially the variable remuneration, is not subject to perverse incentives. To this end we have introduced various control measures. For positions that have a material influence on the risk profile of APG Asset Management, the remuneration policy has enhanced requirements. These positions are identified every year and designated as Identified Staff.

In this past financial year total variable remuneration increased. Total variable remuneration granted in 2019 amounted to €40.4 million (€31.4 million in 2018). Of this total, €34.4 million (2018: €26.1 million) related to the foreign subsidiaries. The increase is largely attributable to the increased number of employees in our New York and Hong Kong offices, which in turn was due in particular to further insourcing of asset management.

In 2019, seven employees (2018: five) were allocated total remuneration of more than €1 million. These employees all work in the foreign subsidiaries. Movements in exchange rates play a role in determining the total number of employees receiving remuneration of more than €1 million. Remuneration includes fixed, variable and any other components of remuneration.

Responsibility for the remuneration policy

APG and its subsidiaries come under different laws and regulations as regards controlled remuneration. APG also adheres to the Dutch Corporate Governance Code.

Primary responsibility for the remuneration policy lies with the Executive Board. The Supervisory Board oversees this policy. It is advised by the remuneration committee.

APG Asset Management has its own supervisory board and a remuneration committee. A decentralized assessment committee provides support in the field of remuneration policy. In this committee there is close cooperation among the HR, Risk & Compliance and Legal disciplines aimed at optimally arranging design, supervision and monitoring. The internal auditor is not a member of this committee and periodically carries out an independent audit of the design, introduction and application of the policy.

Remuneration of the Executive Board

At the proposal of the Supervisory Board the shareholders' meeting establishes the individual remuneration of the members of the Executive Board. This exception to the Corporate Governance Code is laid down in APG's Articles of Association and derives from the mitigated structure regime that applies to APG. Under this regime the power to appoint directors also lies with the shareholders' meeting instead of with the Supervisory Board. The Board does however make a proposal.

For the remuneration of the Executive Board, too, we look at the same three aspects: internal ratios, external ratios and conformity with society. The internal ratio between the remuneration of the chairman of the Executive Board and that of the average employee is 4.8x (5.1x in 2018). For APG Netherlands alone this ratio is 5.8 (5.9 in 2018). We periodically test the external ratios by reference to a carefully constructed external benchmark with comparable organizations. We see the social aspect among other things in the form of the remuneration. Just like the vast majority of employees, our Executive Board members receive a fixed salary and participate in the pension scheme on the same basis as other employees. They are not eligible for variable remuneration.

We apply the same principles for members of the Supervisory Board. They present their own proposals to the shareholders' meeting on their own remuneration. This remuneration must encourage the appropriate performance of the office and must be appropriate to their responsibilities.

On page 101 there is an overview of the remuneration of the Executive and Supervisory Boards. For more information please refer to the remuneration report on the website, which can be found under www.apg.nl/en/who-is-apg/corporate-governance.

Cooperation with the Works Council

Last year the Executive Board once again asked much of the employees and, thus, also of the Works Council. The Executive Board regularly consulted the Works Council on various subjects and current projects, and requested opinions and approvals as needed.

One of the important subjects was the sale of Loyalis to a.s.r. For APG the sale meant saying goodbye to many employees who had worked hard for us for many years. We had reached agreement on this in 2018. The employees moved with Loyalis.

The Works Council is pro-actively included in the change trajectories and is also informed about them in a timely manner. In the reporting year, the Works Council met with management twelve times. Additionally, twelve agenda committee meetings were held with management and the day-to-day management of the Works Council.

In 2019 the Works Council was asked to give its opinion on changes with consequences for personnel, such as the reduction in the number of employees in the Pension Administration department. This led to some conflict. Attention was given to this. In other areas of APG, too, we are seeing work being replaced by automation. There is positive consultation with the Works Council about the changes.

The Works Council collaborated on a manual with process and work agreements for the new way of reorganizing, as agreed in the Collective Labor Agreement consultation between APG and the unions. APG and the Works Council maintain dialogue on this manual and make adjustments to it where necessary. Smooth implementation of reorganizations is in all our interests.

In various meetings with the Works Council there was discussion of mutual understanding and the possibility of responding still better to each other's expectations.

In 2019 the Works Council made use of its enhanced right to recommend in proposing Roger van Boxtel for re-appointment as Supervisory Board member. With the two Supervisory Board members appointed with enhanced right of recommendation of the Works Council, the Works Council organized two training days.

Every month HR matters are on the agenda of the Works Council. The introduction of agile working methods called for special attention in 2019. The demands made in terms of the leadership that goes with this way of working were discussed exhaustively.

The Works Council played a role in the in-depth sessions on business strategy. The Works Council put forward proposals for this, including the idea of recalibrating the evaluation cycle as a matter of priority.

The Works Council was consulted on the wage gap between men and women in APG. The Works Council expressed its satisfaction with the closing of the wage gap.

The Works Council met twice with management and the Supervisory Board together. During the year there were also several exchanges with Supervisory Board members appointed with enhanced right of recommendation and several discussions with the chairman of the Supervisory Board. These exchanges were mutually appreciated.

Cooperation with the Works Council took place in an open and constructively critical atmosphere. We thank the Works Council and all APG employees for their warm engagement and efforts.

Chapter 8

How we manage our organization



We want to be a trusted guide and a reliable partner for our clients and other stakeholders. In order to perform that role properly, good, modern corporate governance is important. We strive for a governance structure that not only complies with the relevant laws and regulations, but also meets our stakeholders' requirements. The structure must also fit with the business activities of APG Group NV.

Corporate Governance

Executive Board

The members of the Executive Board are collectively responsible for attaining the objectives and the strategy, for the evolution of results and for the sustainable performances of APG. The Executive Board is also responsible for compliance with all relevant laws and regulations, risk management and the financing of the business. The Executive Board is answerable to the Supervisory Board.

Each quarter the Executive Board reviews APG's business performance together with the heads of the various departments. At the same time, they look ahead to the execution of the strategy.

Board Committees

The Executive Board is advised by risk committees at both group and business unit level. The APG Group's risk committee consists of the Executive Board members and the managers of Group Risk & Compliance in Group Internal Audit. The committee meets at least four times per year.

The Executive Board is supported by sub-committees with various areas of focus. In 2019 these were the Eco sub-committee (innovation), the Data sub-committee (data management), the Portfolio sub-committee (the allocation of scarce resources for change initiatives within APG which contribute to the attainment of the strategic goals) and the IT sub-committee (a controlled, safe, flexible and future-oriented IT landscape).

Diversity

At the end of 2019 the Executive Board consisted of two women and three men (40-60%). With this distribution we comply with the Act on balanced distribution of seats on the Executive and Supervisory Boards (minimum 30% women). For the current composition of the Executive Board, please refer to 'Executive Board' at www.apg.nl/en/who-is-apg/board.

The Executive Board regularly assesses its own work. In 2019 a self-assessment was completed under the supervision of an external party.

Compliance with the Code

APG Group NV complies with Dutch laws and regulations and supervisors' and internal directives. We also follow the principles and best practices of the Dutch Corporate Governance Code (the 'Code'). APG Group NV is not listed on the stock exchange and is therefore not obliged to follow the Code. But in view of our role and responsibility we have chosen to apply the Code to the extent that its guidelines are applicable to APG.

APG follows the Code practically in full. Where in certain parts of this annual report particular principles and best practices are not applied, we explain the reasons for this. On our website at www.apg.nl/en/who-is-apg/corporate-governance we show the connection between the Code and the content of the annual report.

Integrity

APG champions integrity in the conduct of business. Integrity must be anchored in our business culture and the way we work together. Trust forms the basis of our right to exist.

Core values and Code of Conduct

In defining our strategy, we have set out our core values. The core values express how we think the culture at APG should be. They are the values that all APG employees should espouse and they indicate the conduct expected of them. We regularly discuss the core values, notably in the Executive Board's meetings with management and employees.

We also have a Code of Conduct which lays down the rules to be followed by APG employees in order to conduct themselves professionally, transparently and with integrity. We give and draw attention to the Code of Conduct by means of publications on the intranet and information to employees and new recruits. We also ask employees to sign an annual declaration of compliance confirming that they have complied with the Code of Conduct over the year last ended. We do this in order to keep everyone alert. We check compliance with the Code of Conduct, among other things by examining cases that arise of private

investment transactions, positions in other companies, invitations and gifts.

Our Code of Conduct and the declaration of compliance can be found at www.apg.nl/en/who-is-apg/corporate-governance.

Whistleblower's Channel

We believe it is important for every suspicion of misconduct to be reported. Misconduct poses a threat to APG's integrity and reputation and that of its employees. We have therefore put in place a facility for anonymously reporting misconduct. This means that all employees can anonymously report actual or suspected misconduct and irregularities.

The chairman of the Executive Board and the Chief Compliance Officer are immediately informed of the report of possible misconduct or irregularity by the responsible reporting officer within APG. If the report relates to the chairman of the Executive Board, the chairman of the Supervisory Board and the Chief Compliance Officer are informed.

The arrangement covers all parts of undertakings related to APG in the Netherlands and abroad. Both the procedures for the Whistleblower's Channel and the regulations of the Executive Board provide for the Executive Board to inform the chairman of the Supervisory Board of reports of actual or suspected significant misconduct. The regulations of the Executive Board and those of the Supervisory Board state that an employee can report to the chairman of the Supervisory Board if the misconduct or irregularity concerns a member of the Executive Board.

Supervisory Board

The Supervisory Board of APG Group N.V. oversees the policy and work of the Executive Board and assists it with advice. The Supervisory Board focuses on the company's interests and long-term value creation.

The Supervisory Board mainly concerns itself with the group's overarching interests; it focuses on policy, the attainment of objectives, relations with shareholders, internal risk management and control systems, financial reporting, corporate governance, personnel developments, the effective and efficient conduct of the business, our reputation, the culture of the Executive and Supervisory Boards and the performance of their functions.

The Supervisory Board also oversees the implementation of APG's general remuneration policy. The Board submits proposals to the shareholders on the remuneration policy for the Executive Board and its implementation. In so doing it takes

account of the principles of a controlled remuneration policy as laid down in legal and regulatory provisions. Remuneration is determined by the General Meeting of Shareholders.

The Supervisory Board also plays a key role in the appointment and removal of members of the Executive and Supervisory Boards. The formal power of appointment and removal lies with the shareholders, but the Supervisory Board draws up the profile for the position, carries out the selection process and prepares the appointments.

The Supervisory Board has three committees: the audit and risk committee, the remuneration and selection committee and the governance committee. The regulations of the Supervisory Board and of the committees were amended in 2019 to bring them more into line with the text of the Code.

At the end of 2019 the Supervisory Board consisted of two women and five men (29-71%). With this distribution the Board did not comply in 2019 with target figure contained in the Act on balanced distribution of seats on the Executive and Supervisory Boards (minimum 30% women).

APG Asset Management N.V. has its own Supervisory Board. This Board oversees this subsidiary with a specific focus on clients' interests. There are periodic consultations between the two Supervisory Boards on subjects that are also relevant for the supervision of APG as a whole. Maes van Lanschot is a member of both Supervisory Boards.

Changes in 2019

Jaap van Manen was appointed chairman of the Supervisory Board effective January 1, 2019. Effective January 1, 2020 he resigned from this position due to personal circumstances. Effective January 1, 2020 Pieter Jongstra became chairman and Dick van Well vice-chairman of the Supervisory Board of APG. In 2019 it was resolved to re-appoint Roger van Boxtel and Claudia Zuiderwijk for a further four-year term of office.

For the current composition of the Supervisory Board, please refer to 'Supervisory Board' at www.apg.nl/en/who-is-apg/board.

The general description of tasks, the rules for meetings, the composition and the arrangements for retirement by rotation are set out in the regulations of the Supervisory Board. These can also be found at www.apg.nl/en/who-is-apg/corporate-governance.

Shareholders

APG Group N.V. has two shareholders: Stichting Pensioenfonds ABP (92.16%) and Stichting SFB (7.84%).

During the financial year the Supervisory Board regularly consulted with the shareholders, among other things on appointments and re-appointments of members of the Executive and Supervisory Boards and the state of play as regards the execution of APG's strategy. Also, in 2019 a new capital and dividend policy was established, adapted to APG's new corporate structure following the sale of Loyalis.

External supervision

Until the end of June 2019 APG Group NV was the holding company of a mixed financial conglomerate. We therefore had to comply with the Solvency II legislation. The aim of this EU directive is to prevent insurers from going bankrupt; they are therefore obliged to keep enough capital in reserve. As a result of the sale of Loyalis NV this supervision came to an end during 2019. In the first half of 2019 APG continued to comply with all obligations under Solvency II.

The sale of the insurer means that APG now assumes appreciably less financial risk. The turnover that now remains is relatively constant, thanks among other things to the long-term contracts with our principals. And the remaining costs relate largely to the workforce, and these too are predictable. Furthermore, the annual results of Loyalis, and therefore those of APG Group too, were heavily dependent on interest rate movements, whereas for APG now that is no longer the case. Results are thus less subject to fluctuation and there is less need to keep risk capital.

De Nederlandsche Bank (DNB) is looking at the possibility of bringing pension administrators under its supervision (according to the law DNB is responsible for supervising pension funds but not pension administrators). To this end DNB carried out pilot schemes in 2019 with a few pension administrators, among them APG. We are currently conferring with DNB on what form this supervision would best take. Pension funds rely heavily on pension administrators for the administration of pensions and for asset management. For such a change in the supervisory arrangements an amendment to the Dutch pension legislation will eventually be necessary. We support this, but we are not there yet.

APG Asset Management NV (APG AM) manages assets for its clients. APG AM does this both on a collective basis by managing investment schemes and on an individual basis by managing 'segregated accounts'. APG AM holds an authorization for this from the AFM (Authority for Financial

Markets) and falls under the AIFMD and MiFID supervision of the AFM. At the same time DNB exercises prudential oversight of APG AM, in respect of both its collective asset management and its asset management on an individual discretionary basis. For solvency requirements APG AM follows the Internal Capital Adequacy Assessments Process (ICAAP).

As a pension fund, shareholder Stichting Pensioenfonds ABP is under the supervision of DNB. This also applies to the other pension funds that are clients of ours. Subject of supervision is the outsourcing of services to APG.

Risk management

APG Group has recognized both strategic opportunities and strategic risks in its strategic policy. In this paragraph we seek to relate the most significant risks and opportunities to the value that we aim to create for our stakeholders. We recognize and manage risks from an integrated point of view, weighing financial and social values.

APG Integrated Risk management

APG Integrated Risk management (AIR) consists of risk management governance, risk management culture, risk appetite, the risk management process and the risk framework.

Risk management governance and culture

The roles and responsibilities for managing and controlling risks are based on the generally accepted three-lines-of-defense model. The risk committees of the business units and of the Executive Board, and also the audit and risk committee of the Supervisory Board see to it that overall integrated responsibility for risk management is assured. However, the basis of effective risk management within the organization lies above all in the promotion of a culture in which weighing up opportunities and risks on the basis of our risk appetite forms a part of our daily work at all levels of the organization.

APG Integrated Risk Management



Risk appetite

Risk appetite is the degree of risk that APG is prepared to accept in seeking to attain its strategic goals. Risk appetite shows us where there is room for taking opportunities, but also what the right degree of risk control is in the event of undesired risks. APG's risk appetite is established for seven elements on which risk have an impact: continuity, reputation, relations, solvency, integrity, provision of services and customer satisfaction.

The Executive Board establishes the overarching risk appetite at strategic level. At business unit level this is further translated into risk appetite of the BU and/or the operational implementation of the risk appetite, by establishing key risk indicators and tolerance limits.

As a result of the sale of Loyalis APG Group's risk profile has fallen significantly. Accordingly, in 2019 a start was made on recalibrating risk appetite in line with the group's strategy and risk profile. This recalibration will be completed in 2020. The management and Supervisory Board of APG Asset Management established their recalibrated risk appetite in 2019 in the context of the AFM authorization.

Risk management process

With the risk management process, we keep a watch on the development of the risk profile relative to our risk appetite and where necessary avoid or mitigate risks in a more effective way. This ongoing process consists of identifying, assessing, controlling and monitoring risks. The risk management framework helps us to make sure that we adhere to the desired risk profile and do not take any unnecessary or undesirable risks. Where necessary we take appropriate measures. The second-line risk management and compliance functions play an independent and critically challenging role in this.

Risk framework

To track and watch over our risks we use a risk framework. APG's risk framework has been constructed in accordance with internationally accepted standards: strategic risks, operational risks, financial reporting risks, compliance risks and financial risks. Within these risk categories APG annually updates a set of top risks. These risks derive from external developments, APG's strategy and the conduct of its business. We monitor on a continuous basis. Each quarter we report on the current risk profile to the APG Group risk committee and the audit and risk committee of the Supervisory Board.

Throughout 2019 APG's risk exposure was within the established tolerance limits. In a number of areas risks increased. The following were the most significant risks during 2019, broken down into the most important stakeholder groups.

Risk management, clients



A good pension, optimal customer service with expert advice, reduced complexity and innovative solutions were the main themes in 2019. Much attention was given to controlling the business model risk and the adaptation risk: we worked on making the organization ready for the future. Part of this consists of improving operational processes. Important themes included digital service of participants and straight-through processing (STP).

The advisory risk has increased in the past few years, among other things as a result of economic developments and the debate on the future of the pension system. The economic environment has become more uncertain, with extremely low interest rates, low coverage ratios, trade wars and political unrest. Pension funds increasingly ask for interpretation and well-reasoned advice on which to base careful decision making. Requirements of prudential and behavioral supervision have also become stricter in recent years in areas such as possible conflicts of interest and the duty of care. At the same times the participants of our pension funds have been faced with increasing uncertainty; participants have become more assertive and make greater demands of service provision and communication. In order to meet the higher expectations and serve clients well now and in the future, we take advantage of the more dynamic environment and make high demands of the quality of our services. Accordingly, we consult frequently with our clients and monitor the advisory risk carefully.

APG aims to be a flexible, agile organization. That also involves our assigning responsibilities lower down in the organization. As a result, the demonstrability of risk control comes under pressure, necessitating adjustments to the control measures. APG has been working on this for some years. This past financial year the IT general controls (ITGC) framework was adapted where necessary to agile working. One example of this is the Change Management process: formal approvals by senior management have been replaced by assurances within the team. At the same time the agile cooperation model was introduced, in which the way of working and responsibilities have been worked out.

Prioritizing, giving priority to certain programs and projects that contribute to creating pension value, had not been given

sufficient attention in previous years. Therefore in 2019 particular attention was paid to setting up the new IT, portfolio and data governance. Clear mandates were established for the IT, Portfolio and Data sub-committees, on which business and IT collaborate intensively. In this way we have clearly established the roles and responsibilities in the organization. We aim to create focus, to give priority to the right initiatives and so to make the right investments.

APG meets today's demands and expectations of pension administration, such as the timely dispatch of uniform pension overviews. In the future clients will expect more insight, and APG wants to be ready for individual choices in pension contracts. This is possible by means of digitization and STP, but for this high quality of data is an essential condition. The quality of APG's data has proved to be inadequate on several fronts for achieving these strategic ambitions. In 2019 therefore concerted efforts were made to improve data quality, data governance and the associated risk control. On the Executive Board this portfolio was added to those of the CFRO, who now also performs the role of Chief Data Officer (CDO). In the second half of the year data management risk was listed as a separate risk in our risk taxonomy. In this way the monitoring of this risk is further assured. In 2020 we will further develop the control of this risk.

APG may find itself being a target for cybercrime as regards flows of money and participants' data. We must arm ourselves against this as well as possible. APG took part in DNB's TIBER-test. This was a so-called 'friendly hack'. It showed that APG performs well in the area of cybersecurity compared with other organizations in the financial sector, but that there are still some improvements to be made. For example, we can raise awareness of the importance of information security. Control improvements were put in place directly where necessary.

As a pension administrator and as an employer, APG processes personal data on a large scale. We attach great value to lawful and transparent processing and protection of personal data. Making sure that APG complies with the General Data Protection Regulation (GDPR) requires constant effort, and we are permanently on the look-out for further improvements. In this regard employee awareness is currently one of the important themes.

Risk management, employees



The fast-changing world in which we operate leads to a greater need to be flexible. This will in turn lead to other demands being made in terms of job profiles. Additionally, the tightness of the labor market puts pressure on available capacity, particularly in

emerging roles such as data management, but also in specific IT functions, risk management and compliance. The risk that the composition of the workforce will not match APG's strategy has increased accordingly. In 2019 the number of difficult-to-fill vacancies grew further.

In 2019 APG made a concerted effort to increase employees' adaptability. The program 'The Making of You' plays a central role in this: all employees can take part on a voluntary basis in an extensive personal development program. The Making of You is a very important driver behind making the workforce future-resistant (strategic workforce planning), as regards both its size and the skills needed. For more information on The Making of You, please refer to Chapter 7. Within APG Asset Management a new recruitment program and a renewed onboarding program were launched.

In the area of risk management, we have improved the segregation of first and second-line activities. We are working on further improvements to our integrated risk management. This requires a different attitude to risk and new capabilities of managers and employees in the business units concerned: from 2020 on they will have to carry out significant parts of the risk management themselves. As a result, APG's risk management will become more mature. In this, APG Group is following in the footsteps of APG Asset Management, which has already made this change.

Much attention was also given in 2019 to ethical business conduct. Raising awareness of integrity risks among employees requires permanent attention. Exemplary conduct fosters desirable employee conduct. Therefore, APG has started awareness training sessions on the Code of Conduct and incident policy for all supervisors. We have also offered training on fraud in order to enable employees to detect and report internal and external fraud better and faster. The annual Systematic Integrity Risk Analysis (SIRA), which gives insight into the most significant integrity risks, shows that APG controls its integrity risks adequately.

Risk management, society



APG is the pension administrator for one in five households in the Netherlands. Therefore, the interests of society are high on its list of priorities. APG is committed to the development of a future-resistant pension system and to society's having trust in this system. From the point of view of risk management, the control of political risk and publicity risk is of great importance in boosting trust in the pension system. So, as pension experts we will engage more emphatically in the public debate and take a position in the political debate. We realize that it will be

difficult to line up our eight pension funds unanimously with our opinions. We will take that risk, because we feel it is our social duty to put our knowledge and expertise to work to find durable solutions for a robust pension system.

The new pension contract, yet to be agreed, is expected to lean toward a high degree of individualization, which will put pressure on the existing solidarity principle with possible negative consequences for mandatory contributions. This development increases APG's business model risk. We are preparing for this. And the interests of the participants will be even more center stage in the conduct of our business. With the setting up of the DWS (Participants & Employers Services) we have given powerful expression to this.

Social subjects such as the low coverage ratios, possible pension cuts, sustainable investment and privacy issues regularly lead to negative sentiment about the pension sector. This leads in turn to an increase in reputational risk. APG continues undeterred to strive for clear, explicable pensions that respond to social needs. We are also determined to contribute to a livable world. Therefore, we successfully support pension funds in controlling climate risks by making their investment policies more sustainable. APG plays a leading role in this in the sector. More details on this can be found in the paragraph headed 'Investments and climate'. Since we find that we ourselves still do not operate sustainably enough, among other things because we travel so much, we have made sustainability a priority theme and incorporated it into our strategy. In 2020 we will formulate a sustainability policy for APG.

Risk management, shareholders



APG aims to be a financially sound organization for its shareholders. Only in this way can we assure the continuity of the pension administration and achieve our strategic goals. APG endeavors to have sufficient equity available with which to carry out strategic initiatives and absorb any financial or other damage or loss deriving from the risks identified. APG strives to obtain a socially responsible return of 6.1% on this equity, based on returns of comparable socially oriented undertakings such as Eneco, NS, Schiphol, Tennet.

As a result of the sale of Loyalis APG's risk profile has declined, and this results in less equity being needed to meet its short and long-term commitments. Therefore in 2019 the capital policy was revised and approved by the shareholders. They also approved the distribution of the surplus capital in the form of an extraordinary dividend to shareholders.

Financial reporting risks

APG's risk management and control systems provide a reasonable level of certainty that the APG Group NV annual report does not contain any material misstatements. Their functioning is continually tested throughout the year. On the basis of these results the Executive Board has declared that there are no material risks or uncertainties that are relevant to the expected continuity of APG Group. See also the In Control Statement.

In Control Statement

As the Executive Board of APG Group NV, we are responsible for the structure, existence, and effectiveness of the internal risk management and control systems. The internal risk management and control systems have been set up on the basis of internationally accepted and applied standards and their purpose is to manage the strategic, financial, operational, compliance, and financial reporting risks involved in realizing APG Group's objectives. However, they cannot provide absolute certainty that the financial reporting contains no material misstatements or that the systems can fully prevent all errors, incidents of fraud, or non-compliance with relevant legislation and regulations. In the risk paragraph on pages 53 to 57 inclusive we have explained our most significant risks and internal risk management and control systems.

The material risks and control measures have been identified and documented in the APG integrated risk framework. The Executive Board of APG Group NV monitors the effectiveness of the internal risk management and control systems and has carried out a systematic assessment of the structure and effectiveness of the risk management and control systems at least annually. The monitoring pertains to all material control measures aimed at strategic, operational, financial, compliance, and financial reporting risks. This process takes into account, among other things, any ascertained weaknesses, wrongdoing or irregularities, signals from whistleblowers, lessons learned, and findings of the internal audit function and the external auditor. Improvements have been made to the internal risk management and control systems where needed.

Statement of the Executive Board of APG Group N.V.

The Executive Board of APG Group N.V. declares that:

- APG Group NV's annual report provides insight into the most important shortcomings in the effectiveness of the internal risk management and control systems. Improvements, both implemented and envisioned, are explained;
- The risk management and control systems provide a reasonable level of certainty that the APG Group NV annual report does not contain any material misstatements. APG Group N.V.'s annual report has been prepared in accordance with the going concern principle.
- There were no material risks or uncertainties relevant to APG Group N.V.'s expectation of continuity for a period of 12 months from the preparation of APG Group N.V.'s annual report.

People

Members of the Executive Board



Gerard van Olphen (male, 1962) has been chairman of the Executive Board since March 9, 2016. Gerard is driven by the social significance of APG and the fact that it manages the pension rights and obligations for nearly one in four households in the Netherlands. And also by the complexity of the financial markets and regulations. This combination of complexity, worldwide markets and significance for the Netherlands makes APG an inspiring place to work.

Gerard's portfolio contains: Policy, Public Affairs, Group Internal Audit and General Counsel/Corporate affairs. Gerard has occupied various positions of responsibility in the financial sector. Before joining APG Gerard was chairman of the Executive Board of Vivat Insurance.

Other activities:

- Member of the Supervisory Board of Hartstichting
- Member of the Supervisory Board of Netspar
- Member of the Supervisory Board of a.s.r.
- Chairman of the Climate Council's financial task force

Nationality: Dutch

First appointment: March 9, 2016

Second appointment: March 9, 2020



Annette Mosman (female, 1967) is a member of the Executive Board with the Finance, Risk management and Data portfolios (CFRO and CDO). She finds it inspiring to work with a team of professional, enthusiastic colleagues on creating pension value for the participants of our pension funds. Making a real difference for groups of employees that serve our society daily is what motivates her. As a result, she tries to squeeze every last drop out of it every day!

Annette gives guidance to the managements of Group Finance, Group Tax and Group Risk & Compliance and bears functional responsibility for the CFRO of Asset Management. She is also chairwoman of the Portfolio and Data sub-committees. Annette has extensive management experience in the financial sector. She was previously chair of the Executive Board of insurer Generali Nederland.

Other activities:

- Board member and treasurer of the NOC*NSF Association
- Member of the supervisory board and audit committee of the Jeroen Bosch Hospital Foundation
- Member of the supervisory board, chair of the audit and investment committees of the Dutch Cancer Society KWF
- Board member of the TBI Foundation

Nationality: Dutch

First appointment: February 6, 2018



Francine Roelofsen - Van Dierendonck (female, 1976) is a member of the Executive Board with the Strategy & Change, Corporate Communication and DWS (Participants and Employers Services). Her ultimate driving force is what connects all APG employees: 'Pensions are about people, life and living together. We make a difference so that we, our parents and our children have a good income now and in the medium and long term'.

Francine is responsible for overseeing DWS and the departments that come under it, with a focus on marketing and communication, marketing intelligence, product development, innovation, ventures and technological developments. Since the end of 2019, she has also been responsible for the Strategy & Change and Corporate Communication portfolios. Francine has extensive experience in marketing, sales, e-commerce and technology and in leading digital and other transformations in different types of organizations. Before joining APG she was general manager of Xenos.

Other activities:

- Member of the Supervisory Board of Royal HaskoningDHV (from March 26, 2020)

Nationality: Dutch

First appointment: November 1, 2018



Ronald Wuijster (male, 1966) is a member of the Executive Board with the Asset Management portfolio. He is also chairman of the board at APG Asset Management. His main aim is to be an investment engineer with impact. He seeks, designs, finds and coordinates investment solutions that contribute to return, a good income for Dutch people in later years and a more sustainable world.

Ronald is responsible for the investments managed by APG and for translating APG's established strategy into strategic starting points and objectives for Asset Management. Additionally, since the end of 2019 he has also been responsible for Human Resources. Before joining the Executive Board, Ronald was Chief Investment Officer of APG Asset Management.

Other activities:

- Vice-chairman of Dufas
- Member of the advisory board of Morgan Stanley Capital International (ended in 2019)
- Member of the Accreditation committee of DSI (ended in 2019)

Nationality: Dutch

First appointment: March 6, 2018



For more information about the members of the Executive Board, please refer to: www.apg.nl/en/who-is-apg/board.

Wim Henk Steenpoorte (male, 1964) is a member of the Executive Board with the Funds Business portfolio. His main motivation is going for outstanding quality of execution, efforts to raise cost awareness and contributing to a new pension contract.

Wim Henk is responsible for overseeing the Funds business as a whole, with relationship management and account management for the whole pension administration, facility management and for an up-to-date IT infrastructure (for the pension funds). Wim Henk is also chairman of the IT sub-committee.

Wim Henk has extensive experience as a manager in the financial and insurance world. Until 2017 he worked as an independent management adviser and supervisor.

Other activities:

- Chairman of the Supervisory Board of De Vereende N.V.
- Chairman of the Supervisory Board of DAP Holding N.V.
- Chairman of the Supervisory Board of Intersolve B.V.
- Chairman of the board Sivi

Nationality: Dutch

First appointment: September 14, 2017

Members of the Supervisory Board



Pieter Jongstra (male, 1956)
Chairman

Most significant (ancillary) positions:

- Board member and treasurer of Ondersteuning Nederlandse Bachvereniging Foundation
- Member of the Rabobank panel of experts for the Reassessment of Interest Rate Derivatives.
- Member of the Supervisory Board of Mazars Group
- Member of the Supervisory Board of CZ

Nationality: Dutch

First appointment: February 4, 2015

Second appointment: February 4, 2019

Term of office: 4 years



Dick van Well (male, 1948)
Vice-chairman

Most significant (ancillary) positions:

- Member of the Supervisory Board of Dura Vermeer Groep N.V.
- Member of the Supervisory Board of Avenue Beheer B.V.
- Member of the advisory board of LSI Projectinvestment N.V.
- Member of the Supervisory Board of Rijnmond Bouw B.V.
- Independent chairman of Stichting Administratiekantoor PPF Participatie Fonds
- Member of the Board of Nationaal Programma Rotterdam Zuid
- Chairman of Stichting IkZitopZuid
- Chairman of the Supervisory Board of Kikx Holding B.V.
- Director of Stichting Continuïteit Feyenoord
- Member of the Supervisory Board and chairman of the selection, remuneration and appointments committee of Stedin Netbeheer BV

Nationality: Dutch

First appointment: November 14, 2016

Term of office: 4 years



Edith Snoeij (female, 1956)

Most significant (ancillary) positions::

- Member of the board of Pensioenfonds KPN (executive)
- Chair of the supervisory board of PnoMedia pension fund
- Chair of the supervisory board of PMA pension fund
- Chair of the supervisory board of Stichting Waarborgfonds en Kenniscentrum Ruimte-OK
- Member of the AGFA (advisory committee on basic rights and duties of civil servants) and the AMAR committee with CAOP (General military regulations)
- Board member, Stichting Bestuur Leerstoelen
- Member of the Complaints Committee Sociaal Plan Reclassering Nederland (ended in 2019)
- Member of the Government Advisory and Arbitration Committee
- Chair of the Labor Market Care & Welfare research program
- Board member, Oefenen.nl

Nationality: Dutch

First appointment: April 26, 2012

Second appointment: April 26, 2016

Term of office: 4 years



Maes van Lanschot (male, 1952)

Most significant (ancillary) positions:

- Chief Financial Officer, TropiQ Health Sciences B.V.
- Manager, Landgoed Zwijnsbergen B.V.
- Member of the Supervisory Board of APG Asset Management N.V.

Nationality: Dutch

First appointment: May 15, 2013

Second appointment: May 15, 2017

Term of office: 4 years



Roger van Bortel (male, 1952)

Most significant (ancillary) positions:

- Chairman and CEO of NS, Dutch National Railways
- Member of the board of VNO-NCW (Confederation of Netherlands Industry and Employers) (in connection with position as Chairman and CEO of NS)
- Member of the Community of European Railway and Infrastructure companies (CER), Brussels (in connection with position as Chairman and CEO of NS) (from February 1, 2019)
- Chairman of the Supervisory Board, Museum De Fundatie
- Chairman, Amsterdam Sinfonietta (from April 1, 2019)
- Member of the Algemene Ledenvergadering Ajax
- Chairman, JC Bloem Prijs
- Chairman, Klankbordgroep Werk aan Uitvoering voor MR

Nationality: Dutch

First appointment: July 16, 2015

Second appointment: July 16, 2019

Term of office: 4 years



Claudia Zuiderwijk (female, 1962)

Most significant (ancillary) positions:

- Chair of the Executive Board, Chamber of Commerce
- Board member and jury member, Koning Willem I Stichting (in connection with position as Chair of the Executive Board of the Chamber of Commerce)
- Member of the Smart Industry Forum (in connection with position as Chair of the Executive Board of the Chamber of Commerce)
- Member of the Supervisory Board of KPN N.V.
- Board member, NL Groeit
- Mentor, NL Groeit
- Member of NL2025
- Chair of the Rabobank panel of experts on Re-evaluation of Interest rate Derivatives
- Ambassador, NEMO Science Museum Center, Amsterdam

Nationality: Dutch

First appointment: July 27, 2015

Second appointment: July 27, 2019

Term of office: 4 years



Jaap van Manen (male, 1950)

Chairman until January 1, 2020

Most significant (ancillary) positions:

- Partner, Strategic Management Center
- Co-founder of BoardResearch.org
- Emeritus professor of Corporate Governance (Rijksuniversiteit Groningen)
- Member of the Supervisory Board of Bornet Groep Rotterdam B.V.
- Director of Stichting Maatschappij en Veiligheid (Society and Safety Foundation)
- Director of Stichting Endowment at the Museum Boijmans van Beuningen
- Director of Stichting Globetrotter
- Central Bank Governance Advisor to the International Monetary Fund, Washington D.C.
- Chairman of the investigating committee on hospital bankruptcies
- Researcher into decision making at energy company Eneco in the context of an Inquiry procedure for the Corporate Chamber of the Court of Justice of Amsterdam

Nationality: Dutch

First appointment: January 1, 2019

Resigned: January 1, 2020

Our expectations and ambitions for the coming years

For the pension sector as a whole working out a new pension contract will be the most important theme in 2020. We are all faced with an existential question: how can we renew our pension system in such a way as to regain Dutch people's faith in it?

In the last few years trust in pensions and the system has fallen sharply. Doubt and uncertainty reign supreme: the country is still doing well economically and yet there is regular talk of pension cuts. Or reports that the pension funds' coverage ratios are inadequate. And then there is the gap that threatens to open up between young and old. While young people have the feeling that the older generation is taking maximum advantage with high pension benefits, older people think that the younger generation's contributions are too little and that they are taking advantage of the money that they, the 'boomers', have set aside. Solidarity, one of the fundamental pillars of the current system, is in jeopardy. Furthermore, the number of self-employed people has grown very substantially and this group risks getting caught in the gap.

APG lets its voice be heard

APG continues to advocate for a pension system based on risk sharing, mandatory contributions, solidarity and clarity. In times when major changes are piling up it is more than ever incumbent upon us to take a position and give direction to the debate. We can reasonably be expected to help the political and social partners and to urge them to conclude a new, honest, solidarity-based pension contract. We are going to enter the pension debate more often. APG is a self-asserting authority on pensions.

This role goes with our task of serving pension funds and their participants as well as possible. We will continue to spread our knowledge about pensions further; we want the system and the pensions to be accessible and comprehensible to as many people as possible. We also want to give the participant a voice in the debate. Therefore, we will seek publicity more emphatically.

More tailor-made solutions

Although we do not yet know what exactly the new system will look like, we do know that increases or reductions of pensions may be part of it. We are going to explain this to everyone in clear language.

For APG it is important to be ready in time for the new pension era. We reflect together with our funds: what changes will soon come about in their role and their relations with their

participants and their employers? We expect that in the next few years, starting as soon as 2020, participants and employers will have greater need of made-to-measure solutions and help with personal choices. We will offer to provide even more specific services. APG has all the necessary knowledge and skill in house.

We are now also better able to gauge how satisfied the participants are with our provision of services, through the Net Promoter Score (NPS). Therefore, we also have a better idea of how we can increase customer satisfaction. With this new knowledge we will undertake specific initiatives in customer service in the coming years.

Maximization of pension value

Our most important focus is on continuing to implement our strategy. That means continuing to work on maximizing pension value. We are improving the provision of services to participants so that they can get a better grip on their pensions and therefore on their financial future. Our goal is to keep the price per participant unchanged or to reduce it slightly while at the same time obtaining as high an extra return as possible relative to the market.

Growth and extension of collaboration

In the area of cost reduction we will progress further with what we started in 2019. Together with two other administrators we looked at whether we could reduce costs by carrying out parts of the pension administration jointly. In 2020 we intend to take the first tangible steps in this area.

We also aim for growth. We will therefore look for new clients, in order to be able to become more efficient thanks to economies of scale and to reduce costs. Furthermore, this will also create more room for innovation and synergies.

We also see growth possibilities in Asset Management. We are going to expand in the Netherlands, but also in our overseas offices in Asia and New York. Our overseas offices are performing excellently, particularly the Asian ones. In the next few years we will strengthen the asset management teams with more than 100 highly trained professionals. Approximately half of them will be to strengthen the APG overseas teams.

In order to boost net returns, we are investing for example more (directly) in infrastructure. We are also placing emphasis on further expansion of our collaboration with partners, particularly international partners, as with our collaboration with E Fund.

Putting our own house in order

Fortunately we can report a lot about what went well. However,

not everything goes as we hope. And we also want to be transparent about that and take our responsibility for it.

For example, due to errors in the pension administration, various participants have recently received more or less pension received on their pension statement. We feel bad about this, because you have to be able to rely on that overview. To prevent this, we will spend a lot of time in 2020 on improving data quality and preventing errors in the data administration.

APG has been known for years for its inclusion of sustainability as an integral part of its investment choices. And yet in the conduct of our own business we are still not up to the mark. For 2020, sustainability is a strategic theme.

Social tranquility

At the time of writing it is not known how serious the impact of the outbreak of the coronavirus will be on pensions, pension funds, participants, employers or us.

In the current turbulent situation on the financial markets it is extra important for us to keep our heads and to continue to accompany and advise our clients well. We must and we can; we are long-term investors and we have to look through crises, while always being 'sensible'. Pensions must be paid reliably and on time, as people have come to expect of us. We intend to continue to help relatives appropriately and sympathetically.

In our own way we contribute to social tranquility and security, now that this is so incredibly important. It's about the participants and the funds that we serve. They all count on us.

Heerlen, March 25, 2020

The Executive Board:

Gerard van Olphen, voorzitter

Annette Mosman

Francine Roelofsen-van Dierendonck

Ronald Wuijster

Wim Henk Steenpoorte

Chapter 9

Report of the Supervisory Board



Participants' interests center-stage

'Together we build your sustainable future' is the mission that gives direction to APG's strategy: maximizing pension value. Securing an income for now and the medium and long term goes hand in hand with bringing about a livable world for us and the generations that will follow us. Furthermore, APG is determined to contribute to restoring trust in the collective pension system.

The Dutch pension system is one of the best in the world, but has become so complicated that it is difficult to explain to participants. This is particularly the case if there is to be no more indexation and pensions might still be reduced or contributions increased while investment returns are high.

So, there is a real need for an organization that offers participants and their employers insight into their financial future. Participants are increasingly expected to take their own financial decisions for the future. APG wants to help them with this, so that they are able to take action if necessary. The Supervisory Board supports APG in its efforts to take on this role of trusted guide and to place the interests of the funds' participants emphatically center stage.

Important points for attention this financial year

Implementation of the strategy

This past financial year the implementation of the strategy was regularly on the agenda, as were the obstacles that the organization comes up against in the process. The most visible consequence of the implementation of the strategy is the DWS Participants and Employers Services portfolio. This portfolio, for which Francine van Dierendonck is responsible in the Executive Board, was added to the existing business activities in 2018. The business unit is entirely focused on informing, advising and supporting employers and participants and developing products and services for them, now and in the future. In other areas of the business too, the Supervisory Board sees that participants' interests are increasingly occupying center stage. We see this as a positive development.

The Supervisory Board is also positive about the fact that the theme of sustainability has been given a prominent place on APG's strategic agenda for the coming years. The Supervisory Board endorses APG's determination to comply with the same requirements as it makes of potential investees as regards the conduct of its business and that in 2020 an enhanced ambition in the area of sustainability will be established. This requires a change in APG's way of thinking and working.

Sale of Loyalis

In June 2019 the sale of Loyalis to insurer a.s.r. was completed. This step fits with the new strategy: APG aims to become a trusted guide from an independent position. The Group's risk profile has become very moderate with this divestment. Over 200 employees moved to a.s.r. The Supervisory Board would like to take this opportunity to thank them for their dedication to APG.

Being a good employer

APG's employees are the driving force behind the transformation that APG is going through. This past financial year some restructuring of operations were carried out which have led to changes for the personnel. The Executive Board is keeping this transformation on the right tracks with the program The Making of You. The real power of this program lies in the fact that each employee can work continuously on his or her personal development. In this way APG raises the quality of its services to clients, and also employees' durable employability. We continue to encourage the Executive Board to make maximum use of The Making of You for the whole organization.

Appropriate remuneration policy

The Supervisory Board welcomes and appreciates the effective closing of the wage gap between men and women. This measure fits with the pursuit of the goal of equal opportunities and associated remuneration.

APG is an organization with a social orientation and task, of which a professional asset management business forms part. The labor market for asset management is international and competitive. Therefore, the Supervisory Board pays great attention to a balanced and appropriate remuneration policy for the various different groups of employees within APG, including directors.

Culture

APG is going through a transformation from a task-oriented, rather closed company to a customer-oriented, open organization. This affects the ways in which we manage and cooperate. Management gives guidance by conforming to and upholding the core values that have been formulated. At APG we take care first and foremost of people, of seniors who are benefiting from their pensions, of people who are building for their future, and last but by no means least, of our own employees. Changes are made in the context of positive dialogue between management and employees, looking together for possibilities, with each taking their own responsibility.

Integrity is an important principle, particularly in a financial institution. The Supervisory Board oversees correct compliance with the codes and directives in this area and also applies them to itself.

Other matters

Apart from the above-mentioned points, the most important subjects on the agenda this past financial year were the annual report, performance control, the business plan for 2020-2022, governance within APG (with particular reference to shareholder relations) and the composition of the Supervisory and Executive Boards.

Governance

Composition and workings of the Executive Board

The current Executive Board consists of five persons and is unchanged relative to the 2018 reporting year. Gerard van Olphen was proposed by the Supervisory Board for a further term of office as chairman of the board starting in March 2020. The employment conditions have been discussed in advance with the shareholders and established by them with effect from the start of the new term of appointment. The composition and size of the Executive Board are such as to provide a good overview of the workings of the organization.

The self-assessment focusing on the workings of the Executive Board and the quality of its deliberations and decisions took place with external accompaniment. This assessment was completed in early 2019. The Supervisory Board has taken due note of the results of this assessment and the Supervisory Board regards them as positive on the workings of the Executive Board as a whole. As a result of this assessment work has been done on team building, mandates have been clarified, the decision-making process has been clarified and the Executive Board has sharpened its focus and prioritizing.

Relations with supervisors

The pension funds for which APG works are supervised by De Nederlandsche Bank (DNB) (Dutch central bank) and the AFM (Authority for Financial Markets). Apart from this there is direct DNB supervision of APG Group as head of a group as per the directive in the meaning of the Wft (Act on Financial Supervision), of which APG Asset Management N.V. as a regulated entity forms part and from this APG Asset Management N.V. is itself under supervision (see hereunder).

The sale of Loyalis has consequences for the way in which DNB exercises supervision. Together with the Executive Board we are pro-actively and constructively talking to the supervisors about

an effective and efficient supervisory framework that fits with the new situation. Delegations from the Supervisory Board and the Executive Board had contact several times during the year with representatives of DNB. The Supervisory Board supports the Executive Board in its wish to arrive at a system in which DNB exercises direct supervision over pension administrators.

Supervision of APG Asset Management N.V.

APG Asset Management N.V. operates under its own authorization from the AFM, and by virtue of this the AFM is the primary supervisor, oversees conduct and is informed of any significant changes in the conduct of the business. DNB exercises prudential and systemic oversight over APG Asset Management. DNB also carries out consolidated solvency supervision of APG Asset Management and its subsidiaries APG Asset Management US Inc and APG Investments Asia Ltd.

APG Asset Management has its own Supervisory Board. This board supervises the management of APG Asset Management, with a specific focus on clients' interests. Within the Supervisory Board of APG Group observations relating to asset management are reported regularly. There is also consultation between the Supervisory Board of APG Asset Management and the Supervisory Board of APG Group, in particular where APG's long-term strategy or significant Group-wide issues are concerned. Maes van Lanschot is the only person who is a member of the Supervisory Board of APG Group and APG Asset Management.

Organization of the Supervisory Board

Composition of the Supervisory Board and appointment and re-appointment of its members

Effective January 1, 2019 Jaap van Manen joined the Supervisory Board in the role of chairman. Sadly, he decided for personal reasons to resign as member and chairman of the Supervisory Board effective January 1, 2020. Pieter Jongstra was appointed chairman of the Supervisory Board of APG and Dick van Well vice-chairman of APG with effect from January 1, 2020.

The Supervisory Board currently consists of six persons: Pieter Jongstra (chairman), Dick van Well (vice-chairman), Edith Snoeij, Maes van Lanschot, Claudia Zuiderwijk and Roger van Boxtel. With this composition we comply with the 30% diversity criterion with effect from 2020. The Supervisory Board continues to strive for at least 30% women in future vacancies. In 2019 Claudia Zuiderwijk and Roger van Boxtel were re-appointed for a further four-year term of office.

Meetings

Last year the Supervisory Board held six regular meetings and one extra meeting about the governance of APG. In most cases all members of both the Supervisory and the Executive Board were present. The meetings took place in Heerlen and in Amsterdam.

Presence of each supervisory director at meetings of the Supervisory Board and its committees:

<i>Jaap van Manen</i>	5/7	nvt	nvt	nvt
<i>Maes van Lanschot</i>	5/7	6/6	nvt	nvt
<i>Edith Snoeij</i>	6/7	nvt	6/7	1/2
<i>Pieter Jongstra</i>	7/7	6/6	nvt	2/2
<i>Claudia Zuiderwijk</i>	5/7	6/6	5/7	nvt
<i>Roger van Boxtel</i>	7/7	nvt	nvt	1/2
<i>Dick van Well</i>	5/7	nvt	6/7	nvt

Apart from its regular meetings, in 2019 the Supervisory Board – as a whole or in smaller delegations – met a few times to confer with APG directors and/or employees about various matters including the implementation of the strategy, long-term visions relating to value creation, customer and employee satisfaction and IT. The Supervisory Board also met three times without Executive Board members or other APG employees.

In 2019 the Supervisory Board attended two consultative meetings of the Works Council.

Committees

The Supervisory Board has three committees: the audit and risk committee, the remuneration and selection committee and the governance committee. The committees share their findings with the full Board.

Audit and risk committee

In 2019 this committee consisted of Pieter Jongstra (chairman), Maes van Lanschot and Claudia Zuiderwijk. The committee met six times in 2019, all members attending.

Discussions covered, inter alia performance control, making implementation of the strategy measurable, legal affairs and tax policy, APG's ICT management, the annual report, the risk management system, the internal control system and compliance. Also discussed were the quarterly reports on finances, risks and internal audits, business planning, the annual plan of Group Risk & Compliance, the internal auditor's annual plan and the approach to control, recommendations and reports of the external auditor, including the management letter and the auditor's report.

The chairman of the audit and risk committee regularly confers separately with the Director holding the Finance and Risk Management portfolio on the Executive Board. Meetings of the audit and risk committee are attended by the Executive Board member holding the Finance and Risk Management portfolio, the external and internal auditors and the managers of Group Risk & Compliance and Group Finance. The Audit and risk committee twice conferred separately in 2019 with the external auditor and twice with the internal auditor. These consultations took place without members of the Executive Board.

Remuneration and selection committee

In 2019 this committee consisted of Edith Snoeij (chair), Claudia Zuiderwijk and Dick van Well. Jaap van Manen took part in meetings of the committee in 2019.

In 2019 this committee met formally seven times. The agenda included the assessment of the Executive Board, the remuneration policy for the Executive and Supervisory Boards, succession planning for both boards, the results of the annual employee engagement survey and progress of The Making of You.

Governance committee

In 2019 this committee consisted of Pieter Jongstra (chairman), Edith Snoeij and Roger van Boxtel. The committee met twice in 2019.

The focus of this committee is on giving advice, in particular on compliance with the national and international directives and practices on good corporate governance, compliance with internal documents on corporate governance (including regulations and agreements with shareholders), (self-)

assessment of the Supervisory Board, permanent education of the Supervisory Board, reporting and contacts with external supervisors.

The most important subjects in the meetings of the governance committee in 2019 were contacts with the shareholders and supervisors, the evaluation of the governance structure of APG Group and APG Asset Management, corporate insurance (directors' civil liability insurance) and APG's supervisory regime.

Quality assurance

Permanent education

In 2019 the Supervisory Board took part in three permanent education sessions. Many different subjects were reviewed: Environmental Social and Governance (ESG), Smart Beta, investing in new markets, Focus Equities, China Sustainable Fixed Income, Alternative Credits, Real Assets, the GrowthFactory, Brightlands Smart Services Campus (Heerlen), Latest news on funds business and ICT, data management and datascience. Also, some members of the Supervisory Board took part in the APG Summer Course.

Self-assessment

The Supervisory Board carried out a self-assessment in 2019 with external accompaniment. This included reflection on such issues as collaboration with the Executive Board and the composition of the Supervisory Board as it relates to the future needs of APG and its stakeholders. This assessment revealed points for improvement which the Supervisory Board will address in the coming period. In particular it is important for the Supervisory Board to increase its effectiveness.

Assessment of meetings

After every board or committee meeting the Supervisory Board, together with the Executive Board, assesses how the meeting went. These assessments are documented with minutes. Any conclusions and/or action points are followed up after each meeting.

Independence of the members of the supervisory board

The Articles of Association and the regulations of the Supervisory Board contain stipulations about the independence of its members. The Supervisory Board is composed in such a way that its members can operate critically and independently vis-à-vis one another, the Executive Board and any other interested party. All current members of the Supervisory Board are completely independent as defined in the Dutch Corporate Governance Code. In 2019 there were no reports of any conflicts of interest.

Annual report and financial statements for 2019

In accordance with its core values, APG chooses to write its annual reports in comprehensible Dutch, personal and up-close, so that the content is accessible. At the request of the Supervisory Board the annual report also includes as many elements as possible of 'integrated reporting'. The IR framework of the International Integrated Reporting Council (IIRC) was the basis for this. The Supervisory Board is a keen proponent of this integrated approach to reporting. It encourages transparency about how APG manages value creation and impact.

The Supervisory Board agrees with the annual report of the Executive Board, the financial statements for 2019 and the auditor's report. We propose that the shareholders ratify this report and the financial statements and approve the proposed dividend.

A word of thanks

With the composition of the Executive Board, APG has an expert and dedicated board that can give effective form to the APG of the future. The Supervisory Board affirms its confidence in this leadership. The Supervisory Board would like to take this opportunity to thank the shareholders for the constructive dialogue that we maintain with them about the future. And of course the Supervisory Board very much appreciates the employees, who really put flesh on the bones of the strategy with all their dedication and enthusiasm. Finally, we also thank Jaap van Manen for his commitment to APG in 2019.

Heerlen, March 25, 2020

The Supervisory Board:

Pieter Jongstra, chairman

Dick van Well, vice-chairman

Roger van Boxtel

Maes van Lanschot

Edith Snoeij

Claudia Zuidervijk

Chapter 10

Financial Statements



Preface

These are the financial statements of APG Groep, in which, in line with the laws and regulations, we render account of the Group's business in 2019. 2019 was a special year for APG Groep. With the sale of the Loyalis insurance company the strategic focus of APG Groep is now primarily on pensions. The sale of Loyalis to a.s.r., effective May 1, has also had a substantial impact on the financial statements for 2019: both turnover and costs have decreased considerable compared to 2018 and investments and provisions for insurance liabilities are zero at the end of 2019.

In order to provide an insight into the structural effects of the sale on the figures of APG Groep NV in 2019 we have included a pro forma consolidated profit and loss account for 2019 in the financial statements, immediately after the consolidated profit and loss account. These pro forma figures show APG Groep's profit and loss account excluding Loyalis and the incidental effects of the sale of Loyalis. The heading 'group result excl. Loyalis' shows the structural results as if Loyalis had been sold on January 1, 2019. In this way we present the APG pension business as it will be in the upcoming years.

In the consolidated balance sheet the effect of the sale is explained by category by presenting the evolution up until April 30 inclusive and then referring to the effect of the deconsolidation of Loyalis.

Consolidated financial statements

Consolidated balancesheet at December 31, 2019

before profit appropriation, in thousands of euros

	31-12-2019	31-12-2018
ASSETS		
Non-Current Assets		
<i>Intangible assets (1)</i>	206,185	251,832
<i>Property, plant and equipment (2)</i>	22,466	21,948
<i>Financial non-current assets (3)</i>	44,604	128,612
	273,255	402,392
Investments of the insurance business (4)	-	3,192,073
Current assets		
<i>Receivables and prepayments (5)</i>	311,737	300,529
<i>Receivables from reinsurance (6)</i>	-	60,442
<i>Cash & cash equivalents (7)</i>	592,453	458,510
	904,190	819,481
TOTAL ASSETS	1,177,445	4,413,946
LIABILITIES AND EQUITY		
Group equity (8)		
<i>Equity</i>	764,020	1,090,283
	764,020	1,090,283
Provisions		
<i>Insurance liabilities (9)</i>	-	2,857,863
<i>Deferred taxes (10)</i>	1,832	1,700
<i>Other Provisions (11)</i>	82,933	75,832
	84,765	2,935,395
Non-current liabilities (12)	10,911	10,911
Current liabilities and accruals (13)	317,749	377,357
TOTAL LIABILITIES & EQUITY	1,177,445	4,413,946

Consolidated profit & loss account for 2019

In thousands of euros

	2019	2018
Net turnover		
<i>Management fees (14)</i>	712,655	684,404
<i>Other operating income (15)</i>	23,305	36,990
<i>Insurance premiums (16)</i>	94,493	268,827
<i>Investment results (17)</i>	113,816	46,079
Total operating income	944,269	1,036,300
<i>Costs of outsourced work and other external costs (18)</i>	105,222	140,425
<i>Personnel costs (19)</i>	414,038	389,683
<i>Change in provision for insurance liabilities (20)</i>	80,241	-75,483
<i>Benefit payments (21)</i>	82,584	271,479
<i>Amortization and depreciation of non-current assets (22)</i>	55,629	59,983
<i>Other operating expenses (23)</i>	128,228	151,121
Total operating expenses	865,942	937,208
Operating profit	78,327	99,092
Interest and similar income (24)	2,924	-
Interest and similar expenses (25)	6,349	3,205
Result before taxes	74,902	95,887
<i>Taxes (26)</i>	-6,405	-46,492
<i>Share of profit/(loss) of associates (27)</i>	-15,070	-1,518
Group result after taxes	53,427	47,877
<i>Non-controlling interests</i>	-22	-
Group result after taxes	53,405	47,877

Pro forma: Consolidated profit & loss account 2019

(excluding Loyalis and incidental effects of the sale of Loyalis)

in thousands of euros

	Group result	Effect Loyalis till 30-4	Groupresult excl Loyalis
Net turnover			
<i>Management fees (14)</i>	712,655	-	712,655
<i>Other operating income (15)</i>	23,305	507	22,798
<i>Insurance premiums (16)</i>	94,493	94,493	-
<i>Investment results (17)</i>	113,816	113,816	-
Total operating income	944,269	208,816	735,453
<i>Costs of outsourced work and other external costs (18)</i>	105,222	6,412	98,810
<i>Personnel costs (19)</i>	414,038	6,503	407,535
<i>Change in provision for insurance liabilities (20)</i>	80,241	80,241	-
<i>Benefit payments (21)</i>	82,584	82,584	-
<i>Amortization and depreciation of non-current assets (22)</i>	55,629	-	55,629
<i>Other operating expenses (23)</i>	128,228	8,477	119,751
Total operating expenses	865,942	184,217	681,725
Operating profit	78,327	24,599	53,728
Interest and similar income (24)	2,924	-	2,924
Interest and similar expenses (25)	6,349	38	6,311
Result before taxes	74,902	24,561	50,341
<i>Taxes (26)</i>	-6,405	1,053	-7,458
<i>Share of profit/(loss) of associates (27)</i>	-15,070	-14,569	-501
Group result after taxes	53,427	11,045	42,382
<i>Non-controlling interests</i>	-22	-	-22
Group result after taxes	53,405	11,045	42,360

The total result of the sale of Loyalis, financial years 2018 and 2019 combined, amounts to €27 million. The sale price for Loyalis of €450 million included the result of Loyalis up until July 1, 2018. The result of Loyalis from July 1, 2018 up to and including April 30, 2019, the date on which the sale and transfer of shares were definitively carried out, amounted to €34.9 million and was recognized by APG Group. It was recognized, spread over both years, as a share in profit of associates in the financial statements of APG Group (company only) and as part of the group result in the consolidated financial statements.

Upon carrying out the definitive sale on April 30, 2019 the loss on sale was determined at €14.1 million. The composition of this loss is explained on page 114. At the same time there was a positive incidental effect on corporate income tax of €6.2 million. This resulted from the liquidation of a company due to the sale of Loyalis.

Consolidated cashflow statement

in thousands of euros

	2019	2018
OPENING BALANCE OF CASH		
<i>Operating profit</i>	78,326	99,092
<i>Adjustments for:</i>		
- Amortization and depreciation of non-current assets (22)	55,629	59,983
- Net investments for trading purposes (4)	40,628	-45,843
- Changes in working capital:		
- Increase in receivables, prepaid expenses, accrued income, etc. (5)	-26,755	-17,070
- Increase in receivables from reinsurance (6)	-69,139	-17,852
- Increase in current liabilities and accruals, corrected for corporate income tax (13)	17,977	15,296
- Change in insurance liabilities (9)	153,895	-61,025
- Change in other provisions (11)	16,674	-11,777
Cash flow from business transactions	267,235	20,804
<i>Interest received</i>	2,924	112
<i>Interest paid</i>	-6,349	-3,205
<i>Dividend received</i>	-	4,000
<i>Corporate tax received</i>	303	-
<i>Corporate income tax paid</i>	-18,096	-34,901
CASH FLOW FROM OPERATING ACTIVITIES	246,017	-13,190
CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES		
<i>Investments in non-current assets</i>	-10,873	-4,553
<i>Disinvestments in non-current assets</i>	407	-
<i>Disbursements in respect of capital contributions to non-consolidated investees</i>	-300	-300
<i>Sale of interest in Loyalis</i>	436,180	-
<i>Cash & cash equivalents of Loyalis at April 30</i>	-169,238	-
<i>Cash & cash equivalents of liquidated Loyalis entities</i>	1,905	-
CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES	258,081	-4,853
CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES		
<i>Dividend paid to shareholders</i>	-350,208	-133,632
<i>Dividend paid to minority interests</i>	-29,792	-11,368
<i>Pre-financing corporate income tax on the sale of Loyalis</i>	9,803	-
CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES	-370,197	-145,000
Net cash flow	133,901	-163,043
<i>Price and translation differences on cash & cash equivalents</i>	42	-100
CHANGE IN CASH & CASH EQUIVALENTS	133,943	-163,143
<i>Opening balance, cash & cash equivalents (7)</i>	458,510	621,653
<i>Closing balance, cash & cash equivalents (7)</i>	592,453	458,510
CHANGE IN CASH & CASH EQUIVALENTS	133,943	-163,143

Basis of financial reporting

Introduction

Activities

As a financial services provider, 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 three wholly-owned subsidiaries: APG Rechtenbeheer NV, APG Asset Management NV and APG Diensten BV. APG Group also has a direct holding of 76% 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 on page 113.

APG Rechtenbeheer

APG Rechtenbeheer 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.

APG Asset Management

APG Asset Management is responsible for asset management. APG is a long-term pension investor, which therefore needs to have a sustainable investment policy. Execution of this policy forms an integral part of the asset management process.

APG Diensten

APG Diensten operates as an in-house service provider and is responsible for all ICT and facilities related services.

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

Going concern

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

Disposal of interest in Loyalis

In 2017 APG Group started a strategic reorientation regarding the position of its insurance subsidiary Loyalis within APG Group. Following this, in mid-2018 it was decided to initiate a sale process. In late 2018, APG Group signed an agreement with the buyer, a.s.r. The agreed sale price was €450 million. APG Group received an amount of €435.7 million from a.s.r., including interest accruing for the period July 1, 2018 to April 30, 2019 of €5.7 million. In addition to this Loyalis paid a dividend of €20 million in respect of its 2018 profits. The approval of De Nederlandsche Bank (DNB, the Dutch Central Bank) was received in the form of a Declaration of no Objection on April 11, 2019. Loyalis is included in the consolidation up until the transfer of its shares to a.s.r. The sale and end of effective control were finalized on April 30, 2019.

The carrying amounts of Loyalis' assets and liabilities at April 30, 2019 were €3,521.7 million and €3,077.8 million respectively. The income, expenses, and results from ordinary business operations as well as the relevant taxes attributable to Loyalis are included in the notes on pages 103 and 104.

General

The financial statements relate to the year 2019, 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. These financial statements have been prepared on a going concern basis.

All amounts in the financial statements are shown in thousands of euros, APG's functional currency, unless stated otherwise.

Comparison with the previous year

There have been no changes in the accounting principles with respect to the previous year. In the interests of understanding of the comparative figures the principles relating to the insurance business have been maintained.

Estimates

Making accounting estimates is unavoidable when preparing the financial statements. 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.

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 other key officers in the management of APG Group are also designated as related parties.

Recognition

An asset or liability is recognized on the balance sheet from the time when contractual rights or liabilities arise with regard to that instrument. An asset is recognized in 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

Monetary assets and liabilities in foreign currencies are translated 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. Non-monetary assets carried at acquisition cost in a foreign currency are 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 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 FX forwards 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. 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 (the loss) is recognized in profit and 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 FX forwards 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.

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 at each formal reporting moment as well as upon inception of the hedge relationship, as a minimum.

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, as well as 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 short-term in the money market, applying the risk-limiting conditions, such that any risk to the principal at the end of the placement period is completely excluded by the counterparty.

Credit/counterparty risk

The risk of the counterparty's or credit taker's being unable to meet its contractual obligations is limited by testing the counterparty's creditworthiness on the basis of credit ratings. As a general rule the counterparty must have a rating of at least A-, meaning it is highly creditworthy.

Concentration risk

In the interests of risk diversification, a maximum of 20% of the total liquidity portfolio is held within one party. APG Group runs a concentration risk if it is dependent on 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 negligible.

Currency risk

APG Group has taken out FX forwards 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.

Price risk

APG Group has no direct investments, and therefore the price risk was zero at year-end 2019.

Basis of valuation of assets and 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. If the deferred tax asset is of a short-term nature, it is included under receivables, prepayments, and accrued income. 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.

Investments of the insurance business (4)

The purchase and sale of investments is recognized on the transaction date, which means the date on which the company enters into the obligation to purchase or sell the asset. On initial recognition, investments are carried at fair value, which is the cost price of the acquired asset. Transaction costs are recognized in profit and loss.

Changes in fair value are recognized in profit or loss in the period in which they occur.

The investments can be divided into the following three categories:

- Marketable securities
- Fixed income securities
- Other investments

Valuation of marketable securities

Some of the investments in marketable securities (financial assets) are valued on the basis of listed market prices (level 1).

For unlisted investments (real estate investments, for example), estimates are used (level 2). Where estimates are used, they are based on evidence from independent third parties, the value being based on the fair value of the underlying investments. Although such valuations are sensitive to estimates, it is assumed that changes in one or more of the assumptions to reasonably possible alternative assumptions will not significantly change the fair value.

Fair value measured at level 3 uses non-observable market variables for the asset. Non-observable input variables may be used if observable input variables are not available. This allows the fair value to be determined on the reporting date despite the absence of observable variables in situations in which there is no or virtually no active market for the asset or liability. In this case, the valuation is based on the best estimate by management, which would use the market to determine the value of a financial instrument.

Valuation of fixed income securities

Most of the investments in fixed income securities (bonds) are valued on the basis of listed market prices (level 1).

For unlisted and inactive fixed income securities, observable market data is used (level 2). For fair value measured at level 2, observable inputs other than listed prices included in level 1 are used for the asset or liability, either directly or indirectly. If the asset or liability has a specific (contractual) term, a level 2 input variable must be observable for practically the entire duration of the asset or liability.

Valuation of other investments

These investments are derivatives held to hedge risks in the provisions as well as in the investment portfolio. Some of these are listed (futures) and can therefore be categorized as level 1. Daily observable valuations (level 2) are available for the other types of investment in this category.

Swaps are valued daily using models based on generally accepted principles, by discounting the most recent expected cash flows with current interest rate curves.

All changes in value of these derivatives are recognized directly in profit or loss under 'other investments'.

Current assets

Receivables and prepayments (5)

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.

Receivables from reinsurance (6)

Receivables from reinsurance are initially recognized at fair value. They are subsequently valued at amortized cost. This value usually corresponds to the nominal value less any provision for non-recoverability.

Cash & cash equivalents (7)

Cash & cash equivalents are measured at nominal value.

Group equity (8)

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

Provisions

Insurance liabilities (9)

The provision for insurance liabilities consists of the provision for life insurance liabilities and the provision for non-life insurance liabilities.

Life insurance liabilities

The provision for life insurance liabilities consists of the provision for periodic benefits already in payment and deferred, the provision for pension insurance contracts, the provision for unit-linked insurance (with and without guarantees), and the provision for terminal value guarantees. The provision is valued at the present value of the expected future cash flows.

Periodic benefits already in payment and deferred

The mortality rates used in the provision for periodic benefits already in payment and deferred for the biggest life insurance contracts are based on the generation tables published in 2016 by the Actuarial Association, in the first instance corrected with an age-related factor. The resulting corrected table is then multiplied by product and sex-related correction factors. For non-indexed annuities, this table is multiplied by 94% for men and 80% for women, and for indexed annuities by 121% for men and 122% for women.

Annual indexation is taken into account when determining the expected cash flows. This does not apply to new policies from 2013 onward, for which management has decided not to create an indexation provision in view of the low interest rates. The resulting cash flows are then discounted to present value using a current risk-free yield curve based on the DNB interest rate term structure excluding the Ultimate Forward Rate (UFR).

Finally, the provision is increased by supplements for future administrative expenses, on the basis that the current level of expenses constitutes a realistic assumption for future costs and expenses, adjusted for inflation.

Unit-linked insurance

The entire premium minus coverage for initial costs is periodically credited to the investment balance. Deduction of costs and risk settlement take place monthly. The total provision for the insurance at any given moment is the value of the investment balance. The provision is determined by reference to the number of units and the unit price in effect at that time. Investment returns are settled in the insurance by means of changes in the price of the units. The administrative expenses are financed from product- and/or term-dependent retentions from investment income.

The mortality rates used in the risk settlement are appropriate to Loyalis NV's client population. The mortality rates are largely in line with the mortality tables of the Actuarial Association for 2000-2005 with an age step-back of three years for men and women; the provision is increased by supplements for future administrative expenses on the basis that the current level of expenses constitutes a realistic assumption for future costs and expenses, adjusted for inflation.

Other

The provision for terminal value guarantees is calculated based on the present value of the guarantee capital using the risk-free interest rate term structure, excluding UFR, as the discount rate. The provision for pension insurance contracts is equal to the present value of the insured pensions using the current risk-free interest rate term structure as the discount rate.

Non-life insurance liabilities

The main non-life insurance contracts concern occupational disability insurance policies. The provisions for these non-life insurance policies are based on the estimated amounts of the benefits ultimately payable in respect of all claims arising prior to the balance sheet date, regardless of whether they have already been reported at that date, together with associated (future) administrative expenses. A significant delay can occur in relation to the reporting of claims, since payment of benefits does not start until years after the first day of illness.

The provision for non-life insurance liabilities can be divided into a portion related to reported claims that have been granted (periodic benefits) and a portion related to claims incurred but not reported (IBNR).

A markup for future administrative expenses applies to both provisions, on the basis that the current level of expenses constitutes a realistic assumption for future costs and expenses, adjusted for inflation.

Provision for Periodic Benefits

The mortality tables used for the provision for periodic benefits are based on the generation tables published by the Actuarial Association in 2016, which, based on the analysis of the assumptions, have been adjusted by a factor of 270% for men and for women. Annual indexation is taken into account when determining the expected cash flows. This does not apply to underwriting years from 2013 onward, for which management has decided not to create an indexation provision in view of the low interest rates. The resulting cash flows are then discounted to present value using a risk-free interest rate term structure excluding UFR, at the end of the reporting year.

IBNR provision

The entire risk premium is reserved in an IBNR (incurred but not reported) provision. For actual claims, a transfer takes place from the IBNR provision to the provision for periodic benefits described above.

The total provision comprises the sum of the IBNR and the provision for periodic benefits. If actual claims deviates from the damage that can be financed with the risk premiums, an extra amount must be added to the provision in the interim, or as the case may be part of the IBNR provision can be released. An estimate of the IBNR provision is made based on detailed analyses.

Deferred taxes (10)

The provision for deferred taxes covers the deferred tax liabilities resulting from (temporary) differences between accounting and tax assets. The calculation takes into account rates that apply for coming years, if these have already been established. Deferred tax is measured at nominal value. If the deferred tax liability is of a short-term nature, it is included under payables.

Other provisions (11)

General

The other provisions concern liabilities or losses which will probably have to be settled or taken, and the size of which can be reliably estimated. The size of the provision is determined by estimating the amounts necessary to settle the particular liabilities and losses at balance sheet date and are carried, if they are long term, at the present value of the expected future disbursements. The discount rate used is based on the year-end interest rate for investment-grade Dutch corporate bonds, taking into account the remaining duration 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 and the likelihood of the employee's remaining with the employer. The discount rate used is based on the year-end interest rate for investment-grade Dutch corporate bonds, taking into account the remaining duration of the provisions.

Other provisions

The other long-term provisions, including the provision for the unbundling of the administrative organization and the provision for major maintenance, are shown at present value. The discount rate used is based on the year-end interest rate for investment-grade Dutch corporate bonds, taking into account the remaining duration of the provisions. Short-term provisions are recognized for the nominal value of the expected expenditure required to settle the liabilities and losses. Additions to the provision for major maintenance are determined on the basis of the estimated maintenance amount and the intervals at which recurring major maintenance activities are performed.

Non-current liabilities (12)

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 (13)

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 (14)

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 (15)

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.

Insurance premiums (16)

Insurance premiums are the periodic and single premiums relating to the financial year, including the addition to the provision for indexation granted in respect of benefits based on policy terms and conditions. All premiums attributable to the financial year are recognized, except those for surviving dependents' pension (ANW) and term life insurance. ANW and term life insurance premiums received in advance are added to the provision for unearned premiums. Reinsurance concerns the term life portfolio and the Disability Pension Supplement Plan and amounts to a percentage of the benefits.

Investment results (17)

Investment income comprises dividends from marketable securities and interest from fixed income securities for the financial year, changes in the fair value of investments and derivatives, and realized capital gains and losses on the sale of investments and derivatives.

Dividends on investments in marketable securities are treated as gains on ex-dividend date. Interest income is recognized in the period to which it relates.

Changes in value concern the difference between on the one hand the year-end carrying amount or the sale proceeds if sold during the year and on the other hand the carrying amount at the end of the previous year or the acquisition price if acquired during the year.

Operating expenses

Personnel costs (19)

Wages, 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.

Change in provision for insurance liabilities (20)

The provision for insurance liabilities consists of the change in the provision for insurance liabilities as this arises from the way in which these are valued in the balance sheet, as well from indexation as a result of profit sharing granted on the basis of the policy conditions. Claim handling costs are not included here and are reported under operating expenses.

Benefit payments (21)

Benefit payments are allocated to the period to which they relate.

Amortization and depreciation of non-current assets (22)

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 (23)

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

Interest and similar income (24)

Interest and similar income is allocated to the reporting year, taking into account the effective interest rate of the relevant assets where necessary. Interest income includes income from checking accounts and deposits, insofar as this is not considered part of investment income.

Interest and similar expenses (25)

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

Taxes (26)

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 (27)

The result from investees is determined based on the change in the net asset value.

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 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 and insurance portfolio identified with this acquisition. This item also includes purchased software.

Movement in these items was as follows.

	Goodwill	Client Contracts	Software	Total 2019	Total 2018
<i>Opening balance</i>	114,037	131,167	6,628	251,832	301,733
<i>Investments</i>	-	-	1,550	1,550	4,905
<i>Divestments</i>	-	-	-	-	-2,221
<i>Amortization</i>	-12,503	-31,480	-3,214	-47,197	-52,585
Closing balance	101,534	99,687	4,964	206,185	251,832
<i>Cumulative acquisition value</i>	260,234	488,325	25,724	774,283	805,674
<i>Cumulative amortization and impairment</i>	-158,700	-388,638	-20,760	-568,098	-553,842
Carrying amount	101,534	99,687	4,964	206,185	251,832
<i>Amortization percentage</i>	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 2019, €101.5 million (2018: €114.0 million) has a remaining useful life of approximately ten years. Of the client contracts recognized at year-end 2019, €99.7 million (2018: €131.2 million) has a remaining economic life of approximately five years.

At year-end 2019, the management had no indication that these assets were subject to any particular impairment.

The investment in 2018 concerns €2.2 million of goodwill arising upon the purchase of Entis BV by Entis Holding BV and is being amortized on a straight line basis over ten years.

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. Nor are there any liabilities in respect of the acquisition of intangible assets.

Property, plant and equipment (2)

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

	Furniture and fittings	Data processing equipment	Other	Total 2019	Total 2018
<i>Opening balance</i>	6,029	12,495	3,424	21,948	22,369
<i>Investments</i>	2,590	4,513	2,221	9,324	7,556
<i>Divestments</i>	-	-	-408	-408	-270
<i>Depreciation</i>	-1,428	-5,915	-1,089	-8,432	-7,398
<i>Other changes</i>	3	5	26	34	-309
Closing balance	7,194	11,098	4,174	22,466	21,948
<i>Cumulative acquisition value</i>	29,819	32,705	8,833	71,357	91,234
<i>Cumulative depreciation and impairment</i>	-22,625	-21,607	-4,659	-48,891	-69,286
<i>Carrying amount</i>	7,194	11,098	4,174	22,466	21,948
<i>Depreciation percentage</i>	<20%	20-25%	10%		

The item 'other' includes leasehold renovations, among other things. No security has been provided.

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.

The list of investees not included in the consolidation is included as part of the notes to the company financial statements on page 118.

Movement in these items was as follows.

	Deferred taxes	Loans	Equity interests	Other	Total 2019	Total 2018
<i>Opening balance</i>	118,716	4,612	1,706	3,578	128,612	152,563
<i>Other changes: Loyalis</i>	-8,132	-	-	-	-8,132	-
<i>Deconsolidation of Loyalis</i>	-73,317	-	-	-	-73,317	-
<i>Acquisitions and advances / allocations</i>	1,835	-	300	1,505	3,640	5,547
<i>Sales and repayments</i>	-907	-93	-	-680	-1,680	-1,361
<i>Share of profit/(loss) of associates</i>	-	-	-783	-	-783	-809
<i>Changes in value</i>	451	-	-	767	1,218	-22,551
<i>Other changes</i>	-5,036	-	-	82	-4,954	-4,777
Closing balance	33,610	4,519	1,223	5,252	44,604	128,612

The item equity interests concerns the interests in Campus Heerlen Huisvesting B.V. and Campus Management & Development B.V. In neither case does the company have dominant control and it had been decided to value both investees at their net asset value.

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), and of the investments and insurance liabilities of the insurance business. 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.

Investments of the insurance business (4)

The investments of the insurance business are held both on the business's own account and on behalf and at the risk of policyholders. The unlisted securities included in these investments concern indirect real estate investments, infrastructure funds, private equity and mortgage funds. The fixed income securities are bonds. The other investments consist of the overlay fund (a type of umbrella fund for taking derivatives positions across the entire portfolio). The overlay fund includes currency hedges and interest rate swaps.

Fair value hierarchy

Investments are carried at fair value. They are categorized based on the following hierarchy.

Published prices on active markets ("Level 1")

Fair value measured at level 1 uses only listed prices (unadjusted) on active markets for identical assets and liabilities. An active market is one on which transactions take place with sufficient frequency and in sufficient volume so that prices are continuously available. Examples are equities, bonds, and investment funds listed on active markets.

Investments that belong to this category are:

- 1) Liquid fixed income securities
- 2) Exchange traded funds (ETFs)
- 3) Futures

Valuation method with (significant) observable market variables ("Level 2")

For fair value measured at level 2 use is made of inputs other than the listed prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 involves the following input variables:

- Listed prices for similar (not identical) assets or liabilities on active markets;
- Input variables other than listed prices observable for the asset, mainly based on income, yield curves, and observable market data. Input variables arising mainly from or confirmed by observable market data by correlation or other means (market-confirmed inputs). Investments that belong to this category are:

- 1) Interest Rate Swaps
- 2) FX forwards

When valuing interest rate swaps, the future exchange of cash flows, which are based on a fixed interest rate, or a variable interest rate that can be derived from a swap interest rate observable in the market, is discounted using the swap interest rate observable in the market.

The value of FX forwards can be derived from the difference between the exchange rate agreed on in the contract at which cash flows can be exchanged in the future and the current exchange rate.

Valuation method not based on (significant) observable market variables ("Level 3")

Fair value measured at level 3 uses non-observable market variables for the asset. Non-observable input variables may be used if observable input variables are not available. This allows the fair value to be determined on the reporting date despite the absence of observable variables in situations in which there is no or virtually no active market for the asset or liability. In this case, the valuation is based on the best estimate by management, which would use the market to determine the value of a financial instrument. Examples are certain private equity investments and private placements. Investments that belong to this category are:

- 1) Private equity
- 2) Unlisted investment funds (real estate, infrastructure, mortgages, and direct lending contracts).

The fair value of these investments is based on the non-observable net asset value provided by the manager of the investment. The manager in turn uses valuation models in which a significant portion of the input variables that are decisive for the determination of value is not observable in the market.

In summary, the fair value hierarchy can be depicted as follows:

	Level 1		Level 2		Level 3		Total	Total
Reflection in market values	2019	2018	2019	2018	2019	2018	2019	2018
<i>Marketable securities</i>	-	120,316	-	-	-	160,802	-	281,118
<i>Fixed income</i>	-	2,511,665	-	-	-	298,463	-	2,810,128
<i>Other</i>	-	-2,054	-	15,643	-	78,354	-	91,943
Total investment portfolio	-	2,629,927	-	15,643	-	537,619	-	3,183,189

The above table shows the total investment portfolio including derivatives with a negative value included under other investments (2018: €8.9 million).

The movements in the investments of the insurance company were as follows:

	Total 2019	Total 2018
For own account		
<i>Opening balance</i>	2,612,041	2,525,386
<i>Reclassification</i>	-	-3
<i>Acquisitions and disposals</i>	-76,749	36,454
<i>Changes in value</i>	76,177	50,204
Closing balance 30-04-2019	2,611,469	2,612,041
<i>Derivatives with a negative value</i>	14,925	8,865
Net position of own account investments	2,626,394	2,620,906
For account of policyholders with guarantee		
<i>Opening balance</i>	279,401	309,672
<i>Reclassification</i>	-	-
<i>Acquisitions and disposals</i>	-8,111	-26,666
<i>Changes in value</i>	12,964	-3,605
Closing balance 30-04-2019	284,254	279,401
<i>Derivatives with a negative value</i>	-	16
Net position of investments for account of policyholders with guarantee	284,254	279,417
For account of policyholders without guarantee		
<i>Opening balance</i>	291,747	302,859
<i>Reclassification</i>	-	3
<i>Acquisitions and disposals</i>	-8,327	-10,596
<i>Changes in value</i>	24,675	-519
Closing balance 30-04-2019	308,095	291,747
<i>Derivatives with a negative value</i>	-	3
Net position of investments for account of policyholders without guarantee	308,095	291,750
TOTAL INVESTMENT PORTFOLIO 30-04-2019	3,218,743	3,192,073
<i>Deconsolidation of Loyalis</i>	-3,218,743	-3,192,073
Closing balance of investment portfolio	-	-

Current assets

	31-12-2019	31-12-2018
Receivables, prepayments, and accrued income (5)		
<i>Debtors</i>	22,232	20,263
<i>Related party receivables</i>	191,531	169,782
<i>Amounts pending invoicing</i>	19,838	26,659
<i>Taxes and social security contributions</i>	10,874	-
<i>Corporate income tax</i>	45,429	34,471
<i>Receivables in respect of investments</i>	-	1,659
<i>Insurance premiums receivables</i>	-	15,568
<i>Other receivables, prepaid expenses, accrued income, etc.</i>	21,833	32,127
Total	311,737	300,529

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

There were no amounts with a remaining maturity of more than one year included in these receivables at the end of either 2019 or 2018. No security has been provided and no interest was received on the receivables.

	31-12-2019	31-12-2018
Receivables from reinsurance (6)		
<i>Reinsurance of provisions</i>	-	54,526
<i>Receivables from reinsurance</i>	-	5,916
Total	-	60,442

	31-12-2019	31-12-2018
Cash & cash equivalents (7)		
<i>Checking account balances with banks</i>	377,453	288,091
<i>Deposits</i>	215,000	145,000
<i>Cash & cash equivalents from investments</i>	-	25,419
Total	592,453	458,510

An amount of €7.2 million (2018: €4.5 million) of cash & cash equivalents was not freely available.

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. As a result, the credit risk is limited.

Group equity (8)

31-12-2019 31-12-2018

<i>Equity</i>	764,020	1,090,283
Total group equity	764,020	1,090,283

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

As a result of the sale of the insurance business the APG Group's Solvency II obligations no longer apply. This led to a reform of the capital and dividend policy. Important starting points for the new policy are: financial stability, room for possible strategic investments and a required return appropriate to a socially-minded organization of 6.1%. The new policy also seeks to avoid over-capitalization, since this does not contribute to APG's constant efforts to maximize pension value. Every year APG distributes profit plus amortization of intangible assets minus changes in capital requirements.

Solvency

Since the transfer of the shares in Loyalis to a.s.r., APG Group has no longer had any control over Loyalis or its subsidiaries. As a result the Solvency II obligations no longer apply to APG Group. Consequently only Solvency II figures for 2018 are reported. At the end of 2018 APG Group's solvency ratio was 182% based on Solvency II. Excluding the proposed dividend, the Solvency II ratio at year-end 2018 was 215%. Up to and including 2018 APG Group strove in-house for a Solvency II ratio of at least 169%. For 2019 this is no longer applicable.

Capital requirement

In calculating the capital requirement for APG Group, the capital requirement of APG Asset Management based on MiFID was taken into account, along with the capital requirement for insurance business Loyalis based on Solvency II. From the group perspective, the market risk, counterparty credit risk, and diversification within APG Group were also considered. APG Group's capital requirement based on Solvency II was €438 million at year-end 2018.

Available capital

The regulated investees APG Asset Management (MiFID) and insurance business Loyalis (Solvency II) are included in the calculation of the available capital in the manner prescribed by the legislator. The other investees, as well as the company assets and liabilities of APG Group, have been adjusted based on Solvency II principles. These adjustments mainly relate to intangible assets, deferred taxation and off-balance sheet commitments.

Based on this calculation, APG Group's available capital at year-end 2018 was €799 million (excluding the proposed dividend, available capital at year-end 2018 was €944 million). The available capital was based entirely on market values. The capital is composed of 96% Tier-1 capital and 4% Tier-3 capital (capital from active tax positions).

The available capital is determined by the actual capital, taking into account a maximum Tier-3 capital of 15%.

Movements in group equity

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

	2019	2018
Opening balance	1,090,283	1,186,742
Group result after taxes	53,405	47,877
Translation differences, foreign associate	332	664
Overall result	53,737	48,541
Dividend distributed in cash	-380,000	-145,000
Total direct changes relative to shareholders	-380,000	-145,000
Closing balance	764,020	1,090,283

Provisions

Insurance liabilities (9)

The insurance liabilities relate to life insurance and non-life insurance. A portion of the non-life liabilities has been reinsured. The reinsurance portion of the provision for non-life Insurance is included under receivables from reinsurance (2018: €54.5 million). The total liability is included in the provision for insurance liabilities.

	31-12-2019	31-12-2018
Provision for life insurance	-	1,887,791
Provision for non-life insurance	-	970,072
Total	-	2,857,863

The movements in the provision for insurance liabilities is as follows.

	Insurance	Client risk without guarantee	Client risk with guarantee	Total 2019	Total 2018
Opening balance	2,033,184	286,571	538,108	2,857,863	2,918,888
Premium and other allocations	76,333	5,782	9,838	91,953	257,539
Interest added	60,401	23,822	11,170	95,393	41,356
Profit sharing/indexation	28	-	-	28	-2,051
Release for expenses	-4,307	-917	-1,787	-7,011	-21,466
Release for payments	-48,137	-7,548	-32,892	-88,577	-283,946
Changes in assumptions	-	-	-	-	-14,439
Other changes (expiry and surrender)	-6,149	-1,710	1,644	-6,215	-38,018
Closing balance 04-30-2019	2,111,353	306,000	526,081	2,943,434	2,857,863
Deconsolidation of Loyalis	-2,111,353	-306,000	-526,081	-2,943,434	
Closing balance of provisions	-	-	-	-	2,857,863

The provision for life insurance liabilities comprises:

	31-12-2019	31-12-2018
<i>Periodic benefits already in payment and deferred</i>	-	884,885
<i>Pension insurance contracts</i>	-	169,314
<i>Unit-linked insurance with guarantees</i>	-	538,108
<i>Unit-linked insurance without guarantees</i>	-	286,571
<i>Risk insurance</i>	-	8,913
Total	-	1,887,791

The provision for non-life insurance comprises:

	31-12-2019	31-12-2018
<i>Insurance policies for occupational disability</i>	-	960,615
<i>Sick pay</i>	-	6,360
<i>Other</i>	-	3,097
Total	-	970,072

The provisions for these non-life insurance policies are based on the estimated amounts of the benefits ultimately payable in respect of all claims arising prior to the balance sheet date, regardless of whether they have already been reported (incurred but not reported, abbreviated: IBNR), together with the associated (future) administrative expenses.

Deferred taxes (10)

The provision for deferred taxes mainly results from the different tax valuation of non-current assets.

	2019	2018
<i>Opening balance</i>	1,700	1,589
<i>Allocation</i>	132	1,014
<i>Release</i>	-	-224
<i>Used</i>	-	-679
Closing balance	1,832	1,700

Other provisions (11)

Movement in other provisions was as follows.

	Personnel-related provisions	Provision for reorganization	Other provision	Total 2019	Total 2018
<i>Opening balance</i>	32,964	40,505	2,363	75,832	87,609
<i>Withdrawals, Loyalis</i>	-15	-442	-	-457	-
<i>Deconsolidation of Loyalis</i>	-719	-9,368	-	-10,087	-
<i>Allocations</i>	14,725	16,545	74	31,344	19,808
<i>Withdrawals</i>	-6,538	-4,629	-	-11,167	-22,602
<i>Release</i>	-1,155	-1,890	-	-3,045	-9,467
<i>Other changes</i>	500	-	13	513	484
Closing balance	39,762	40,721	2,450	82,933	75,832

Of the total amount €32.1 million (2018: €26.6 million) has an expected remaining term of more than five years. €10,9 million is expected to be settled in 2020 (2018: €13.5 million).

Personnel-related provisions

This provision was created for liabilities following long-term personnel remunerations (long-service awards, bonus plan), liabilities arising from redundancies and (former) employment contracts (unemployment benefit (WW)), and a provision for a mortgage facility for former employees.

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 2019 there was an allocation of €16.5 million (2018: €4.0 million). This reorganization provision is created when a detailed plan of the reorganization is formalized and this has been announced to those affected.

Withdrawals from the provision take place when the relevant expenses related to voluntary departure or redundancy occur. In 2019 it transpired that the total expected disbursements for reorganization were lower than originally estimated, resulting in a release of €1.9 million (2018: €4.6 million).

Other provisions

The other provisions concern a provision for future costs of major maintenance.

Non-current liabilities (12)

	31-12-2019	31-12-2018
<i>Opening balance</i>	10,911	10,911
<i>Drawn</i>	-	-
<i>Repayments</i>	-	-
Total	10,911	10,911

Of the non-current liabilities, an amount of zero relates to financing by related parties (2018: zero). An amount of €10.9 million has a remaining term to maturity of more than five years (2018: €10.9 million). The interest rate is 7,25% p.a. (2018: 7.25% p.a.). No security has been provided. The fair value of the non-current liabilities is €24.9 million (2018: €23.2 million).

Current liabilities and accruals (13)

	31-12-2019	31-12-2018
<i>Debts from investments</i>	-	15,258
<i>Payments to be made</i>	-	18,812
<i>Amounts received in advance</i>	2,612	4,495
<i>Amounts invoiced in advance</i>	13,017	16,938
<i>Accounts payable</i>	10,996	24,357
<i>Vacation pay and vacation days</i>	22,466	22,098
<i>Other personnel-related liabilities</i>	37,463	28,554
<i>Taxes and social security premiums</i>	21,672	20,472
<i>Corporate income tax</i>	730	227
<i>Related party liabilities and discounts granted</i>	179,018	148,507
<i>Payables</i>	27,317	24,542
<i>Invoices not yet received</i>	1,924	3,157
<i>Liabilities in respect of pensions</i>	19	8
<i>Liabilities relating to derivatives</i>	129	9,450
<i>Liabilities from reinsurance</i>	-	6,985
<i>Rent reduction for office building</i>	-	932
<i>Other liabilities</i>	386	32,565
Total	317,749	377,357

Liabilities relating to derivatives 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. Accounts payable include an amount of €10.0 million (2018: €15.6 million) in liabilities to the tax authorities. Liabilities of related parties consists of €159 million of sales related liabilities which will be settled in January 2020.

Current liabilities and accruals include an amount of €4.2 million (2018: zero) falling due after more than one year. No interest has been paid on the current liabilities.

Off-balance sheet liabilities and assets

At balance sheet date, liabilities under current rental agreements in an amount of €157.6 million were outstanding (2018: €173.6 million), of which €22.0 million was due within one year (2018: €21.1 million), €65.3 million at between one and five years (2018: €65.7 million) and €70.3 million at more than five years (2018: €86.8 million). Rental costs of €19.3 million were recognized in the reporting year (2018: €20.7 million).

In 2015, APG Group entered into long-term contracts with two parties for the purchase of professional services. This ensues from the founding of the Brightlands Smart Services Campus in cooperation with Maastricht University and the Province of Limburg. Liabilities in connection with these contracts amounted to €69.6 million (2018: €80.4 million), of which €10.8 million due within one year of the end of the financial year (2018: €10.8 million), €46.8 million at between one and five years (2018: €45.6 million) and €12.0 million due at more than five years (2018: €24.0 million). Minimum purchasing volumes were agreed in the contracts. If the actual purchase volumes realized are lower than the minimum volume applicable at that time, APG Group is required to pay 25% of the difference. In the event of early termination by APG Group, termination compensation amounts have been agreed on, depending on the time of termination. The maximum potential liability arising from this is €2.0 million.

Liabilities in respect of long-term car leases total €7.1 million (2018: €7.2 million), of which €2.7 million due within one year of the end of the financial year (2018: €3.1 million) and €4.4 million at between one and five years (2018: €4.1 million). There are no liabilities due beyond five years. In the reporting year €4.1 million of leasing costs were recognized (2018: €5.2 million). The leasing company has established the lease payments on the basis of depreciation plus allowances for fuel, insurance, maintenance and taxes.

Liabilities in respect of maintenance and other contracts amounted to €27.4 million (2018: €28.2 million) of which €10.0 million (2018: €10.3 million) due within one year of the end of the financial year and €17.4 million (2018: €17.9 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 €4.1 million (2018: € 0.6 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 €2.9 million (2018: €6.5 million), of which €1.3 million (2018: €2.0 million) due within one year of the end of the financial year and €1.6 million (2018: €4.5 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% of the difference.

As a result of the sale of the insurance business there is no question of future commitments in private equity and infrastructure (2018: €147.9 million).

Liabilities in respect of derivatives contracted to hedge the financing of foreign subsidiaries amounted at balance sheet date to €121.3 million (2018: €101.7 million). The fair value of these derivatives at balance sheet date amounted to a negative €0.5 million (2018: €0.4 million positive). 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 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.

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; 2019: €0.1 million, 2018: zero). The amount of the future payments to be received is uncertain.

Notes to the consolidated profit and loss account

Sale of Loyalis

As a result of the sale of the insurance business the result of Loyalis is included for the period from January 1, 2019 to April 30, 2019 inclusive.

Net turnover

	Total 2019	Total 2018
Management fees (14)		
<i>Asset management</i>	492,907	467,494
<i>Pension administration</i>	219,748	216,910
Total	712,655	684,404

Other operating income (15)

This consists of realized income other than that arising directly from the administration contracts with pension funds and asset management for third parties. This item also includes the commissions and profit sharing received from reinsurers.

	Total 2019	Total 2018
Insurance premiums (16)		
<i>Life insurance</i>		
<i>Own account and risk</i>	29,833	86,400
<i>Account and risk of policyholders</i>	6,042	17,539
	35,875	103,939
<i>Non-life insurance</i>		
<i>Own account and risk</i>	58,618	164,888
<i>Account and risk of policyholders</i>	-	-
	58,618	164,888
Total	94,493	268,827

	Equity	Fixed income	Other investments	Total 2019	Total 2018
Investment results (17)					
<i>Dividends</i>	2,613	7,479	-	10,092	11,121
<i>Interest</i>	-	7,252	4,774	12,026	40,463
<i>Changes in value</i>	23,039	44,951	23,708	91,698	-5,505
Total	25,652	59,682	28,482	113,816	46,079
For own account	3,965	51,538	20,674	76,177	50,203
For account of policyholders with guarantee	5,109	5,891	1,964	12,964	-3,606
For account of policyholders without guarantee	16,578	2,253	5,844	24,675	-518
Total	25,652	59,682	28,482	113,816	46,079

The result from financial transactions includes costs related to the purchase and sale of investments as well as currency gains/losses

Segmented information on net turnover

	Total 2019	Total 2018
Net turnover		
<i>Asset management</i>	494,975	472,940
<i>Pension administration</i>	225,920	225,043
<i>Insurance business</i>	208,816	316,515
<i>Support businesses</i>	112,529	155,603
<i>APG Group company only</i>	56,074	52,356
<i>Eliminations</i>	-154,045	-186,157
Total	944,269	1,036,300

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

Operating expenses

Costs of outsourced work and other external costs (18)

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

	Total 2019	Total 2018
Personnel costs (19)		
<i>Wages and salaries</i>	299,324	289,714
<i>Pension charges</i>	28,389	29,719
<i>Social charges</i>	31,585	31,148
<i>Other personnel costs</i>	54,740	39,102
Total	414,038	389,683

Employee pension scheme

The pension scheme for a large number of employees has been placed with Stichting Pensioenfonds ABP. 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.

Specific schemes apply for most employees abroad.

Number of employees

In 2019 the group employed an average of 2,940 people (2018: 3,140), divided into the following segments.

	Total 2019	Total 2018
<i>Management and staff</i>	346	323
<i>APG Rechtenbeheer</i>	1,317	1,156
<i>APG Asset Management</i>	835	757
<i>APG Servicepartners</i>	91	-
<i>Loyalis</i>	-	226
<i>APG Investees</i>	-	140
<i>Supporting units</i>	351	538
Total	2,940	3,140

In 2019 an average of 194 employees worked abroad (2018: 171). 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	Total 2019	Total 2018
Supervisory Board					
<i>Jaap van Manen*</i>	46,908	-	9,851	56,759	-
<i>Pieter Jongstra</i>	36,484	15,636	10,945	63,065	63,940
<i>Edith Snoeij</i>	31,272	13,030	9,303	53,605	53,400
<i>Maes van Lanschot</i>	31,272	12,937	9,284	53,493	51,996
<i>Roger van Boxtel</i>	31,272	5,212	7,662	44,146	42,859
<i>Claudia Zuiderwijk</i>	31,272	10,424	8,756	50,452	48,982
<i>Dick van Well</i>	31,272	5,212	7,662	44,146	49,639
<i>Bart Le Blanc**</i>	-	-	-	-	34,109

* = from January 1, 2019

** = until July 22, 2018

	Direct salaries	Compensation for reduction in pension accrual	Personal charges	Pension charges	Total 2019	Total 2018
Executive Board						
<i>Gerard van Olphen</i>	525,171	59,015	10,716	18,413	613,315	595,961
<i>Wim Henk Steenpoorte</i>	420,137	45,850	10,716	17,516	494,219	478,628
<i>Annette Mosman*</i>	420,137	45,850	10,716	17,516	494,219	416,833
<i>Ronald Wuijster**</i>	582,465	70,287	10,716	19,181	682,649	505,376
<i>Francine Roelofsens - van Dierendonck***</i>	408,098	45,850	10,716	17,516	482,180	75,095

* = from Tuesday, February 6, 2018

** = from March 6, 2018

*** = from November 1, 2018

The column 'direct salaries' contains the fixed annual salary, the vacation allowance, and the year-end bonus. Francine Roelofsens-van Dierendonck joined the Executive Board on November 1, 2018 and as a result did not receive full vacation pay in 2019. This leads to a lower direct salary for MS. Roelofsens-van Dierendonck. 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 (2019: €107,953 | 2018: €105,075) accrues to the employee. The column 'personnel charges' contains the employer's charges; the column 'pension charges' contains the charges for pension contributions.

The above table does not include compensation relating to mobility and vitality (2019: €132,404 | 2018: €58,865). The increase compared with the previous year is mainly due to the one-off payment of a mobility allowance retroactive to September 2017. This had mistakenly not been paid out in previous years. Furthermore in 2019 all directors were in office for a full year.

All remuneration was unchanged except for the increase as per the collective labor agreement (CAO) which amounted to 3% for all APG Group employees in 2019.

On March 6, 2018, Ronald Wuijster joined the Executive Board and took on the Asset Management portfolio. Like the other members of the Executive Board, Mr Wuijster does not receive variable remuneration. Mr Wuijster's remuneration has been set 12% below the level of his predecessor upon his appointment. It has been agreed that subject to certain conditions midway through his term in 2020, Mr Wuijster's salary will increase by €39,500 (excluding indexations as per the collective agreement and pension capping). This agreed remuneration remains below the market benchmark and 5% below the level of his predecessor.

There are no early retirement schemes for members of the Executive Board.

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

Change in provision for insurance liabilities (20)

For an explanation of this item, please refer to the overview of the evolution of the provision for insurance liabilities in the notes to the balance sheet (9).

Benefit payments (21)

This comprises the payments made to policyholders. It concerns amounts payable in respect of life

€62.7 million (2018: €207.6 million) and non-life €23.9 million (2018 €70.3 million) net of reinsured amounts for life €2.9 million (2018: €3.2 million) and non-life €1.1 million (2018: €3.3 million).

	Total 2019	Total 2018
Amortization and depreciation of non-current assets (22)		
<i>Amortization of intangible assets</i>	47,197	52,585
<i>Depreciation of property, plant and equipment</i>	8,432	7,398
Total	55,629	59,983

	Total 2019	Total 2018
Other operating expenses (23)		
<i>Accommodation costs</i>	34,394	36,980
<i>Automation costs</i>	81,886	95,061
<i>Other</i>	11,948	19,080
Total	128,228	151,121

The item 'other' includes postage charges, office supplies, telephone charges, and other tangible expenses.

Interest and similar income (24)

Interest income is the income obtained from checking accounts and deposits.

Interest and similar expenses (25)

The financial charges are mainly interest charges on non-current liabilities. No interest or similar expenses pertained to related parties.

Taxes (26)

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

	Total 2019	Total 2018
Current period		
<i>Current year</i>	-4,724	-26,842
<i>Adjustments to previous years</i>	1,240	-
<i>Effects of sale of Loyalis</i>	6,381	-
Change in deferred taxation		
<i>Temporary differences</i>	-11,969	2,530
<i>Effect of change in tax rate</i>	2,667	-22,180
Total	-6,405	-46,492
<i>Effective tax rate</i>	8.6%	48.5%

The effective tax rate deviates by 16.4 percentage points from the applicable tax rate of 25.0%, due among other things to an incidental effect in corporation tax of €6 million. This resulted from the liquidation of a company on account of the sale of Loyalis.

Share of profit/(loss) of associates (27)

The result from investees is the result from investees not included in the consolidation.

Consolidated profit and loss account Loyalis: January 1 to April 30 inclusive

In thousands of euros

	2019	2018
Net turnover		
<i>Management fees (14)</i>	-	-
<i>Other operating income (15)</i>	507	1,609
<i>Insurance premiums (16)</i>	94,493	268,827
<i>Investment results (17)</i>	113,816	46,079
Total operating income	208,816	316,515
<i>Costs of outsourced work and other external costs (18)</i>	6,412	17,310
<i>Personnel costs (19)</i>	6,503	18,860
<i>Change in provision for insurance liabilities (20)</i>	80,241	-75,483
<i>Benefit payments (21)</i>	82,584	271,479
<i>Amortization and depreciation of non-current assets (22)</i>	-	-
<i>Other operating expenses (23)</i>	8,477	28,400
Total operating expenses	184,217	260,566
Operating profit	24,599	55,949
<i>Interest and similar income (24)</i>	-	-
<i>Interest and similar expenses (25)</i>	38	14
Result before taxes	24,561	55,935
<i>Taxes (26)</i>	-5,168	-29,450
<i>Share of profit/(loss) of associates (27)</i>	-180	-
Group result after taxes	19,213	26,485

Consolidated cash flow statement Loyalis: January 1 to April 30 inclusive

In thousands of euros

	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES		
<i>Operating profit</i>	24,599	51,910
<i>Adjustments for:</i>		
- Amortization and depreciation of non-current assets (22)	-	-
- Net investments for trading purposes (4)	40,628	-45,844
- Changes in working capital:		
- <i>Decrease in receivables, prepaid expenses, accrued income, etc. (5)</i>	-38,234	4,973
- <i>Increase in receivables from reinsurance (6)</i>	-	-
- <i>Decrease in current liabilities and accruals, corrected for corporate income tax (13)</i>	-69,139	10,504
- Change in insurance liabilities (9)	153,895	-61,025
- Change in other provisions (11)	-459	-4,146
Cash flow from business transactions	111,290	-43,628
<i>Interest received</i>	-	97
<i>Interest paid</i>	-38	-111
<i>Corporate income tax paid</i>	-	-
CASH FLOW FROM OPERATING ACTIVITIES	111,252	-43,642
CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES		
<i>Investments in non-current assets</i>	-	-
<i>Sale of equity interests</i>	-2,089	-
CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES	-2,089	-
CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES		
<i>Dividend paid to shareholders</i>	-20,000	-15,000
CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES	-20,000	-15,000
Net cash flow	89,163	-58,642
<i>Price and translation differences on cash & cash equivalents</i>	-	-
CHANGE IN CASH & CASH EQUIVALENTS	89,163	-58,642
<i>Opening balance, cash & cash equivalents (7)</i>	80,075	138,717
<i>Closing balance, cash & cash equivalents (7)</i>	169,238	80,075
CHANGE IN CASH & CASH EQUIVALENTS	89,163	-58,642

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 proceeds from the sale of Loyalis are included under cash flow from investing activities. The cash and cash equivalents of €169.2 million were deducted from the selling price.

The cash flow from financing activities includes the dividend payment in the course of the financial year as well as several settlements with Stichting Pensioenfonds ABP.

Other notes

Related parties transactions

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

Some of the office buildings are leased from Stichting Pensioenfonds ABP under market conditions. The total contract term is 12 years and 8 months, commencing January 1, 2008. The costs amounted to €6.3 million in the reporting year (2018: €6,3 million) and will amount to €6.4 million for 2020. The future liabilities arising from this contractual relationship are included under the lease obligations entered into as included in the category of off-balance sheet liabilities.

Stichting Pensioenfonds ABP, APG Group, Loyalis and its subsidiaries (until April 30, 2019 inclusive) APG Rechtenbeheer, APG Asset Management, APG Deelnemingen and its 100% subsidiaries, and APG Diensten together form a tax group for VAT. This means that the company is jointly and severally liable for the VAT liabilities of the tax group as a whole.

As regards corporation tax, APG Group forms a tax group together with APG Deelnemingen and its 100% subsidiaries, APG Diensten, APG Asset Management, APG Rechtenbeheer, and Loyalis and its subsidiaries (until April 30, 2019 inclusive). As a result, these legal entities are jointly and severally liable for each other's tax liabilities. The corporate income tax of the fiscal entity is attributed to each of the companies belonging to the fiscal entity according to each company's share in the total corporate income tax.

Independent auditor's fees

KPMG Accountants has been the independent auditor of APG Group 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.

	Total 2019	Total 2018
in € millions		
<i>Audit of the financial statements</i>	0.8	1.2
<i>Other audit assignments (including work in relation to ISAE 3402)</i>	2.6	2.6
<i>Tax advisory services</i>	-	-
<i>Other non-audit services</i>	-	-
Total	3.4	3.8

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 €1.8 million (2018: €1.6 million) for audit-related work on reports to clients of APG Group in the context of the services provided by APG Group.

Events after the reporting period

In November 2019 the shareholders resolved to reduce the nominal value of each share from €1.00 to €0.50. On January 28, 2020 APG received the statement of non-objection, as a result of which the capital reduction has been carried out. As a result of this capital reduction the shareholders received an amount of €90 million on February 20, 2020. In this way the over-capitalization resulting from the sale of Loyalis has been given back to the shareholders.

The outbreak of the coronavirus at the beginning of January 2020 has had a significant impact on economic conditions at home and abroad. Based on an impact analysis that has been carried out, the board of directors is of the opinion that the events have no influence on APG's continuity or on the figures contained in its financial statements at December 31, 2019 and for the year then ended.

Company financial statements

Company balance sheet at December 31, 2019 (before appropriation of profit)

In thousands of euros

	31-12-2019	31-12-2018
ASSETS		
Non-Current Assets		
<i>Intangible assets (1)</i>	-	-
<i>Property, plant and equipment (2)</i>	824	818
<i>Financial non-current assets (3)</i>	512,464	989,902
	513,288	990,720
Current assets		
<i>Receivables and prepayments (5)</i>	163,134	227,529
<i>Cash & cash equivalents (7)</i>	314,110	102,938
	477,244	330,467
TOTAL ASSETS	990,532	1,321,187
LIABILITIES AND EQUITY		
Equity (8)		
<i>Paid-up and called-up share capital</i>	705,297	705,297
<i>Share premium</i>	174	416,380
<i>Legal reserves</i>	3,471	4,812
<i>Other reserves</i>	1,673	-84,083
<i>Undistributed result for the financial year</i>	53,405	47,877
	764,020	1,090,283
Provisions (11)	18,794	19,976
Non-current liabilities (12)	13,411	10,911
Current liabilities and accruals (13)	194,307	200,017
TOTAL LIABILITIES & EQUITY	990,532	1,321,187

Company profit and loss account for 2019

In thousands of euros

	2019	2018
<i>Share of profit/(loss) of associates after tax</i>	66,484	54,960
<i>Gain/(loss) on sale of Loyalis</i>	-14,107	-
<i>Other results after tax</i>	1,028	-7,083
Group result after taxes	53,405	47,877

Basis of valuation 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 notes 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

Property, plant and equipment (2)

Property, plant and equipment comprises the furniture and fittings, data processing equipment, and other tangible fixed assets.

Movement in these items was as follows.

	Total 2019	Total 2018
<i>Opening balance</i>	818	1,084
<i>Investments</i>	6	-
<i>Divestments</i>	-	-266
<i>Amortization</i>	-	-
<i>Changes in value</i>	-	-
Closing balance	824	818
<i>Cumulative acquisition value</i>	824	818
<i>Cumulative amortization and impairment</i>	-	-
Carrying amount	824	818
<i>Amortization percentage</i>	N,A	N,A

No security has been provided

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.

	Total 2019	Total 2018
<i>Opening balance</i>	989,902	1,032,794
<i>Investments</i>	7,054	-
<i>Divestments</i>	-443,690	-
<i>Result for the financial year</i>	66,484	54,960
<i>Dividend distributed</i>	-103,239	-110,905
<i>Other changes</i>	-4,047	13,053
Closing balance	512,464	989,902

The closing balance includes an active deferred tax asset of €6.5 million (2018: €5.4 million) and a loan granted of €4.6 million. The divestment concerns the sale of Loyalis. An explanation is given hereafter:

Ending of insurance activities

	30-04-2019
in € millions	
<i>Assets</i>	3,522
<i>Liabilities and equity</i>	3,078
Equity	444
<i>Funds received</i>	436
<i>Selling costs</i>	6
Loss on sale	14

Current assets

	31-12-2019	31-12-2018
Receivables and prepayments (5)		
<i>Receivables from group companies</i>	97,793	148,268
<i>Other receivables, prepaid expenses, accrued income, etc.</i>	65,341	79,261
Total	163,134	227,529

The receivables, prepayments, and accrued income predominantly consist of receivables on group companies and prepaid amounts. These have a term of less than one year.

No security has been provided and no interest was received on the receivables.

Cash & cash equivalents (7)

<i>Bank balances in current account</i>	189,110	47,938
<i>Deposits</i>	125,000	55,000
Total	314,110	102,938

None of the cash & cash equivalents were unavailable at year-end 2019 or 2018.

Equity (8)

<i>Paid-up and called-up share capital</i>	705,297	705,297
<i>Share premium</i>	174	416,380
<i>Legal reserves</i>	3,471	4,812
<i>Other reserves</i>	1,673	-84,083
<i>Undistributed result</i>	53,405	47,877
Total group equity	764,020	1,090,283

	Paid up and called-up share capital	Share premium	Legal reserves	Other reserves	Undistributed result
<i>Opening balance</i>	705,297	416,380	4,812	-84,083	47,877
<i>Movements resulting from appropriation of profit</i>	-	-	-	47,877	-47,877
<i>Movement in legal reserves</i>	-	-	-1,341	1,673	-
<i>Dividend paid</i>	-	-380,000	-	-	-
<i>Result for the financial year</i>	-	-	-	-	53,405
<i>Other changes</i>	-	-36,206	-	36,206	-
Closing balance	705,297	174	3,471	1,673	53,405

Paid-up and called-up share capital

The paid-up and called-up share capital is the capital subscribed upon incorporation of the company, consisting of 650,000,000 ordinary shares with a nominal value of €1 each. Furthermore, in 2011 upon the acquisition of the minority interests in APG Rechtenbeheer NV (previously APG Algemene Pensioen Groep NV) and Loyalis NV, 55,297,170 new ordinary shares were issued, each with a nominal value of €1.

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. As a result of the new capital policy and the sale of Loyalis, in 2019 APG in 2019 paid an interim dividend to its shareholders of €235 million, in addition to the 2018 dividend of €145 million.

Legal and other reserves

The legal and other reserves include direct changes in equity related to the sale of Loyalis for €1.6 million (2018: €1.6 million) and the evolution of the legal reserve for translation differences of €0.3 million. At year-end 2019 the reserve for translation differences stood at €3.5 million (2018: €3.2 million) and concerns the foreign investees.

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 €83.0 million be distributed: €53.4 million from the net result and the remaining amount of €29.6 million from freely distributable reserves.

Provisions (11)

	Taxes	Personnel-related provisions	Provision for reorganization	Total 2019	Total 2018
<i>Opening balance</i>	-	3,965	16,011	19,976	27,124
<i>Allocations</i>		489	2,740	3,229	2,938
<i>Withdrawals</i>		-1,358	-2,202	-3,560	-7,035
<i>Release</i>		-275	-576	-851	-3,051
Closing balance	-	2,821	15,973	18,794	19,976

Non-current liabilities (12)

	31-12-2019	31-12-2018
<i>Opening balance</i>	10,911	10,911
<i>Advances</i>	2,500	-
<i>Repayments</i>	-	-
Total	13,411	10,911

Of the non-current liabilities an amount of €2.5 million relates to financing by related parties (2018: nil). An amount of € 13.4 million has a remaining term to maturity of more than five years (2018: € 10.9 million). The interest rate is 7,25% per year (2018: 7.25% per year). No security has been provided. The fair value of the non-current liabilities to third parties amounts to €24.9 million (2018: €23.2 million).

Current liabilities and accruals (13)

31-12-2019 31-12-2018

<i>Accounts payable</i>	2,181	4,262
<i>Liabilities to group companies</i>	184,868	181,398
<i>Taxes and social security premiums</i>	2,842	6,227
<i>Holiday pay and -days</i>	2,929	2,703
<i>Other liabilities</i>	1,487	5,427
Total	194,307	200,017

No interest and/or securities apply with respect to the debts to group companies. The current liabilities and accrued liabilities do not contain any items falling due after more than one year.

Off-balance sheet liabilities and assets

In 2015, APG Group entered into long-term contracts with two parties for the purchase of professional services. This ensues from the founding of the Brightlands Smart Services Campus in cooperation with Maastricht University and the Province of Limburg. Liabilities in connection with these contracts amounted to €69.6 million (2018: €80.4 million), of which €10.8 million due within one year of the end of the financial year (2018: €10.8 million), €46.8 million at between one and five years (2018: €45.6 million) and €12.0 million due at more than five years (2018: € 24.0 million). Minimum purchasing volumes were agreed in the contracts. If the actual purchase volumes realized are lower than the minimum volume applicable at that time, APG Group is required to pay 25% of the difference. In the event of early termination by APG Group, termination compensation amounts have been agreed on, depending on the time of termination. The maximum potential liability arising from this is €2.0 million.

Liabilities in respect of long-term car leases total €6.9 million (2018: €6.8 million), of which €2.7 million due within one year of the end of the financial year (2018: €2.9 million) and €4.2 million at between one and five years (2018: €3.9 million). There are no liabilities due beyond five years. The leasing company has established the lease payments on the basis of depreciation plus allowances for fuel, insurance, maintenance and taxes.

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 €2.9 million (2018: €6.5 million), of which €1.3 million (2018: €2.0 million) due within one year of the end of the financial year and €1.6 million (2018: €4.5 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% of the difference.

Liabilities in respect of derivatives contracted to hedge future costs of foreign subsidiaries amounted at balance sheet date to €121.3 million (2018: €101.7 million). The fair value of these derivatives at balance sheet date amounted to a negative €0.5 million (2018: €0.4 million positive). The liabilities have a term of shorter than one year. The contract conditions include the exchange of collateral to hedge the settlement risk. Liabilities between APG Group NV and APG Asset Management NV directly related to this 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 Rechtenbeheer. No profit is made on these transactions since these entities belong to the same tax group. The total amount passed on by APG Group in the year was € 55.3 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 Diensten BV in Amsterdam, APG Rechtenbeheer NV in Heerlen, APG Deelnemingen NV in Heerlen, and APG Service Partners BV in Heerlen.

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 2019 APG Groep NV employed an average of 346 people (2018: 323), 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

The following equity interests (100% with the exception of Entis Holding B.V. (76%)) are included in the consolidation:

Equity interests included in the consolidation

<i>APG Rechtenbeheer NV</i>	Heerlen
<i>APG Service Partners BV</i>	Heerlen
<i>APG Asset Management NV</i>	Amsterdam
<i>APG Asset Management US Inc</i>	Delaware
<i>Fairfield Residential I, LLC</i>	Delaware
<i>APG Investments Asia Ltd</i>	Hong Kong
<i>APG Business Information Consultancy (Shanghai) Co Ltd</i>	Shanghai
<i>APG Diensten BV</i>	Amsterdam
<i>Entis Holding BV</i>	Amsterdam
<i>Entis BV</i>	Utrecht

Equity interests not included in the consolidation

<i>Campus Heerlen Huisvesting BV</i> (equity interest 50%)	Maastricht
<i>Campus Management & Development BV</i> (equity interest 33%)	Maastricht

Heerlen, March 25 2020

Supervisory Board

Pieter Jongstra, chairman

Dick van Well, vice-chairman

Roger van Boxtel

Maes van Lanschot

Edith Snoeij

Claudia Zuiderwijk

Executive Board

Gerard van Olphen, chairman

Annette Mosman

Francine Roelofsen - van Dierendonck

Ronald Wuijster

Wim Henk Steenpoorte

Chapter 11

Other information



Statutory appropriation of profits

Profit appropriation takes place in accordance with Article 36 of the Articles of Association. This article stipulates that APG Group NV can distribute profit only if its equity exceeds the paid-up and called-up portion of its capital plus the reserves that must be maintained pursuant to 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 2019 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 2019 and of its result for the 2019 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 2019 of APG Groep N.V. (the Company) based in Heerlen.

The financial statements comprise:

- 1 the consolidated and separated balance sheet as 31 December 2019;
- 2 the consolidated and separated profit and loss account for 2019; and
- 3 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).

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 total revenue (excluding investment results)

Group audit

- 98% of total assets
- 99% of revenue

Key audit matters

- Accounting treatment of the sale of Loyalis N.V. in the financial statements

Opinion

Unqualified

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 7.5 million (2018: EUR 10 million). Due to the sale of Loyalis the total revenue over 2019 is lower. For this reason we have lowered the materiality compared to 2018. The materiality is determined with reference to total revenue (excluding investment result) (approximately 9%). We consider total revenue (excluding investment results as the most appropriate benchmark because this is a stable benchmark and reflect the main activities (pension administration and asset management) of APG Group N.V.. 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 in excess of EUR 375.000 which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

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 APG Asset Management N.V. and APG Rechtenbeheer N.V and non-significant components APG Diensten B.V. and Loyalis N.V.



Loyalis N.V.'s results are included the consolidated financial statements from 1 January 2019 to 30 April 2019.

We used the work of other KPMG auditors for the audit of the financial information of APG Asset Management N.V. and the results for the period from 1 January 2019 to 30 April 2019 of Loyalis N.V. In regard to the financial information of APG Rechtenbeheer N.V. and APG Diensten B.V. we conducted the audit ourselves.

We have sent instructions to the other KPMG auditors detailing the audit's areas of focus, including relevant risks of material errors, as well as information to be reported by other KPMG auditors. We have discussed the reports received with the relevant KPMG auditors. Lastly, we assessed the respective audit files.

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.

Audit scope in relation to fraud

In accordance with the Dutch standards on auditing we are responsible for obtaining a high (but not absolute) level of assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error.

As part of our risk assessment process, we have evaluated events or conditions that indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud ('fraud risk factors') to determine whether fraud risks are relevant to our audit. During this risk assessment we made use of our own forensic specialist.

We communicated identified fraud risks throughout our team and remained alert to any indications of fraud throughout the audit. This included communication from the group to component audit teams of relevant fraud risks identified at group level.

In accordance with the auditing standard we evaluated the fraud risk that are relevant to our audit management override of controls (a presumed risk).

Our audit procedures included an evaluation of the design, implementation as well as the operating effectiveness of internal controls relevant to mitigate these risks and substantive audit procedures, including detailed testing of high risk journal entries and evaluation of management bias. In determining the audit procedures we will make use of the company's evaluation in relation to fraud risk management (prevention, detections and response), including the set-up of ethical standards to create a culture of honesty.

As part of our evaluation of any instances of fraud, we inspected the incident register/whistle blowing reports and follow up by management.

We communicated our risk assessment and audit response to management and the Audit Committee of the Supervisory Board. Our audit procedures differ from a specific forensic fraud investigation, which investigation often has a more in-depth character.

Our procedures to address fraud risks did not result in the identification of a key audit matter.



We do note that our audit is based on the procedures described in line with applicable auditing standards and are not primarily designed to detect fraud.

Audit scope in relation to non-compliance with laws and regulations

We have evaluated facts and circumstances in order to assess laws and regulation relevant to the company. In this evaluation we made use of our own forensic specialist.

We identified laws and regulations that could reasonably be expected to have a material effect on the financial statements based on our general understanding and sector experience, through discussion with relevant management and evaluating the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to component audit teams of relevant laws and regulations identified at group level. The potential effect of these laws and regulations on the financial statements varies considerably:

- Firstly, the company is subject to laws and regulations that directly affect the financial statements including taxation and financial reporting (including related company legislation). We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.
- Secondly, the company is subject to many other laws and regulations where the consequences of non-compliance could have an indirect material effect on amounts recognized or disclosures provided in the financial statements, or both, for instance through the imposition of fines or litigation.

We identified the following areas as those most likely to have such an indirect effect:

- GDPR;
- Mifid II;
- AIFMD.

Auditing standards limit the required audit procedures to identify non-compliance with laws and regulations that have an indirect effect to inquiring of relevant management and inspection of regulatory and legal correspondence, if any. Through these procedures, we did not identify any additional actual or suspected non-compliance other than those previously identified by the company in each of the above areas. We considered the effect of actual or suspected non-compliance as part of our procedures on the related financial statement items.

Our procedures to address compliance with laws and regulations did [not result in the identification of a key audit matter.

We do note that our audit is not primarily designed to detect non-compliance with laws and regulations and that management 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 errors or fraud, including compliance with laws and regulations.



The more distant non-compliance with indirect laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

Our key audit matter

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

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

In our 2018's audit opinion we have included key audit matters related to the valuation of the insurance contracts for life and non-life and the valuation of level 3 investments. Due to the sale of Loyalis N.V. these key audit matters are no longer relevant for the audit of the 2019 financial statements.

Treatment of the sale of Loyalis N.V. in the financial statements

Description

Per 1 May 2019 the shares of Loyalis N.V. have been transferred to ASR Nederland N.V. From this date APG Groep N.V. has no longer control over Loyalis N.V. APG Groep N.V. has consolidated the profit and loss account of Loyalis N.V. for the period 1 January 2019 until 30 April 2019.

The loss of control and the accounting treatment of the sale of Loyalis N.V. in the financial statements have a significant impact on several parts of the financial statements of APG Groep N.V. Therefore we consider this a key audit matter.

On page 74 of the financial statement the effect of the sale of Loyalis N.V. has been disclosed. The financial effect of the sale is disclosed in note 3, 4, 6, 7, 9, 11, 16, 17 and note 26.

Our response

Our audit procedures included evaluating the procedures and controls related to the sales process of Loyalis N.V. In addition, we have tested the internal controls related to the premium and claims processes and performed additional detailed substantive procedures, such as statistical samples on the claim payments.

Moreover, we have performed audit procedures on the sale agreement and the associated agreements between APG Groep N.V. and ASR Nederland N.V. In addition, we have determined whether these agreements are correctly reflected in the financial statements of APG Groep N.V.



We have sent instructions to the auditor of Loyalis N.V. requesting to perform audit procedures regarding the results for the period 1 January 2019 to 30 April 2019. Lastly, we have performed a file review.

Furthermore, we have determined that the disclosures and the described risks in the financial statements are adequate and are in accordance with the reporting standards.

Our observation

We believe that the treatment of the sale of Loyalis N.V. has been reflected correctly in the financial statements of APG Groep N.V. We also believe that the disclosures in the relevant movements disclosures and the key figures are adequate disclosed and have been incorporated in the financial statements in accordance with the reporting requirements.

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.

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 Board of Directors 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 Board of Directors and the Supervisory Board for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Directors 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.

As part of the preparation of the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Directors should prepare the financial statements using the



going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Board of Directors should disclose 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 on page 126. This description forms part of our auditor's report.

Amstelveen, 25 March 2020

KPMG Accountants N.V.

J.J.A. van Nek RA

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 Board of Directors;
- concluding on the appropriateness of the Board of Directors' use of the going concern basis of accounting, and based on the audit evidence obtained, 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.

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

Glossary

Actuarial Society 2016: The forecast life expectancy in the Netherlands according to the Actuarial Society (AG in the Dutch abbreviation).

CO₂ footprint: Greenhouse gas emissions.

Compliance risk: The risk of material financial losses, damage to the reputation of APG 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.

Consumers: People in general who will possibly make use of services in the field of pensions in the future.

Customer Effort Score (CES): Indicator for measuring customer satisfaction or aspects of it.

Participants: The number of participants is the sum of the number of active participants, former participants and pensioners.

Financial risk: The risk of an unwelcome incident with an impact on the balance sheet and/or profit and loss account of APG as a result of variations in market variables or chances of insurance loss that cannot be influenced.

Governance: The conduct of a business: how it works, with whom and on what terms.

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.

Operational risk: The risk of losses as a result of external events, failing processes and IT systems whether internal or outsourced or undesirable conduct on the part of members of personnel. Operational risks can lead to undesirable consequences for our principals. The associated outsourcing risk for principals is part of the integrated risk management at APG.

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.

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.

RepTrak methodology: The RepTrak methodology is a reputation survey method of the Reputation Institute. As well as reputation (Pulse), the method also measures what gives rise to reputation (reputation drivers) and the consequences of reputation, namely the behavioral intentions.

Solvency II: The new risk-based supervisory framework for insurers which came into force on January 1, 2016. The framework consists of the Solvency II Directive (2009/138/EC) and its rounding out in the form of the Delegated Regulation, technical standards and guidelines.

Analysis of stakeholders: Overview of the most significant stakeholders.

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.

Reporting risk: The risk that as a result of errors in the administrative processes or systems, inaccuracies appear in the reporting products.

Value creation model: Model showing diagrammatically how the process of value creation works.

Appendices



About this report

In this annual report the Executive Board renders account of the financial and non-financial performances over the course of financial year 2019, which ran from January 1 to December 31 inclusive.

APG Group (APG) has the ambition of reporting in an integrated manner on the vision developed of long-term value creation and the strategy and plans that go with it. The financial statements have been drawn up in accordance with rules on annual reporting in the Netherlands.

Value creation model

We have brought our value creation into the picture in our value creation model. The IR framework of the International Integrated Reporting Council was the starting point for preparing this model, although we did not follow it completely. Where necessary we adapted the model to APG, focusing on our *raison d'être*: 'For APG, pensions are about people, life and living together. We want to make a difference so that we, our parents and our children have a good income for now and in the medium and long term.'

What we need in order to create value starts with the activities that we carry out for our clients. Our clients have entrusted us with their pension administration and communication. We manage their assets and deriving from this we give them advice. An important source input in all this consists of course of our employees, many of whom are highly specialized. In view of the high degree of automation, innovation and information technology are important sources of value creation. As a knowledge business, our networks and collaboration ties are important for us. And as a social organization there is our dedication to sustainability, all of this underpinned by predictable finances.

At the center of our value creation model, through our core activities, we place the connection with the strategy, our core qualities and values and our mission.

Subsequently, we describe the value we create. In doing so we refer to the stakeholders that are relevant to us. The most significant indicators for measuring our added value and taking management decisions based on it are described in the Chapter headed 'APG at a glance'.

Integrated management

The connectivity matrix below shows the interdependencies in detail and how we manage our organization in an integrated way with the aim of creating value for our stakeholders.

Connectivity matrix

Strategic context	Strategic ambition	Strategic opportunities & risks	Performance indicators
	Working together to build your sustainable future		
Analysis of and dialogue with stakeholders			
Analysis of internal and external Significant issues			Chance Risk
Klanten <ul style="list-style-type: none"> Lowest costs Highest net returns Superior customer experience Grip on financial future Innovation Digital security Robust administration 	<ul style="list-style-type: none"> Maximize pension value 	<ul style="list-style-type: none"> Collective system under pressure Threat of pension cuts Growing number of people with low pension accumulation Offer of new products and services Extra return through active asset management Collaboration and concentration in the sector Improve data quality and security Robust, flexible administration organization 	<ul style="list-style-type: none"> Average price per participant Extra returns obtained relative to the market Transactional Net Promoter Score Participants with insight into pension assets Participants with insight into income for later
Employees <ul style="list-style-type: none"> Meaningful employer 	<ul style="list-style-type: none"> Great place to work 	<ul style="list-style-type: none"> Flexibility of employees Great attention to integrity and conduct Personal development Work in socially relevant context 	<ul style="list-style-type: none"> Number of employees Employee engagement Absenteeism (gender) Diversity
Society <ul style="list-style-type: none"> Faith in pensions Contribution to a future-resistant system Collaboration in the pension sector Responsible investment Sustainable business management Contribution to social initiatives 	<ul style="list-style-type: none"> Sustainability 	<ul style="list-style-type: none"> Faith in pension sector at a low ebb Future-resistant system with new contract Process of agreeing new contract proving prolonged Contribution of knowledge Increasing importance of responsible investment Sustainable management 	<ul style="list-style-type: none"> Reputation score Benchmark UN PRI Sustainable Development Investments CO₂ footprint own business management
Shareholders <ul style="list-style-type: none"> Financially sound organization 	<ul style="list-style-type: none"> Return appropriate to a social business 	<ul style="list-style-type: none"> Strong solvency and liquidity Guarantee continuity of administration 	<ul style="list-style-type: none"> Net result Return on equity

Value creation model

Scope and reach

The Executive Board renders account of the core activities carried out by APG both in the Netherlands and through its foreign subsidiaries. APG has offices in Heerlen and Amsterdam and other establishments in New York and Hong Kong.

Analysis of stakeholders

The target group of this annual report includes our circle of most important stakeholders. In 2019 we again carried out an analysis of stakeholders in order to establish this circle. These are stakeholders that can directly influence our strategy and core activities. We include among them our clients (pension funds and the member employers and participants), our employees and our shareholders. Around this inner circle we see as stakeholders the sector to which the regulators and supervisors belong, our strategic partners and companies in which we invest.

We very regularly confer or dialogue with our most significant stakeholders, at both the operational level (for example via our Customer Contact Center) and the strategic level (for example in the form of strategy meetings). After all we cannot perform our activities well unless there is intensive coordination.

Within the sector we perform an important role as a social organization, the biggest pension administrator in the Netherlands and a major asset manager. We share our knowledge pro-actively.

Significant themes on which we base our management

In drawing up our strategy we extensively questioned our stakeholders as to what their interests and needs were. We incorporated the themes that were most relevant to them into our strategy. In 2019 we updated these themes on the basis of our own experience. We did not re-test the outcome externally. For purposes of positioning we did however rank the themes by importance on the basis of conversations with stakeholders. The results of this have also been incorporated into the business plan cycle for 2020. In 2020 we will approach the external analysis by reference to a structured list of questions. Based on the results we will draw up a new materiality matrix.

The material themes are referred to in titles and headings. In this report we discuss them all.

For the 2020 process we are doing more work on the definitions of the themes so that together with the stakeholders we will be able to go into them more in depth. The underlying sub-themes are also included. We also want to ask stakeholders their opinion of the time horizon of the themes so as to be able to

draw the right conclusions and determine the consequences for the 2021 business plan cycle.

Reporting process

Within the Executive Board, the Chief Financial Risk Officer (CFRO) 'owns' the annual report. She has delegated the process of producing it to the Manager of Group Finance. He has formed a steering group in which the most important departments in APG are represented. This committee meets once a month and establishes the starting points, structure, synopsis and content of the report. A project team has been assembled to accompany the production process. The content of the report is written on the basis of interviews with the Executive Board and various key persons, written input and reporting.

Data collection is based on the regular reporting process within APG. Performance indicators have been defined for the most significant subjects, which are periodically controlled by means of performance reporting and performance dialogue, which has been rolled out at all levels of the organization. The audit and risk committee of the Supervisory Board is actively involved in reviewing the texts of the report. The Executive Board establishes the final content.

Assurance policy for non-financial information

The non-financial data are not explicitly subject to audit. We have however made agreements with the auditor on the steps to be taken to give shape to this process in the coming years.