



# Annual Report 2023

APG Groep NV



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# Foreword



**2023 in the picture: Parliamentary elections**  
 On November 22, 2023, Dutch voters went to the polls in the Parliamentary elections. Important issues included financial security, health care, immigration, and the housing market.





# A new reality

Looking back at 2023, we can conclude it was an eventful year. And that is putting it mildly. Even when we just consider our 'own' world, the pension sector, a long-awaited milestone was achieved with the new Pensions Act, which came into effect after years of negotiations. But before the year was out, it was already being questioned.

The year was turbulent — perhaps that is a better word. For so many reasons. Including for many sad reasons, with the awful situations in Ukraine and the Middle East of course very much on our minds. Closer to home, we saw a major political realignment, first in the provincial council elections, with victory for the BBB party ('BoerBurgerBeweging', Farmer-Citizen Movement), which became the largest party in the Senate of the Netherlands as a result, and subsequently in the elections for the House of Representatives, where the PVV ('Partij voor de Vrijheid', Party for Freedom) became the largest party. The election results exposed the divides in the Netherlands, with huge differences in people's views on issues such as immigration, the climate, and pensions.

A majority of MPs are now critical of the Wtp (Future of Pensions Act). Even legislation that has been enacted and the prospect of a new pension system is no longer necessarily a certainty.

That seems appropriate in a year in which nothing seemed a foregone conclusion and the only constant factor was change itself. ChatGPT changed how we think (and act) in relation to artificial intelligence; increasingly extreme weather demonstrated the direct consequences of climate change; geopolitical developments changed assumptions about the traditional global balance of power.

## Holding a steady course

However much the world around us is changing — however turbulent the sea is— we find it important to hold a steady course. One thing at least did not change at APG in 2023: our rock-solid belief in the feasibility of the new pension system. This system is still based on solidarity and a collective approach, but it is more future-proof than the current system.

It fits better with the changing labor market, and guarantees the best possible, affordable pension for present and future generations.

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**Now that the new Pensions Act has taken effect, we are applying ourselves to this huge challenge with more focus and energy than ever**

Last year we did our utmost once again to make sure the transition to the new system would be a success — together with our pension fund clients and the pension sector as a whole. With the introduction of the Wtp, we have entered a new context. The pension of the future has become the pension of today. We no longer have to work on the basis of hypotheses, as we had been doing during the three years we spent preparing for the new



system. From July 1, 2023, we could proceed at full throttle. Since then, we have been working on the huge task facing us with more focus and energy than ever. We also see the transition as an opportunity: we are switching to new, customer-oriented technology, and setting up a new online communication platform.

### Resilience

Even so, we need all hands on deck because we have to keep the current system running normally at the same time. This demands a great deal of our organization and our people. We had to demonstrate resilience in 2023, and the years ahead will be no different in that regard. In the period to come, we need to invest 5 amply in the successful transition of our funds. But we also have to consider what happens next: what will APG look like once we are in calmer waters? And what kind of organization will we then need?

Two of the pension funds APG works for will transition before January 1, 2025, namely the pension fund for sheltered employment, PWRI, and our own pension fund, PPF APG. That means tight deadlines. And we will often be working in uncharted territory. We are still

making mistakes, but that is inevitable. We learn from them and that is how we improve. Trial and error is a vital element. This applies to all groups within APG, and I include myself and the Executive Board in this.



Annette Mosman, Chair, APG Executive Board

The pension funds, and APG as their administrator, have to tackle far more than 'merely' the new system. For example, there is the mandatory pension guidance, whereby funds are obliged to give all participants assistance with the choices they have to make about their pensions. APG carries these tasks out. We are currently busy with the preparations. With respect to the participants, good communication is crucial as we expect many questions about the new system.

### Robust pension funds

That system will make our investment activities much more clearly visible to participants. The activities follow on from the investment principles of ABP, our largest client. Our shared goal? To use our investments to create added social value while maintaining returns. New investment solutions, such as index products, can also help achieve this. This is all happening in a context of ever more statutory requirements, such as the Sustainable Finance Disclosure Regulation (SFDR). These developments have significant implications for our Asset Management organization, which will have to constantly reinvent itself. This constitutes one of our biggest challenges in the



year ahead. In 2023, we recalibrated our existing strategy so that our services would be optimally aligned with the wishes of the pension funds in the lead-up to the new pension system. Even more emphasis is now placed on the 'robust pension funds' pillar.

### Making a difference

Here at APG, we stand for a sustainable, inclusive society. That informs who we are and what we do for the pension funds, their participants, and the employers. Together, we want to and can make a difference, and have a truly positive impact on the world around us. We can do this through responsible investing and by setting a good example.

A nice example from 2023 is the \$30 million investment APG made on behalf of our pension funds in so-called Orange Bonds. This investment, will help an estimated 800,000 women in five countries in Asia and Africa set up a business. And on the subject of inclusion and diversity: in December 2023, APG signed the Declaration of Amsterdam. In doing so, we were committing to the inclusion of LGBTQIA+ colleagues, current and future, in the workplace.

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**2024 will be a challenging year, and it will be hard work in a rather unpredictable political context**

These are important messages, especially now in such polarized times when differences are all too often labeled divisions. For us, decent pensions are not just about money, but also about a livable world in which you can spend that money, a world where we look out for one another. The new pension system supports this idea, utilizing the power of the collective while leaving room for the individual. We share the risks — some people live longer than others, and the state of the financial markets on retirement is worse for some people than others — but we also share the benefits. This is collectivity in a new form.

### Historic operation

2024 will be challenging, and it will be hard work in a rather unpredictable political context. And we need to perform well because all eyes will be upon us with such a gigantic, historic operation. If APG or any of the other pension institutions fail to deliver, the system itself will come under pressure.

But I am convinced we will manage it, if only because we have so much knowledge and expertise in house. We will succeed together with our pension funds and together with other players in the industry. Our people at APG are highly committed and proud to have the opportunity to complete this task.

### Annette Mosman

Chair of the Executive Board,  
Amsterdam/Heerlen, March 12, 2024



# About APG



**2023 in the picture: Minimum age for using AI**  
The United Nations wants a minimum age of 13 to apply for the use of AI in schools





# Who we are and what we do

APG is one of the largest pension administrators in the Netherlands. We take care of pension administration for eight pension funds. On their behalf, we provide services to a total of 4.6 million participants. These participants are people who are working or have worked in the public sector, in education (ABP), in construction (bpfBOUW), for a housing association (SPW), in cleaning (Pensioenfond Schoonmaak), in sheltered employment (PWRI), as medical specialists (SPMS), as architects (Pensioenfond voor de Architectenbureaus), and at APG itself (PPF APG).

## Support and Advice

APG administers these participants' pension rights, collects their pension contributions, and makes sure the pension benefits are paid on time. We support and advise the pension fund boards. And on behalf of the pension funds, we offer information and guidance to both participants and employers, whether through our Customer Contact Center or (increasingly) online.

We see the employers as important partners because they are close to the participants. We support them in fulfilling their administrative obligations and tasks, and when giving their employees information.

## Asset management

On behalf of ABP, bpfBOUW, SPW, and PPF APG — and their participants — we manage the assets acquired with paid pension contributions. We aim to use the returns on the investments we make on behalf of the funds to grow the assets in the long term. Like APG itself, our funds find it important that the money is invested responsibly. We achieve future-proof returns on investment

to ensure decent pensions for present and future generations — for today, tomorrow, and beyond.

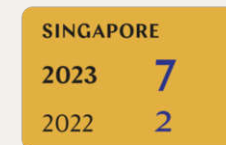
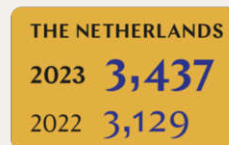
## Sustainable society

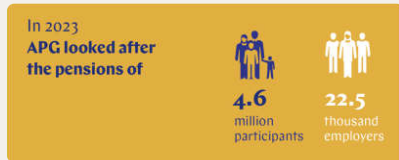
Pensions are about people, about life, and living together as a community. That is why at APG, we look beyond financial returns. Like the pension funds we work for, we are interested in contributing to a sustainable society. Relevant issues are solidarity between generations, reducing environmental impacts, the climate, standards and values, diversity, and digitalization. Because what use is a decent pension if the world around you has become unlivable?

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## Number of employees per region

on December 31





### New pension system

That world is changing. Our pension system too will soon look different. The Netherlands will transition to a new system over the next few years. That has been established with the Wtp, which came into effect in 2023. The new system must be implemented by the pension funds by January 1, 2028, at the latest. The first two

of our funds, PWRI and PPF APG, will already switch to the new pension system in 2025. The transition is an immense task, one that we will be tackling in close collaboration with the pension funds and their social partners — the employer and employee organizations. We are already working hard on this new challenge, while the operations for the current system continue unabated.

Our work is performed by our 4,500 plus staff (3,700 internal employees and 800 external colleagues) in our offices in Amsterdam, Heerlen, New York, Hong Kong, and Singapore, and the satellite branch in Brussels. They dedicate themselves every day to the people this is all for: the participants in our pension funds. Thanks to our 100 years of experience – first under the auspices of ABP and then, since 2008, as an independent organization – APG understands what pensions are really about. We put that knowledge and expertise to use, for example by contributing to the public debate. We want to help enhance people’s understanding of pensions and ensure that everyone in the Netherlands becomes financially fitter.

### Who does APG work for?

The eight **pension funds** we work for are our clients who instruct us in what we do. On behalf of these funds, we serve the affiliated employers and pension participants. We take care of pension administration for all of these funds and handle asset management for some of them. We assist the **employers** who are affiliated with our pension fund clients. They pay the pension contributions to the funds, and APG collects the contributions and invests the money on the funds’ behalf. Millions of people make use of our services: **participants**, surviving dependents, and current and former partners. Active participants are those employees who are affiliated with our clients through their employer. Dormant participants are employees who were previously employed by these employers and who have not yet retired. APG pays the retired participants pensions on behalf of the funds.



# Our core activities

## Pension administration

APG handles all aspects of the pension administration for our eight client funds. That means we are responsible for maintaining the administrative records, collecting the contributions, providing legal and actuarial advice to the funds, communicating with and assisting participants and employers, and advising pension fund boards. APG collects the contributions, pays the pensions, and provides the annual pension statement.

## Asset management

APG Asset Management manages assets worth €569 billion (as of year-end 2023) on behalf of four funds, of which ABP is the largest. The aim is to maximize the pension value while operating in accordance with our clients' objectives with regard to responsible investing. We seek to earn high returns in a sustainable and responsible manner, taking acceptable risks within the limits set by the policies of our pension funds, while paying due attention to the costs. We invest for the long term, keeping our pension funds' liabilities in mind. Over two thirds of the amount paid out as pensions

comes from returns on investments. This contributes significantly to the affordability of our clients' pension schemes.

## Fiduciary model

APG manages the assets according to a fiduciary model that we have developed

## Clients

APG works for eight different funds.



together with our pension fund clients. We distinguish three roles here. Fiduciary Management advises our pension funds. Portfolio Management implements our investment mandates. Risk Management continually monitors whether the investment process and the investments themselves remain within the agreed limits. The pension fund boards issue the investment mandates; they are drawn up with advice from Fiduciary Management, which also assesses how the mandates should be implemented. Around 70% of investments are managed by our in-house investment teams; the rest are managed by external specialists, who work under our supervision.

(ESG) criteria. Advising our clients on issues such as human rights, diversity, the environment, and climate change is an integral part of the services we offer.

APG develops new instruments and partnerships. This helps us keep the funds we invest for in the vanguard as regards responsible investing. This is also what the pension participants want: research shows that they expect the contributions they pay to be invested responsibly.

On behalf of the funds, we invest in a wide range of asset classes, including equities, bonds, and alternative investments such as real estate, private equity, and infrastructure. In the investment process, we use various sources and tools to perform in-depth analyses of companies and their profits. Artificial intelligence can help our investment specialists perform these tasks. In this way, we improve our models to let us better control the risks, obtain a clear picture of the investments, and increase the returns on the investment portfolio.

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**Responsible investing does not have to come at the expense of investment returns.**

When making investments, we take into account environmental, social, and governance





## 'We don't expect drastic changes in the investment mix'

Three questions for Ronald Wuijster, who joined APG in 2006 and has spent the past five years as a member of the Executive Board and chairman of the Board of APG Asset Management NV.

**APG's recalibrated strategy puts more emphasis on robust funds. Does that mean the pension funds will have more of a say in the investment policy? And what does that mean for asset management costs?**

"Our pension fund clients already have a

considerable say in the investment policy. In fact, they essentially determine the investment strategy and mandates. Asset Management bears responsibility within those parameters. It is good to keep that boundary clear from the perspective of the future too.

The costs are a recurring topic in our discussions with the funds, and that is one reason why they are increasingly interested in index products. That can take the form of 'active indexing,' whereby the investor knows what they are investing in via the index and what risks they are exposed to.

Of course, we are aware that our clients may compare us to other players in the market. Apart from one or two asset classes where we have become slightly more expensive in relative terms, such as equities and credits, our costs across the board are still in line with the market. Depending on the extent to which our clients wish to make use of index products, and how they wish to do so, we will adjust our costs accordingly."

**What impact are political developments having, in particular the increasing criticism of ESG —**

## responsible investing?

"We are aware of the counter-movement that has recently developed in opposition to ESG, particularly in the US but also in Europe. We find this a pity. At the same time, both we and our pension fund clients are convinced of the importance of responsible investing. Therefore we intend to continue putting maximum effort into this. This issue deserves an objective approach that puts aside any personal or political preferences."

## What impact has the new pension system had to date on how you manage assets?

"At present, we are mainly working on various analyses and calculations to arrive at a balanced allocation of the pension fund assets. Our aim is to find the right balance between the pension fund's goals and the investments that are needed to achieve them. Incidentally, we only expect slight shifts in the investment mix under the new system, rather than drastic changes."

# Our world today and tomorrow

**A lot is happening in the world around us that affects APG's pensions and the work we do, both directly and indirectly. Examples include economic and geopolitical developments, and the advent of the new pension system.**

## Unpredictable year

When inflation soared close to 10% in the course of 2022, central banks increased interest rates in an effort to cool down the economy. They continued this approach in 2023. The ECB doubled its policy rate to 4%, and the US Federal Reserve ended the year at 5.25-5.50%, the highest rate since 2001.

Increasing the policy rate is a blunt instrument that affects a wide range of sectors, and even central bankers cannot fully foresee the consequences of their actions. That made 2023 a somewhat unpredictable year.

The most surprising development was the buoyancy of the economy. The widely expected recession in America failed to materialize. Instead, we witnessed substantial economic growth in the US. That, together with the high expectations for artificial intelligence, pushed equity markets to new heights in the first six months.



**The expected slowdown in the economy did not materialize**

This sustained growth was not seen everywhere. The eurozone has barely grown at all since the end of 2022, and the Netherlands was technically in recession in the first half of 2023 after GDP declined for two consecutive quarters. However, this had less of an impact than previous recessions on most people due to the persistently tight labor market. Unemployment in the Netherlands remained

at historically low levels in 2023, while wages as determined in collective labor agreements increased by 6.1%, almost double the increase in 2022.

Furthermore, China's economy failed to live up to the high expectations. Despite the end of its zero-COVID policy, growth recovered only moderately.

## Interest rates and equity markets

High interest rates often have a direct impact on financial markets. Various regional banks in the US failed in March 2023, in part due to bond losses. In Europe, Credit Suisse collapsed, but a wider banking crisis was avoided. Economic pain due to the increasing expense of financing chiefly played a role in the third quarter of 2023, when rates on long-term loans rose steeply. But long-term rates fell again just as steeply in the final quarter. All in all, in 2023, the US 10-year treasury bond yield ended the year unchanged, while the long-term rate in Europe actually fell over the course of the year.



Equities started the year with gains, mainly attributable to just seven companies. The 'Magnificent Seven' all work with artificial intelligence (AI), a domain where a breakthrough was achieved at the end of 2022 with the launch of ChatGPT. This generative chatbot is capable of answering questions and solving problems in natural-sounding language. Its application could potentially lead to major productivity improvements in many sectors.

In the second half of the year in particular, equities moved in tandem with bonds, falling in the third quarter, then rallying strongly from November onwards. Below the line, both equities and bonds recorded robust returns in 2023, which reflects the confidence that inflation has been brought under control without sending the economy into recession.

For most Dutch pension funds, the lower long-term rates are disadvantageous. However, in 2023 returns on assets were enough to offset increased liabilities. Many funds were able to index-link their participants' pension entitlements while maintaining a relatively high funding ratio. This will help ensure a smooth transition to the new pension system, the

legislation for which came into effect in July 2023, shortly before the Dutch government fell.

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**There is now a majority in the Dutch Parliament that is critical of the recently enacted Pensions Act**

#### **Shifting Dutch political landscape**

The bill was passed by the Senate on May 30, 2023. It seemed then as if the transition to the new pension system was a settled matter, but the fall of the Rutte IV government one month later made everything less certain again. The elections in November changed the balance of power in the House of Representatives: the success of the PVV and NSC political parties means there is now a majority in parliament that is critical of the enacted legislation. It remains to be seen whether this will lead to further changes to the system. Meanwhile, Dutch pension funds are preparing for the transition to the new system in 2025 and beyond.

#### **Wars and international conflicts**

The number of military conflicts increased in 2023. The war in Ukraine continued throughout the year, and in October violence broke out in Israel and the Gaza Strip. Economic hostilities also intensified in 2023, including between the US and China. Although the instability did not lead to an energy or food crisis like in 2022, the risks have increased and the ever greater frictions in global cooperation are posing new challenges for investors.

Despite these forbidding conditions, participants at the COP28 Climate Change Conference in Dubai were able to agree on a declaration that spoke for the first time of a “transition away from fossil fuels.” Net carbon emissions must be zero by 2050. The urgency of the climate measures was underlined by the fact that 2023 was the warmest year by some distance since measurements began. A new temperature record was recorded for each month in the second half of the year.



## 'We implement our mission together'

Three questions for Harmen van Wijnen, chair of the Executive Board of ABP

**How does ABP see 2023?** “Despite the commotion in the world, we were able to increase pensions for our participants, thereby almost entirely compensating for the effect of inflation. We seek above all to provide our participants with a stable pension that maintains its purchasing power, and we achieved that. We also adopted our recalibrated strategy after our Accountability Body advised in favor of this. This includes a stronger mission statement: to work together on constructing decent pensions in a livable world. This mission sets the course for us over the next few years.”

**What are ABP's strategic goals?** “First, a controlled transition to the new pension system is crucially important for ABP, our participants, and the employers. The new system took shape following a meticulous process, with input from many different quarters, drawing on a great deal of professional expertise, and in collaboration with the social partners — employer and employee organizations. We owe it to our participants and employers to make this transition a success. We are already well on our way to achieving that. Of course we are also looking further ahead: what will future pensions look like for our participants? Our perspective is broader than simply the amount of money someone receives every month. We want to add value by acknowledging how pensions fit into someone's financial situation. In doing so, we consider all their health care and welfare requirements. After all, pensions are far more than just a financial benefit.”

**How do you see the partnership between ABP and APG?** “In 2023, we took further steps in our partnership. As a pension fund, ABP has a direct relationship with the participants, while we outsource administration to APG. ABP

retains ultimate responsibility as the client and coordinates matters. We are both getting better at this interplay between client and administrator, although there is undoubtedly still room for improvement. The crucial thing for us is that APG keeps our responsibility from a governance perspective clearly in mind and demonstrates this, for example in policy documents and reports. That requires an understanding of our role at all levels. It is good to see that APG has made reinforcing the robustness of the pension funds a priority in its own strategy. An important milestone for us at the end of 2023 was the broad outline agreement reached by the social partners. This provided a basic outline of ABP's new pension scheme from January 1, 2027. That was a major task. APG did a great deal of work for this too, and I really appreciate this. We have made good progress together regarding investments too. Take the development of offshore wind farms and our investments more broadly in infrastructure, where we maintain a balance between risk, returns, costs, and sustainability; APG manages to balance these different aspects well. It is good to see how the combined expertise of APG benefits us and our participants. That is how we implement our mission together!”



# How we create value

**We work with the pension funds to create good pensions. We are striving for growth across the board: growth in assets, people, and society. Prosperity and well-being are at the heart of our endeavor.**

APG dedicates itself to creating maximum pension value for society, the pension funds, employers, and participants. We do this in various ways:

- We invest pension contributions collectively and in a responsible way, thus contributing to the affordability of the pension system while making society more sustainable.
- We seek to be a trusted guide in the world of pensions, and to help participants become financially fitter.
- We offer high-quality services while keeping costs reasonable. This helps maximize revenue for participants.
- APG is a financially healthy organization that offers our shareholders responsible returns.
- We provide an inclusive working environment for our staff and actively commit to equal

opportunities and equal pay for equal work or work of equal value.

In our value creation model, we show how we create value, how we contribute to the United Nations Sustainable Development Goals, and what our intended impact is on people and society.

## What do our stakeholders care about?

Pensions are about people. In addition to our own staff, the pension funds, the employers, and the participants, our key stakeholders include the organizations we invest in, our strategic partners, and regulatory authorities. We are always looking to see which other organizations or institutions we can invite to join in the discussion. In the dialogue with our stakeholders, we are particularly interested in their expectations. We also discuss our objectives, strategy, and outlook with them, and share our knowledge. Our stakeholder dialogue policy can be found on the APG website. In it, we explain how we take the interests of our key stakeholders into account when

determining the aspects of our strategy that relate to sustainability.

## Our material topics

The context in which we operate is changing constantly. These changes affect our work, both directly and indirectly. The APG value chain is inextricably linked with the value chains of the client pension funds, as they outsource their pension administration and — in some cases — asset management to us. Thus it is only by working together that we can make a real impact and contribute to the United Nations Sustainable Development Goals. Every three years, we perform a materiality assessment, which is updated annually in the intervening years. This assessment helps ensure that APG's strategy, policy, and levels of accountability are in line with the expectations, demands, and wishes of all our stakeholders, and foster our sustainable long-term value creation.

## Double materiality

In 2023, we performed a comprehensive materiality assessment. In it, we applied the principle of double materiality. This is

the assumption of mutual interdependence, whereby relevance operates in two directions: the impact the company has on the environment and society, and also the impact

on the company itself are both taken into account.

We identified ten material topics based on this comprehensive assessment:

- **Effective control of pension administration**
- **Client and participant-driven organization**
- **Public support for the pension system**
- **Social investment returns**
- **Energy transition, climate change, and loss of biodiversity**
- **Financial investment returns**
- **Responsible and transparent administration costs**
- **Transparency and compliance**
- **Agile organization**
- **Digitalization and artificial intelligence**

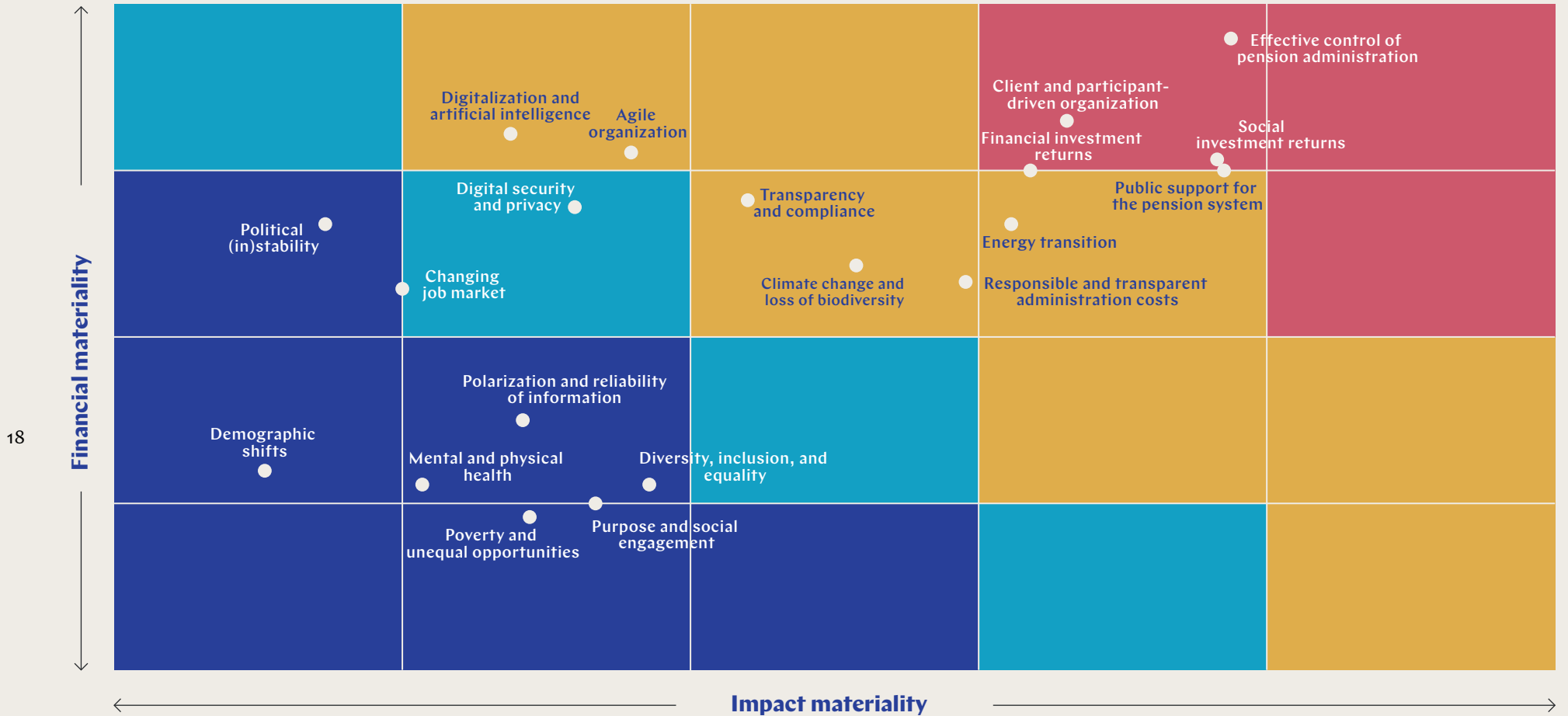
This annual report covers APG’s performance with respect to these 10 material topics.

## Stakeholders





# APG Materiality Matrix



■ Least material  
 ■ Slightly material  
 ■ Material  
 ■ Most material

## The UN's Sustainable Development Goals

Based on our value creation as a pension administration organization and asset manager, we selected four of the United Nation's 17 Sustainable Development Goals (SDGs) as goals that we want to contribute to through our business operations and our core activities of pension administration and asset management. We are developing measurement methods that will help us to get a better picture of our contribution, and consequently put us in a better position to increase our positive impact.

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### SDG 1: No poverty

Our objective was to improve the financial fitness of more than one million pension fund participants by 2025. In 2022, we started measuring the number of people we reach with our propositions in this domain. In 2023, we reached around 2.4 million people. Our objective for 2024 and beyond is to give pension participants good information and guide them appropriately in making choices about their pension.



### SDG 10: Reduced inequalities

We have targets for the male-female ratio at APG. In 2023, 32% of staff in the highest echelons of our company were women. The figure for the next highest tier was 33%, while that for APG as a whole was 37%. We are working on achieving our goal for 2026: more than 40% in the highest echelon, the tier below that, and APG as a whole.

APG achieved Candidate status on the Dutch Inclusive Employment Performance Ladder in 2022. This status means we have made a start on socially responsible and inclusive business practices. Our goal is to achieve Level 1 in 2025.

As of year-end 2023, 42% of our employees had contributed to APG Makes a Difference (32% in 2022), a platform where APG colleagues develop joint initiatives that help achieve APG's sustainability objectives. Our target is for this to reach 50% by 2025. We encourage all our staff to engage in activities that help the community and society at large.



### SDG 13: Climate action

We want to help the world stay on the pathway to the 1.5-degrees limit

established in the Paris Agreement. That is why we want our business operations to be climate neutral by 2030. We also aim to have halved emissions due to travel by then, and to have aligned our asset management with the Paris Agreement. By 2050, the emissions associated with the investment portfolio we manage for our pension funds should be net zero.

The net carbon emissions in Scopes 1 and 2 of our operations dropped further to 1,595 metric tons in 2023. The gross figure was 6,191 metric tons (the figures for 2022 were 1,989 and 5,390 metric tons, respectively). The total gross carbon emissions per FTE has fallen by 54% compared with 2019; the decrease in 2022 was 62%.

The [climate action plan](#) for the investment portfolio, which we published at the end of 2022, can be found on our website.



### SDG 17: Partnerships for the Goals

We want to set global standards for responsible investing together with like-minded people and organizations. This will help our clients to remain at the forefront in this area.

A significant example of our efforts is the Sustainable Development Investments Asset Owner Platform (SDI AOP). This platform for asset managers provides information on how investments contribute to the UN's Sustainable Development Goals. We are encouraging the market to adopt this platform as a standard, which will allow the share of sustainably managed assets to grow considerably in the coming years.



Work session at APG's Heerlen office



# Value creation

## External perspective

### Trends & developments

- New pension system
- Transition to a sustainable society
- Growing client expectations
- Uncertain macro-economic conditions
- Increasing cyber-crime
- Over-stretched labor market

### Material topics

- Pension administration
- Services
- Public support for the pension system
- Social returns
- Climate and the environment
- Financial returns
- Administration costs
- Transparency
- Agile organization
- Digitalization

### SDGs

- Agenda for sustainable development

## Input

### Our clients

- Eight pension funds, four of which we administer pensions for, and four of which we manage assets for
- 22,500 employers and 4.6 million participants are affiliated to these funds

### Staff

- Competencies, knowledge, and network of approx. 3,700 staff

### Society

- Pension system with pension accrual through the employer
- Financial fitness

### Shareholders

- ABP 92.16%
- SFB 7.84%

## Value added

We want to share prosperity and well-being into the long term

We do this with our mission:

“  
**Building your sustainable future together**”

Our aim is to **maximize pension value**

We work towards our aim by implementing controlled and **participant-driven pension administration and asset management**, aimed at high returns, in a sustainable, responsible manner

We help participants to get a **grip on their income for today, tomorrow, and beyond**

## Output

### Our clients

- Approx. €67 of every €100 of pension paid out comes from investment returns
- NPS of +3
- 11 basis points of excess return (5 years)
- Cost per participant: €117 (regular services: €86 + strategic initiatives: €31)
- Propositions for financial fitness reach almost 2.4 million people

### Staff

- Male to female ratio 63%/37%
- Narrower gender wage gap
- Employee engagement score 7.8
- Sickness absence 3.8%

### Society

- Pension accrual for 4.6 million participants
- Reputation score 71.8
- UN PRI Benchmark developed
- APG brand awareness 25%

### Shareholders

- Returns from equity 4.3%

## Results

### Our clients

- High-quality services at competitive prices
- Guidance for pension funds on the pension system, sustainable and responsible investment
- Support, coaching, and guidance for employers and participants

### Staff

- Meaningful, inclusive employer
- Diverse, inclusive teams
- Equal pay for equal work
- Fit employees

### Society

- Future-proof pension system
- Financially fitter Dutch population
- Renowned organization
- SDI AOP adopted by the market

### Shareholders

- Sustainable and responsible investment with socially and financially sound returns

## Intended impact

### Our clients

- Broader public support for the collective system
- Affordable system
- Sufficient indexation options
- Satisfied pension funds, employers, and participants

### Staff

- Less income inequality
- Sustainably employable staff
- Enrich intellectual property

### Society

- Less poverty among senior citizens
- Dutch population is financially fitter
- More funding for a sustainable, healthy, inclusive society

### Shareholders

- Continuity of our organization and our relations with shareholders

## SDG contribution



# Our ambitions and our strategy

**The Wtp came into effect on 1 July. This means major changes are ahead for us, and we will need to make our organization more agile than ever. On the one hand, we are engaged in a complex transition to the new system, while on the other hand we have to maintain our high standards in the quality of our day-to-day services.**

## Recalibrating the strategy

In the first six months of 2023, the Executive Board reviewed the organization’s current strategy. This is part of the regular, three-year strategic cycle. In a series of sessions on strategic themes, APG’s Executive Board considered the impact on the strategy of the most important external and internal developments. The Board’s conclusion was that the strategy is still solid, but we need to further flesh out the strategic pillar of “robust pension funds.”

The pension fund clients are facing various societal developments, shifting expectations among participants, increasing requirements from regulatory authorities, and far-reaching changes in the pension system. What is more, our pension fund clients operate in a complex stakeholder landscape.

We want to give them the best possible support in this regard, for example by obtaining an even better picture of the strategic context in which a fund operates. We seek a thorough understanding of the questions they get from their stakeholders and the world around them, what relationship they want with their participants, and what they need in order to respond effectively to the key strategic issues. In this way, we can help them get a better grip on their environment and maintain their strong position.

## Maximum pension value

Under the new system, too, we want to create the best possible pensions for participants, in a livable, sustainable world. In our strategic goal, we articulate this as “maximizing

pension value.” Our mission is: “Building your sustainable future together.”

## Strategic pillars

We operate on the basis of three strategic pillars: we are the leading pension administration organization; we empower our pension fund clients; and we are a trusted guide for the participants in the pension funds.

### Leading pension administrator

The robust administration of our clients’ pension schemes is the basis for everything APG does. We are also an asset manager with a solid international position. We invest within the risk profile of our clients, taking ESG criteria into account.

### Robust pension funds

Pension funds have to deal with many issues at present. APG wants to offer its pension fund clients maximum support so that they can respond optimally to the challenges they face. We do this by offering qualitative services that meet the funds’ needs and by helping them bolster their relationship with their

participants. In the recalibrated strategy, APG has decided to put more emphasis on this strategic pillar.

**Trusted guide**

Together with our funds, we help participants make conscious choices about their income for today, tomorrow, and beyond. We are continually working to find appropriate solutions and to develop coaching and guidance services that will help participants stay, or become, financially fit.

**Five building blocks**

Our goal is to maximize pension value. To achieve this, we have defined five strategic 'building blocks':

1. We are a leading long term responsible investor. We invest sustainably and responsibly. Digitalization plays a key role: we make extensive use of data analysis and the latest techniques to optimize the investment process.
2. We administer pensions with effective control; this is the basis of our services to the pension funds. The processes are carried out efficiently, we are always in control, and the data is of high quality.
3. We are adapting our organization and

systems to be ready in time for the implementation of the new pension system. To this end, we have created the Pension of the Future program, which is in full swing.

4. We want to be a participant-driven organization; we continually adapt our working methods and competences to ensure that.
5. We are a trusted guide in the pension world,

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**Strategic pillars**

**Strategic building blocks**





for our clients, for participants, and for society at large. We deploy all our knowledge and expertise to this end.

### The foundation

We need a solid foundation so that we can execute our strategy successfully. We rely on committed and knowledgeable staff and on well-functioning IT systems.

### Our staff

Our staff and their professional development are a top priority for us. We invest in our employees to ensure they can adjust to a constantly changing environment. This is key, especially in the transition to a new pension system. We create a safe environment with good employment practices, where everyone can be themselves, and where we work together in a results-oriented and enjoyable way.

### IT and data

Increasingly high demands are made of data and IT. Having optimal IT systems will allow us to make changes faster, provide additional functionalities, and continually develop digital services and products for participants and employers. It is essential that all digital

applications and processes be fully secure, that we safeguard the privacy of participants, and that we comply with all laws and regulations.



**We rely on committed and knowledgeable staff and on well-functioning IT systems**

### A new reality

After years of negotiations, the Wtp came into effect on July 1, 2023. This marked the official start of the transition to the new pension system. That system ranks high on APG's strategic agenda. We had already started on the essential preparations some years ago. In 2023, we decided when each fund would transition to the new pension system. This timetable helps us to align the available capacity in our organization with the required tasks, so that all the funds we work for will be able to make the transition with due care. The first pension funds

will switch to the new system in 2025, and the last ones in 2027, as per the timetable.

The theme of the present report — 'A new reality' — ties in with these developments. With the prospect of a new pension system, we have entered a new reality. APG is already partly operating in that new reality, even though the pension funds we work for will only start switching in 2025.

### Priorities

In view of the developments we face in society generally and pensions specifically, we have identified a number of priorities. Setting priorities means we have to make choices, but without compromising on the quality of our services. In close consultation with our pension funds, we determine the sequence and feasibility, with due consideration for the clients' ambitions.

Specifically, that means the following:

- We check all the data in our pension administration system, so that we are ready for the transition to the new pension system.
- We provide support to the funds and social partners (employer and employee organizations) as they make important and often tricky decisions on the specifics of the new pension system and the transfer of participants' pension entitlements from the current system to the new one.
- We are constructing a new administration system for policies and assets, and we are designing, developing, and testing the transition process.
- We are speeding up the process of making our client funds' investment portfolios more sustainable.
- We are making good progress on the digitalization agenda, in accordance with the funds' ambitions.

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We discuss further developments relating to our priorities in the chapter “Our results in 2023.”



Colleagues having a discussion at APG Asset Management





## 'There are compelling arguments for the new pension system'

Three questions for Fieke van der Lecq, professor of Pension Markets at Vrije Universiteit Amsterdam and government commissioner for the pension transition as of January 1, 2024.

**As a Crown-appointed SER-member, you were involved in the new pension schemes design, which formed the basis for the new system. Are you pleased with the result?** “I am pleased to see the abolition of the average pension contribution system. Young people pay too much relatively speaking for their pension accrual in the current system. That will end: pensions will be higher now that the funds will be able to invest the

contributions for longer. The young benefit from this, which is important too in ensuring their support for the system. A lot of complexity has crept into the new schemes. But there are still good arguments for why they are needed. Broadly speaking, we now have two schemes for the funds to choose from: the solidarity defined contribution scheme and the flexible defined contribution scheme. I hope the two schemes will converge over time to make the situation even more clear-cut.”

**You hold the chair in Pension Markets. Do you see the playing field changing?** “The pension funds have other things to worry about at the moment. But I expect to see further consolidation: funds will continue to merge. We once had over 1,000 pension funds; now there are only about 150. Economies of scale are really important. It doesn't much matter whether you write a computer program for 10 participants or 10,000, so you should go for 10,000, as that is cheaper per person. The new system will encourage this development because there will be just the two standard models for the schemes. In addition, being on the board of a pension fund has become

increasingly difficult, and there are fewer and fewer people willing and able to take on that job. There are more rules and it has become more technical. Fund directors need more professional know-how. That too is a factor spurring fund mergers. The smaller pension funds in particular will eventually decide they are stronger together.”

**What will you be doing as government commissioner?** “I will be advising the Minister for Poverty Policy, Participation, and Pensions on progress in the transition to the new pension system. I will be talking to different parties in the sector — not just the pension funds and insurers, but also the administrators, social partners, and regulatory authorities, among others. I will be monitoring whether the transition process goes smoothly and sufficiently quickly. Do we see a group lagging behind, and if so, do they need help or a prod in the right direction? The website [werkenaanonspensioen.nl](http://werkenaanonspensioen.nl) offers support with the transition: Pension professionals can use it to obtain information and assistance. We may encounter problems at some point that can be addressed in a sector-wide approach.”



# Our results in 2023

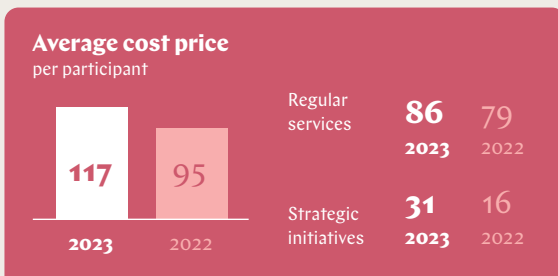


**2023 in the picture: Larger wage gap**  
Men now earn 7.4% more on average than women. Two years ago, the difference was 5%. These figures come from a study by Intermediair and Nyenrode Business Universiteit in 2023.

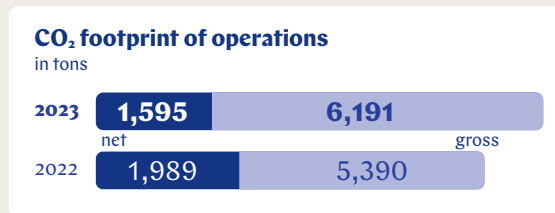


# The world of APG

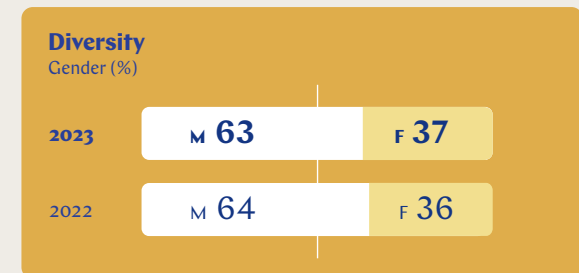
## Participants



## Results



## Employees





# Pension administration

**In 2023, APG continued to focus on delivering a pension administration service that is future proof.**

The pension information sent to all stakeholders must be correct and timely, and it must be accessible, comprehensible, balanced, and clear. That constitutes an essential task for APG because shortcomings in the performance can lead, for example, to a failure to pay out pensions, or a failure to do so properly, to reputational damage, and to financial losses.

In the lead-up to the new pension system, we continue to deliver our regular services while also preparing thoroughly for the transition in due course. We are in constant dialogue with our clients and the regulatory authorities about these operational challenges. We stay alert to the questions that arise and to the impact of certain decisions. Constructive collaboration between the government, the regulatory authorities, the social partners (employer and employee organizations), the pension funds, and the administrator is crucial.

## Data quality

We are constantly looking for ways to improve the quality of data, for example by rectifying errors or missing information. Such issues can arise due, for example, to an accumulation of complex rules, numerous technical changes, and exceptions. New technology and analysis methods make it possible for us to perform even more precise checks than in the past.

After starting the Getting Data Under Control program for the rectification of data in 2020, we are now implementing the Integrated Data Quality Plan for ABP in preparation for the transition. This plan follows on from the Getting Data Under Control program, and ties in with the Data Quality Framework issued by the Dutch Federation of Pension Funds, and the Good Practice norms established by De Nederlandsche Bank (DNB) for the transition to the new system. DNB checks that pension funds and administrators have sufficient insight into the quality of their data. Only with proper data can the individual 'pension capital' be calculated correctly and the transition take place.

In the interests of participants, in 2023 we continued analyzing, purging, and correcting data to make sure we have the basic administration system in a fit state for the transition to the new pension system. Now that a transition timetable has been established, we were able to determine agreements and schedules for this exercise with the pension funds, to guarantee the controlled transition of the funds.

## Pension of the future

In the Pension of the Future program, which we started in September 2020, we are preparing for the transition to the new pension system. As stipulated in the Wtp, all pension funds must have completed the transition by January 1, 2028.



## Pension indexation

In 2023, all the pension funds we work for increased their pensions. The PWRI board granted a supplement as of July 1, 2023. The indexation rules that apply in the lead-up to the new pension system make that possible. On January 1, 2024, the boards of ABP, PPF APG, PensioenfondSchoonmaak, PFAB, SPMS, and SPW again made use of the option to increase pensions and pension accrual. The funds bpfBOUW and PWRI chose not to increase pensions as per January 1, 2024.

All increases were implemented successfully in close collaboration with the pension funds. Active and retired participants were informed individually about the increase in their pension accruals or benefits.

The eight pension funds served by APG have already made good progress on implementing the Wtp. For instance, the social partners of bpfBOUW have consulted their members about the new pension scheme; a large majority supports the proposed new scheme. PWRI

(sheltered employment) and PPF APG (the pension fund for our own employees) have already decided to make the switch and have submitted the required documents to De Nederlandsche Bank.

Based on the current timetable, PWRI and PPF APG will make the transition on January 1, 2025, with bpfBOUW, PensioenfondSchoonmaak (cleaning sector), and SPW (housing corporations) set to follow on January 1, 2026. ABP, SPMS (medical specialists), and PFAB (architecture firms) have opted for January 1, 2027. The original plan was for ABP, our largest client, to make the switch in 2026. In close consultation with ABP, we have now decided on 2027. We will use the extra time to clean up the data and perform tests, to ensure a smoother transition.

### Policy and capital administration system

Together with Festina Finance, we are setting up a new policy and capital administration system. We are developing a new communication platform for participants. It will let us inform participants of the current value of their personal pension capital, in a personalized environment.

## Our timeline

At the end of 2023, some 500 APG employees were working in the Pension of the Future program. We expect this number to increase to around 600 in 2024, and gradually decline again thereafter.

In 2024, the focus will be on the transition of the first funds in 2025. This involves transferring the current pension fund assets to the new pension scheme. Important activities are integrated end-to-end testing and the trial migrations, where we check whether the IT systems and infrastructure function correctly and whether the entitlements and capital amounts are calculated correctly. The first funds will make the switch in 2025. Meanwhile, we will continue with preparations for the funds that will be switching in 2026 and 2027.

### Milestones in 2023

The new pension system requires adjustments in our operations and changes in the services we offer. Thorough preparations must be made in various domains, from the timely upskilling and retraining of staff to amendments to systems and procedures.

Some milestones that we achieved in 2023:

- We established the transition timetable for the eight funds in close consultation with the fund clients.
- We drew up various mandatory plans (for the transition, the implementation, and the communication). These are finalized plans for the funds due to switch in 2025, and draft plans for the funds that will be switching later.
- The data cleaning process is on schedule for all funds.
- What is termed the 'integration playbook 2025' is ready for use. Everything is ready for the test migrations in 2024.
- The setup for services to participants and employers is ready and can be implemented.
- The target systems (including the payment process) are ready for integrated end-to-end testing.



**Presentation during what are termed the “PI Days,” when we look ahead at the tasks for the next quarter**





## 'We are quite advanced with the implementation of the Wtp'

Three questions for Tinka den Arend, head of Policy at APG.

### How do you feel looking back at the political developments surrounding the Wtp?

"After fifteen years of studies and negotiations, we have a new law. The pre-election Senate passed the law after discussing it in detail. However, they waited first to see what the new composition of the Senate after the provincial council elections would be so they could be sure the law would have enough support there too. With that political majority in the Senate and

the House of Representatives, you expect that such an important agreement reached by the stakeholders can form the basis for your long-term policy. However, we saw with the elections to the House of Representatives that this can still reintroduce uncertainty. APG and the pension funds have dedicated themselves to implementing the legislation and regulations, and we are already quite advanced in this process. We have incurred a lot of costs to accommodate this change in the system. Given the new political constellation, it will be interesting to see whether we can recoup those costs in the new system as intended."

### Had you allowed for this political scenario?

"It was one of the possible scenarios, but not the most likely. The coalition government was not doing well in the polls, so we had expected the coalition parties would embrace one another and not risk letting the government collapse."

### Do you expect the Wtp to be retained in its current form?

"There has been a political landslide. But it is not yet clear whether the four parties that

are currently in negotiations will actually be able to form a coalition government, come to an arrangement where one party offers support without being in the government, or fail to agree on anything. In the latter case, completely different political combinations are a possibility. Depending on the outcome of the coalition negotiations, various future scenarios are conceivable for the new system, with a major impact on the funds and their participants, and consequently on APG. But the main thing is that the higher, more stable pensions the participants were promised now look somewhat less certain. On the other hand, the Wtp can still rely on a majority in the Senate. It is also a positive sign that both the Minister, Carola Schouten, and various party spokespeople for pensions among the new MPs have said they expect any proposed amendments to receive the same meticulous consideration as the bill for the Wtp. It is important then as well to look at the advice given by the Council of State and the feasibility, and to weigh up the interests of the different generations, and come to a good balance."

# Service

**Participants and employers are at the heart of the services we provide for our pension fund clients. We aim for high levels of satisfaction. Participants need to be confident their pension money is in safe hands, and to be able to trust us to help them make what can be complex decisions about their pensions.**

## Customer contact

APG's Customer Contact Center is pivotal for communication and the provision of information to participants. Every month, the Center answers some 42,500 questions from participants about their pensions. Participants can contact us by phone, email, social media, and the chat option. They typically contact the Center and look for guidance when the time comes to claim their pension.

The Customer Contact Center also answers questions put by employers and accountants; in 2023, there were over 62,000 interactions (64,000 in 2022). These questions are mostly about supplying wage and contribution data on participants.

Seeing as we find it important to monitor closely what participants and employers think of our service, we actively ask for their feedback. Participants rate the service with a score of about 8.5 out of 10.

We underline the importance of offering good customer service by letting all APG staff experience the service offered by the Customer Contact Center. In 2023, more than 800 employees listened in on conversations conducted by the Customer Contact Center. For new employees, learning how to be customer-driven is a standard element of the onboarding program. We have labeled International CX Day (Customer Experience Day) 'Participant Day.' On this day, the first Tuesday in October, we organized special activities in our offices to focus on the importance of being participant-driven.

## Assistance with choices and the duty of care

In our communication with the participants, it is extremely important that we inform them clearly about what is different in the new system

and what consequences that has for a given individual pension. When the Wtp came into force on July 1, 2023, the new open standard 'Assistance with Choices' came into effect too. The pension funds have a duty to act in the interests of the participants. The funds should do their utmost to assist the participants properly in making choices about their pension.

The funds have the right to outsource the assistance with choices to a pension administrator. That is indeed what our pension fund clients have done: APG takes charge of these tasks on behalf of our pension fund clients.

One aspect of the more rigorous duty of care is that we must encourage participants to look at their pension. We expect there to be far more contact occasions with participants in the new system. APG will inform participants monthly about the size of their pension capital, the money they have paid in, the returns, and the projected pension. This signifies a major change in our communication with participants. Customer-facing staff have already started



training to be able to provide assistance with choices.

### In control of your income

When society is continually changing, it can be difficult for people to stay in control of their income. Indeed, the pension funds realize they need to offer coaching and services that give participants an overview and insight.



**When society is continually changing, it can be difficult for people to stay in control of their income**

We continually strive to improve the pension decision-making processes so that participants can make the choices that are right for them. We use the latest technology, such as artificial intelligence, big data, cloud computing, and machine learning, to develop new solutions and offer our customers an ever smarter and more personalized service.

### Overzicht & inzicht

Overzicht & Inzicht is a calculation tool that is available in the online 'My' environment of the ABP, SPW, PPF APG, and bpfBOUW pension funds. It lets participants quickly and easily get an idea of their retirement income. Participants can see the effects of retiring early. The tool also shows directly how much money is left over or still needed in a given month, whether certain pension choices are feasible in practice, and what the participant can already do now to improve their situation later on. Due to the introduction of an improved design of the 'My' environment, availability of the calculation tool was interrupted at times. Fewer participants made use of it in 2023: 252,007 participants (320,000 in 2022).

Our aim is to improve the financial fitness of people in the Netherlands. The number of participants in our pension funds with insight into their retirement income on went up to 2,760,000 in 2023 (2,300,000 in 2022). With the new pension system about to be implemented, we will no longer be reporting the number of participants with insight into their pension capital. The changes in the rules mean the personal pension capital will look different in

future. To avoid confusion, our largest client, ABP, has stopped using the 'insight into pension capital' tool.

### Pension coach

As their retirement date approaches, participants can use the Pension Coach to generate a personal pension proposal. They get online guidance and enter their personal information step by step, such as the age they want to retire at, and their expected income and outgoings. The Coach gives them a handy, tailor-made pension proposal, including a roadmap for any further action they could take. They can then immediately apply for the full or part-time pension.

Kandoor, APG's platform for people to ask questions about their money matters anonymously and free of charge, shifted its focus from quantity to quality in 2022. The target for 2023 was to double the number of people saying they had been helped well. This target was achieved, with 438,000 users saying they had been helped well (172,000 in 2022).

## Appreciation

We assess the success of our customer-driven approach using two indicators: the Net Promoter Score (NPS) and the Customer Satisfaction Score (CSAT).

### Net Promoter Score

The NPS measures how likely participants and employers would make a point of choosing one of our member pension funds if they were allowed to arrange the pension themselves. The score for participants was the same as the previous year, namely +3. Our score for employers in 2023 was +21.6 (+5.7 in 2022), the highest score since measurements started in 2017.

### Customer Satisfaction Score

As of January 1, 2024, we will no longer be using the NPS measurement. We will switch instead completely to the Customer Satisfaction Score (CSAT), as we feel that is a more appropriate indicator. Whereas the NPS focuses on customer loyalty over the longer term, the CSAT provides a better understanding of what customers think about specific aspects of the service. That makes it easier for us to take targeted action in response. In 2023, our

average CSAT score on a scale of 1 to 10 was 8.0 (7.9 in 2022). Participants gave us a score of 7.8, the same as in 2022, while employers gave us 8.6 (8.5 in 2022).

### Gouden Oor

We are pleased with these scores, certainly in times when there is considerable pressure on our people and the available capacity. Our efforts received recognition last year from the Gouden Oor foundation, which promotes the systematic integration of 'the voice of the customer' into organizations' policies and processes. APG received the Gouden Oor Erkenning label for its services on behalf of ABP and for its services on behalf of SPW.

## Brand awareness and reputation

APG measures brand awareness and reputation to better understand what society thinks of us and expects from us. We hope better awareness of APG will help us make more of an impact and make it easier to recruit staff. We use the RepTrak methodology to measure these aspects. In 2023, this showed that 25% of people in the Netherlands were familiar with APG (25% in 2022). Our target for 2023 was 28%.

Our reputation remains strong. The score fell slightly from 72.2 in 2022 to 71.8 in 2023, and was somewhat less than the target for 2023 of 74. This score expresses the appreciation of APG among those people in the Netherlands who know us. Our highest reputation score was in the age group 35 through to 44. APG scores highest for 'working environment' (equality, remuneration, engagement), 'performance', and 'products and services'; it scores less well for 'innovation'. The key reputation factors for stakeholders are 'honesty in how business is done', 'high-quality products', and 'ethical conduct'.



## 'You gain trust with good communication'

Three questions for Lisa Brüggén, director of the pension knowledge network Netspar. She is also professor of Financial Services at Maastricht University.

### **Netspar advocates clarity and comprehensible language. How is the pension sector doing at a time when there is a lot that needs explaining?**

"I see improvements in the communication. It's not just a question of avoiding difficult words; it's also about the logical flow and the sentence structure. People need to be able to follow the thread immediately. The pension

sector has a tendency to talk about mechanisms and techniques, but you shouldn't be burdening participants with that. Take the frequently used technical term 'invaren' (to integrate), a Dutch word that doesn't really exist. It would be better to say: 'The pension will be transferred'. This is what it says too in the manual 'Onze taal op groen', published by the Dutch Federation of Pension Funds, which gives straightforward alternatives. Put that document next to your computer for reference."

**How can pension funds and administrators manage the new Pensions Act's obligations regarding communication and assistance?** "It's a challenge. For example, the funds will have to show three summary diagrams: what you would have got in the old system, what you get in the new system, and what you might get 10 years after you retire. Each diagram has three arrows, as if you were navigating in a car: straight ahead is your projected pension income, the left turn is if you have bad luck, and the right turn is if you have good luck. That is an awful lot of information. In the final analysis, people basically want to know whether they will be better off or worse off.

And it is precisely that question which is almost impossible to answer. I am pleased the funds will be required to assist people properly in making their choices. Do you want to retire early, or later? Do you want less pension in the first few years, or more? Those choices determine your income for the rest of your life. But how will the pension funds tackle that? With an online tool? With a personal assistant for your choices? That is up to the funds: they are being forced to reflect on what would be most appropriate for their participants."

**That requires a lot of trust in the funds. And trust in institutions seems to be at a low ebb at present.** "Trust may be low for reasons that may have nothing to do with the pension or the fund itself, but rather with a general feeling of distrust of the government. Take the problems caused by gas extraction in Groningen province, or the childcare allowance failings. But you can gain people's trust with good communication, with a well-worded letter or a friendly employee who gives unambiguous answers. Always be clear and honest. You need to make sure people trust the fund to be doing its best to let their pensions grow as much as possible."

# Public support for the pension system

**The sector wants to enhance public support for the pension system as the transition is made to the new system. APG too finds it important that participants trust their pensions will be administered fairly and with due care.**

The new rules in the Wtp are aimed above all at making the system future-proof so that it can continue to enjoy broad public support. More specifically, the aim of the Wtp is to make higher pensions more likely, to boost transparency by providing information on the personal pension capital, and to better align the system with the labor market. At the same time, the starting point was the maintenance of the strong points of the current system, such as collectivity, solidarity, and mandatory saving for pensions. That lets us keep costs low, share the risks that a single individual could not bear, and safeguard decent incomes for seniors.

## Clear communication

Clear communication about the transition to

the new pension system is essential. That is why we conducted neuromarketing research in 2022 to explore how we can provide information about the new pension system in more comprehensible language. The Dutch Federation of Pension Funds then drew up guidelines on language use, partly based on our research. APG now consistently uses these guidelines. Since the end of 2023, ABP, APG, and the Dutch Federation of Pension Funds have jointly been conducting a follow-up study on how to further simplify the language used.

## Trust in pensions

Together with our eight pension funds, we want to make sure participants trust the arrangements made for their pensions, both now and in the future. APG contributes to this in various ways.

## Workable laws and regulations

Together with the pension funds and the Dutch Federation of Pension Funds, APG has made every effort to ensure the laws and regulations are workable and can be justified. We have shared our knowledge of participants'

wishes, as well as the financial, legal, and administrative aspects, with the rest of the sector wherever possible. This included the surveys APG conducted among the pension funds' participants.

## Advising fund boards and social partners

APG's research also plays an important role in the advice we give to social partners (employer and employee organizations) and fund boards on how to design the new pension schemes. What risks are participants in different age groups willing and able to bear? What fluctuations in personal pension capital and paid out benefits do participants find acceptable? What is the best way of informing them about the new pension rules? How do participants feel about solidarity? APG advises pension funds' boards and social partners on how they can reflect participants' wishes in the design of the new pension schemes, and thereby make sure the schemes are aligned with what participants find important.

## Pension Barometer

APG also surveys how the Netherlands as a



whole feels about pensions. In the monthly Pension Barometer, we monitor the knowledge, attitudes, and level of confidence of Dutch people regarding the current and new pension systems. The APG Pension Barometer surveys a representative sample of Dutch people who currently accrue or have accrued a pension through their employer.

### Introduction of the new pension system

The Wtp came into force on July 1, 2023, after 15 years of discussions about a new system, a pension agreement that had broad support, and a very meticulous legislative process that included extensive debates in the House of Representatives and Senate of Dutch Parliament. The act has its origins in the agreement on the modernization of the pension system that the government concluded in 2019 with the employee and employer organizations. The sector has been preparing for the implementation of the legislation since then, because that agreement enjoyed broad support.

While most Dutch people are now aware that a new system is being introduced, they have

little or no idea what it will mean for them personally. That is not surprising, given that it is not yet possible to provide them with insight into the consequences of the new law for them individually. To do that, the social partners and pension funds first need to fill in the details of the pension scheme. The closer we get to the actual transition to the new system, the more we can move on from information about the process to insights into the tangible effects for participants.

But now the new law has come into effect, people are questioning it. Lack of clarity about what the new pension system means for them is also causing concerns. As a consequence, trust in pensions is low. The score for the confidence index was -3.5 at the end of 2023 (APG Pension Barometer, 2023). Confidence in the current pension system is slightly higher. The confidence index score at the end of 2023 for the current pension system was 2.5 (end of 2022: 0.0).

### Support of the reserve

In the new pension system, pension capital amounts and incomes fluctuate in line with the economy. Financial setbacks can be compensated using the solidarity reserve.

The aim of this reserve is to share the gains and losses (for example relating to investment risks and fluctuations in inflation or life expectancy) between participants. In this way, this shared buffer ensures more stable and consistent pension payments and evens out the differences between generations caused by good or bad luck.

A survey by APG among retired and active participants, and the retired participants of 38 industry pension funds, revealed considerable support for this solidarity buffer.

## Dilemma

Should we maximize communication with participants about the new pension system or only inform them when it is relevant to them?

Do we want to communicate more, or do we want our communication to be more relevant? Should we focus on correct content and the personal

impact, or should we use the power of repetition to nurture the right associations?

In the Wtp, one of the five guiding principles for service provision, and therefore communication, is: “Give participants a grip on the subject. Focus on what there is, and offer maximum certainty in the communication. Tell them more as soon as we know more.” In other words, only inform them about matters that are clear. Do not speculate, as

that can further undermine participants’ already weak trust in the system.

Another guiding principle is: “Provide peace of mind and support. Start off by giving information to those participants and employers who already wish to know more now.” If you follow this course, you will be communicating more. Deciding which approach to take remains a challenge.

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The people of the Netherlands are being informed about the new pension rules in stages through a government publicity campaign, which includes a short informative video. When surveyed, 27% of respondents had seen the informative video on the television (APG Pension Barometer, October 2023). 37% of the respondents found the message credible, and 20% said the video increased their trust in pensions in the Netherlands.

The coalition government collapsed soon after the Wtp came into effect. Elections for the House of Representatives took place on November 22, and resulted in a marked shift in the share of seats per party. Parties that have criticized the Wtp made substantial gains.

This raises the question of whether the changed political arena will have consequences for the transition to the new pension system. Regardless of what the politicians decide, the renewed debate will not help achieve the clarity desired by the pension fund participants, nor will it help pension funds give participants the desired peace of mind and certainty in the transition to the new pension system.



## 'A lot still needs to be done in 2024'

Three questions for Wim Koeleman, managing director of Pension of the Future at APG.

**PWRI and PPF APG will transfer to the new pension system on January 1, 2025, the first pension funds to do so. Are they the proverbial "guinea pigs"?**

"They will be the first pension funds to go through the entire process. Our other pension fund clients are, therefore, very interested to see what lessons we learn from this. The process is on schedule, but an awful lot still needs to be done. First, we need to make sure PWRI and PPF APG are able to make

the transition; the data on their participants needs to as correct and complete as possible. Both funds have already been through an intensive procedure, which they completed successfully. In addition, all the pension entitlements have to be converted into individual capital amounts. The calculation rules for this need to be finalized. They will differ per fund as they are based on a combination of substantive agreements, pension regulations, and policy terms and conditions. That is a major, complex task.

We are training APG staff in the new pension schemes and working methods. At the same time, we need to keep enough capacity available for the day-to-day work — as that is continuing as normal. We also need to know what to do about participants who retire, become unfit for work, or die in those final months. In addition, we are already working hard on the preparations for the funds that will be switching in 2026 and 2027. Plus, of course, all the processes and systems will need to be in place then."

**You are currently building those systems. Will you have enough time to test them?**

"We will have a number of trial runs. We won't just

be testing whether the software for the various components is correct, but also how it behaves end to end. In the last while, we have performed some partial migrations with a small sample, but a trial migration involves the entire pension fund population. We look at what happens step by step. Are there data losses, is there anything unusual? If so, we repeat the exercise. The actual switch will take place in the first two weeks of January 2025.

**"Who determines whether the final transfer of a pension fund goes ahead?"**

"The pension funds take the go/no go decision. Are we able to make the transfer? Is everything ready at APG, have all the participants been informed? Do we want to make the transfer? There could also be last-minute financial setbacks or surprises — the stock market might collapse, for instance. And are we allowed to make the transfer? The pension funds have to submit their plans to the Dutch central bank (De Nederlandsche Bank) and the Dutch Authority for the Financial Markets for approval. If they think something is not right, they can block the move."



# Social returns

**Pensions are about people, about life and the community. That is why we do not just consider the financial aspects of current and (potential) investments, but also how a company treats people and the environment, and the company's governance. The positive impact of the investments we make on behalf of our clients helps create a livable world for current and future generations.**

Our investment policy satisfies the OECD Guidelines for Multinational Enterprises. We invest preferably in companies that meet our pension fund clients' risk and return expectations and ESG (environmental, social, and governance) criteria. We expect the companies we invest in to comply with the principles of the UN Global Compact on human rights, labor rights, the environment, and anti-corruption.

It is possible that we might invest in a company that demonstrates shortcomings in certain ESG aspects, but we only do this if we believe we can persuade the company to implement the necessary changes.

The four pension funds for which we make investments are constantly refining their criteria for responsible investments to reflect their own ambitions and focus areas. As a result, we are finding we need to take measures to improve our organizational structure. We continually strive to improve the organizational structure, our data management, and other relevant matters so we can continue to satisfy our clients' requirements.

We exert influence on the companies we invest in through the shareholder relationships and engagements. APG shows companies that we are an engaged shareholder that focuses persistently on ESG topics. We know from experience that this almost always requires perseverance. In this chapter, we discuss a number of examples where we have urged companies to focus more on ESG matters.

## Sustainable development goals

We are a co-founder of the SDI AOP, the platform for asset managers that evaluates companies based on the contribution they make to the Sustainable Development Goals with their products and services. As reflected in SDG17: 'Partnerships for the Goals', this platform is used by international investors. In 2023, the classification method used for the SDI AOP was further refined and the coverage of the data extended.

Within the parameters of our clients' policy frameworks, APG Asset Management actively looks for investments that help achieve the Sustainable Development Goals. At the end of 2023, we managed €111 billion in Sustainable Development Investments (SDIs) for our clients. Compared with 2022 (€102 billion), we invested €9 billion more in investments geared to sustainable development. The proportion of assets under management accounted for by investments that contribute to the SDGs fell to 19.5% (19.7% in 2022).

On behalf of ABP and bpfBOUW, APG invests in a fund of ILX Management that contributes to developments in emerging markets. In 2023, ILX extended its collaboration with international development banks by entering into a partnership with the African Development Bank. The aim is to promote investments in African countries in projects aimed at access to clean energy, socially responsible industry and infrastructure, inclusive financial services, and food security.

### Carbon footprint of investments

All our asset management clients have a target for the reduction of the carbon footprint of their investment portfolio. Our clients ABP, bpfBOUW and SPW have signed the financial industry's Commitment to the Dutch Climate Agreement, a voluntary declaration committing to the national Climate Agreement. In line with the commitment made by the pension funds, we report on the carbon footprint of relevant investment categories on our website. In our Climate Action Plan, we state our goal of reducing the carbon footprint of our investments in listed equities and corporate bonds by 50% in 2030 compared with 2019.



**Annette Mosman, chair of the Executive Board of APG, in conversation with ABP director Yolanda Verdonk**

APG has committed to the Net Zero Asset Managers (NZAM) initiative. This growing group of international asset managers is dedicated to achieving a climate-neutral investment portfolio in or before 2050. At present, we measure the carbon footprint of investments accounting for around 85% of our investment portfolio. We are working on reducing the footprint to achieve a climate-neutral investment portfolio in 2050 at the latest. Our aim is to steadily increase the share of investments for which we measure the carbon footprint by broadening the scope and defining targets for further asset classes.

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### Reducing emissions

APG uses its influence to encourage companies to reduce their carbon emissions. We do this both individually and in collaborative ventures with other major investors, for example through Climate Action 100+ (CA100) and the Dutch Climate Coalition. Within CA100, APG was already leading the engagements with Holcim and Heidelberg Materials (construction materials), Stellantis (automotive sector), and SK Innovation (chemicals). One tangible result was that Holcim submitted its climate strategy to its shareholders for approval. We also took

the lead in the engagements with Baoshan Iron & Steel, Samsung Electronics, and Tata Steel in 2023. Furthermore, we provided support in the engagements with NextEra and Engie.

Together with other shareholders, APG submitted a resolution to the electricity company Engie asking the company to put its climate strategy and associated targets to the shareholders (giving them a 'say on climate').

The proposal received considerable support. Engie promised to provide more detailed information on the company's climate strategy. It is important for companies to be transparent about their climate strategy so that as an investor, we can assess the progress made.

We were also among the parties submitting a shareholders' proposal to Toyota, the world's largest car manufacturer. This proposal sent a clear message to the company, and to the automotive industry as a whole, that more measures are needed to align their lobbying activities and strategy with the Paris Climate Agreement. Since then, Toyota has freed up more capital for investment in the mass

production of electric cars and batteries. It has also intensified dialogue with its shareholders.

### Committing to diversity

A balanced and diverse composition of the governance bodies boosts the effectiveness of a company's boards and value creation in the long term. We have requirements for the companies we invest in with respect to the gender diversity and ethnic diversity of their boards. We vote against the reappointment of the chair of a company's appointment committee if that company fails to satisfy our requirements.

In 2023, the Institutional Investor Advisory Services (IiAS) and APG Asset Management published a report on the representation of women in board positions at Indian companies. The report showed that India had made progress in this area, but still lags behind more developed economies. We can use these results in our dialogue with Indian supervisory bodies to urge them to promote diversity in corporate governance bodies.

### Comparing companies

We can gain a better picture of a segment by comparing companies within an industry. That lets us identify the companies most in need of guidelines, with the greatest ESG risks, and where we can make the most impact. An example of research that helps us in our engagements and when exercising our shareholders' rights is the Climate Transition Analysis. This study by Accela Research, which APG supported in 2023 along with other members of the Dutch Climate Coalition, focuses on the activities of the five big European oil companies. The findings from the study serve as input in our dialogue with the companies on behalf of bpfBouw, SPW, and PPF APG.

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**We expect the companies we invest in to respect human rights**”

### Human rights and working conditions

We expect the companies we invest in to respect human rights, including the rights of their employees, local communities, and other stakeholders. This means companies should identify, avoid, and mitigate the risks relating to human rights, in line with the UN Guiding Principles for Business and Human Rights.

The issue of human rights is embedded in our engagement approach and the way in which we exercise our rights as a shareholder. We are involved in Advance, a global initiative driven by the Principles for Responsible Investment (PRI). The participating investors use their joint influence with companies and policymakers to achieve positive outcomes in human rights and social issues for workers, local communities, and society at large.

On behalf of our client bpfBOUW, we are a member of the Platform Living Wage Financials (PLWF). This alliance of financial institutions works to encourage companies to ensure wages throughout their global supply chains are sufficient to cover the cost of living.

In 2023, we tightened up voting behavior in relation to human rights. We vote against the chair of a company's board if the company scores poorly on human rights for three consecutive years in the Corporate Human Rights Benchmark (CHRB). As a result of this policy, we voted against the reappointment and appointment respectively of the CEOs of Apple and Starbucks.

### Good corporate governance

Good corporate governance is crucial to ensuring greater transparency, lower risks, and more sustainable performance by a company in the longer term. When we evaluate the corporate governance, we examine such aspects as the composition and independence of the board, shareholders' rights, remuneration, and the annual financial reporting and audit.

We submitted a joint shareholders' proposal to the car manufacturer Stellantis to cancel the voting rights linked to shares with special voting rights. This is in line with our view of 'one share, one vote': each shareholder's vote in a company should have equal weight. However, the proposal did not receive sufficient support to be put on the agenda. We will continue to



urge Stellantis to adopt this principle through our engagement with the company and by exercising our shareholders' rights.

Like many other shareholders, APG voted against the proposal to discharge the members of the Board of Management at Philips from liability. Our vote against this standard item on the agenda expresses our lack of confidence in the management and how they responded to the problems with the Philips sleep apnea medical devices.

APG and its clients publish information afterwards on how they voted at shareholders' meetings. We find it important to be transparent about the choices we make.

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## Recognition

On the annual Principles for Responsible Investment (PRI) benchmark, we achieved the maximum score of five stars for the Policy, Governance, & Strategy module, and between three and five stars for the other modules.

The Dutch Association of Investors for Sustainable Development proclaimed bpfBOUW to be the most sustainable pension fund in 2023. This was one of the results in the 'Benchmark on Responsible Investment by Pension Funds in the Netherlands', which is published annually. In coming first, bpfBOUW has supplanted ABP, which headed the Association's list in the six previous years.

On November 28, APG received the Investment & Pensions Europe (IPE) Award. The jury described APG as "A true industry leader, pioneer and a frontrunner in integrated, systematic and active ESG policies with very good long-term investment results and active engagement in all areas".

# Climate and the environment

**A key focal point in APG's asset management is the energy transition. We invest in companies and projects that facilitate the transition to cleaner forms of energy. In this way, we seek to contribute to the energy transition and help restrict climate change and the loss of biodiversity. We also critically examine our own business operations.**

We also made our first investment for the pension fund clients in asset-backed securities (ABS) for solar panels. This instrument lets credit providers bundle the loans to individual customers in a single securitized product, which it can then sell to institutional investors. In this way, institutional capital can be used to make solar energy more accessible and affordable for households, in this specific case in the US.

the tender place an emphasis on ecology and systems integration. The 50/50 joint venture combines the experience of SSE Renewables in developing, building, and operating offshore wind farms with APG's investment experience in renewable energy and the energy transition and our deep connection with Dutch society. Our joint aim is to use this innovative approach for renewable energy from and for the Netherlands.

## Projects in the Netherlands

Over 4% of the capital we manage for our clients is invested in the Netherlands. This includes investments in digital and energy infrastructure, health care, real estate, mortgages, and start-ups.

In 2023, we also invested in the Dutch company Triple Solar. This company's hybrid solar panels generate heat as well as electricity. Households can use the panels in combination with a heat pump to heat their homes, and cool them in the summer, without the need for fossil fuel. We made this investment through the ABP Dutch Energy Transition Fund, which aims specifically to help finance the Dutch energy transition.

In January 2023, APG and SSE Renewables formed a consortium to respond to the invitations to tender for the development of a large-scale wind farm off the Dutch coast. For this purpose and at the request of ABP, we had already launched the Noordzeker initiative in 2022, aimed at developing wind farms in the North Sea. In addition to the financial aspect, the conditions specified for

In July 2023, APG, acting on behalf of ABP, and OMERS Infrastructure jointly took over Kenter. Kenter is a Dutch supplier of energy infrastructure that provides services such as electronic equipment, electric vehicle charging

## Investing in the energy transition

On behalf of our clients, we invest in companies and projects that facilitate the energy transition. In May, we agreed to invest €250 million in growth capital on behalf of ABP and PPF APG in Driveco, a leading French company that provides infrastructure for charging electric vehicles. This investment will help Driveco achieve its goal of operating more than 60,000 charging points in France and neighboring countries by 2030.

infrastructure, solutions for energy storage, and solar panels on roofs to more than 25,000 corporate customers in the Netherlands.

At ABP's behest, we committed to invest €400 million in affordable homes in the Netherlands. To this end, we established the Dutch Social Impact Real Estate Partnership together with real estate investor Bouwinvest, a wholly-owned subsidiary of bpfBOUW. The

partnership is aimed at meeting the housing requirements of people who have difficulty finding a suitable home.

On behalf of ABP, we also increased the investment in the Dutch housing investor Vesteda, which enabled the purchase of the Zuiderhof development project in Rotterdam. These homes will mainly be let to people in

social professions such as teachers, police officers, and health care workers.

### Climate risks

We perform in-depth analyses of climate-related transitional and physical risks in our clients' investment portfolios. We want to be sure the companies we invest in are working on reducing their greenhouse gas emissions and have a strategy for the transition to a carbon-neutral economy. This is particularly important for companies in sectors with a substantial climate impact.

We use the guidelines drawn up by the Task Force on Climate-related Financial Disclosures (TCFD) as the starting point for establishing and reporting on climate risks. Based on our climate risk assessment, we prioritize the industries for which we have determined new or stricter climate criteria. In the case of physical risks — risks associated with the influence of changing weather patterns on the companies in our portfolio — we utilize screening criteria that provide us with insight into these risks and their potential impact. In this regard, we mainly look at the geographical locations of our investments.

### Dilemma

Should we expand our international investments or invest more in the Netherlands?

By investing in the Netherlands, we can help resolve various societal issues, such as the tight housing market and the energy transition. Investments can also lead to more jobs and new products for buyers. Thus investing close to home can boost the prosperity of the Dutch people in various ways.

At the same time, too narrow a focus on the Netherlands can adversely affect the return on investment. Returns are subject to uncertainty,

and this can be countered by having a spread across regions. If we were to invest only in the Netherlands, all the risks would be concentrated in this country too. That is disadvantageous if slumps in the stock market, the housing market, and the labor market happen to coincide. The size of the Netherlands' pension assets is greater than the size of the economy, so too much money would be chasing too few projects. That would put pressure on returns.

## Investing in biodiversity

Biodiversity and the preservation of natural resources is an important topic in our pension fund clients' investment policies. The diversity of life forms on the planet is essential to maintaining the benefits that nature offers our society and economy. That starts with such elementary matters as the availability of clean drinking water, food, and medicines, but also includes the opportunities for tourism and recreation.

As a signatory to the Finance for Biodiversity Pledge, APG seeks to take measures for the conservation and restoration of biodiversity. Among other things, the signatories undertake to work together and share knowledge, to engage with companies, and to establish targets for biodiversity. We are involved in the Taskforce on Nature-Related Financial Disclosures (TNFD) and in the Partnership for Biodiversity Accounting Financials (PBAF). In September 2023, the TNFD presented its risk control and reporting framework. It helps organizations respond effectively to nature-related risks and opportunities, and to report clearly on them.

With the aid of the web-based tool ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure), we made progress in calculating the biodiversity footprint of our investment portfolio. We can use these insights in our dialogue with companies about our clients' biodiversity policies.

### Increase pressure to preserve biodiversity

In 2023, we introduced a more extensive set of screening criteria for companies in capital markets to assess their performance in terms of nature and biodiversity, for example looking at water management, waste management, deforestation, and ecological lobbying activities. We sold the shares in the Brazilian meat processing companies Minerva and Marfrig because they did not satisfy our criteria. The chance of a successful dialogue with these companies was deemed too small given the risk-return relationship and the relevance for the portfolio.

We took additional measures to further integrate biodiversity in our approach, including in the way we pursue engagement and in our voting behavior. Our largest client, ABP, sharpened its voting policy in 2023. ABP

now expects companies in high-risk industries to have an effective policy for preserving biodiversity and limiting negative impacts. An example would be a policy for combating deforestation. On behalf of ABP, we will vote against the reappointment of the chair of a supervisory board if the company in question fails to satisfy this requirement.

APG is a member of Nature Action 100 (NA100), a global initiative in which investors join forces to pursue engagement regarding biodiversity with the companies in which they invest. NA100 enters into a dialogue with companies in industries that are crucial for the restoration of nature and combating the loss of biodiversity. We play an active role within NA100 and seek to be closely involved in engagements that are important to our clients.

### Biodiversity investments in 2023

In 2023, we invested €50 million on behalf of ABP in a blue bond in Ørsted, a global market leader in offshore wind energy. Most of the proceeds will go to projects that foster the preservation and restoration of marine biodiversity.



In September 2023, a consortium made up of APG, the British Pension Protection Fund and the Australian pension fund UniSuper acquired the forestry company Forico and forests covering 170,000 hectares in Tasmania. This area makes a significant contribution to the supply of forestry products. Forico was the first forestry company in Australia to achieve FSC Ecosystem Services certification in recognition of its approach to protecting biodiversity. Sustainably managed forests are also key to storing CO<sub>2</sub> and removing it from the atmosphere. On behalf of ABP, we acquired a 33% stake in Forico and the forestry area.

Our office in Amsterdam, Edge West, no longer uses gas and is an energy-positive building. We are working hard to make the Heerlen office more sustainable. At the end of December, installation started of 550 solar panels. In the course of 2024, we will be removing the current cooling equipment and we will install new heat pumps. We only expect to need to use fuel for extra heating on the coldest days of the year. We will monitor this and gradually reduce our consumption of gas to zero, We are already using the smart grid Mijnwater to keep the data center in Heerlen cool. In due course, we will investigate the possibility of connecting APG's heat pumps to this grid of sustainable hot and cold energy sources in former mine shafts in the southern part of Limburg province.

We aim to work in offices that have been certified as sustainable. We use BREEAM for the Edge West office, which is classed as 'outstanding'. The current BREEAM status of the office in Heerlen is 'very good'. We expect it to reach 'excellent' by the end of 2024. In Hong Kong, the office received the highest LEED rating in 2023.

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### Our own business operations

Working towards a sustainable world starts at home, of course. Our aim is for our business operations to be demonstrably carbon-neutral by 2030. In 2023, our net carbon emissions totaled 1,595 metric tons. Since 2022, we have purchased the electricity we use in our Dutch offices from Dutch wind farms. In Hong Kong, too, we have largely switched to renewable sources.

### Responsible investment on our website

We regularly publish reports on our website on how we incorporate ESG into our [investment approach](#). The website has a list of the companies and treasury bonds that the pension funds do not wish to invest in. We also [measure](#) the carbon footprint of a growing number of investment categories and we consider the further implementation of the [SFDR](#) in our asset management. In 2023, we published our first [Stewardship Overview](#). This marks another step in making the dialogues we pursue and our voting behavior on behalf of the pension funds more transparent and tangible.

### Less waste, fewer emissions

The company restaurants offer freshly prepared, largely vegetarian food. Not only is this healthier, it also leads to less waste. Staff are encouraged to use public transport or their bicycles to commute to and from the office. We hope this will allow us to halve our carbon emissions per FTE by 2030. In 2023, the total gross carbon emissions per FTE decreased by 54% compared with 2019.

Read more about this in [Other sustainability information](#) in the 'Non-financial information' chapter.

In 2022, we signed a 10-year contract with SkyNRG, the market leader in sustainable aviation fuel (SAF). We are thus making a partial switch to cleaner aviation fuels. This will happen as soon as the world's first large-scale production facility for sustainable kerosene (in Delfzijl in the Netherlands) comes into operation, which is expected to be in 2027. By pledging to purchase this kerosene in advance, we are contributing to the development of this new market.

### Biodiversity in our office gardens

We are increasing biodiversity in the office gardens in Heerlen. We are planting vegetation that attracts various species of fauna and we are creating sheltered spots for wildlife, such as bird and bat boxes, and insect hotels. The BREEAM standard applies here too. The Edge West office already has biodiverse vegetation and an insect hotel in the grounds.

## Dilemma

Should we focus on climate mitigation (preventing further climate change) or climate adaptation (taking measures to cope with the irreversible effects of climate change)?

As a major investor, we want to aim for both mitigation and adaptation. Even if global warming can be restricted to 1.5 degrees Celsius or less, there will still be physical consequences from climate change. So adaptation measures to cope with those consequences will be required regardless. The dilemma is that too great a focus on adaptation measures can distract attention from the main challenge facing us: the drastic reduction of CO<sub>2</sub> emissions. If all efforts are directed towards adaptation, and less attention is given to mitigation, the eventual costs may turn out much higher.



## 'We all have to make as much impact as possible'

Three questions for Salvador Essers, director of Facility Services at APG

**APG wants to reduce carbon emissions from its business operations to zero by 2030, and to halve carbon emissions from travel and mobility compared with 2019. How far have you progressed?**

"We are nicely on course. Commuting journeys have declined because staff are spending less time in the office. We have also introduced a sustainable mobility policy. Of course, the employer's approach to working from home has

a significant impact on carbon emissions. We hired an extra 504 employees last year. We were able to accommodate them in our current offices because people are working from home some of the time: we don't need to lease extra space. Mobility has risen slightly, but it is still within the target for 2030.

In 2024, the office in Heerlen will largely be disconnected from the gas supply. No gas is used in Edge West, which is an energy-positive building. That means the building generates more energy than it consumes.

Where possible, we will be making our future investments in sustainability during renovations and as part of the maintenance cycle. We always look ahead at the short term and schedule the activities that have most benefit. For example, we switched to LED lighting in Heerlen, including in the underground car parks. That is a sustainable system; what is more, the maintenance plan can cover an investment like that. Since January, we have had solar panels on the roof, which we need to operate the heat pumps. And we are paying more attention to biodiversity in the garden surrounding the office."

### Are there still bottlenecks?

"The political climate is always a question mark. Take the disposable cups that can no longer be used from 2024. But politicians are now saying they won't be enforcing the ban. Sustainability is part of the company strategy at APG so we will be going ahead with those plans anyway. At the same time, there is always tension between your sustainability goals and obligations, the costs, and the wish for a pleasant working environment. We assess all changes continually from the perspective of those three factors. That works well."

### Is APG doing better than similar organizations in terms of sustainability?

"It is difficult to compare, and each organization is in a different situation. Each company has its own policy with its own priorities. For example, we have the disadvantage of two locations, so we travel more between the two. And if your offices are in an old building, it is harder to improve the sustainability. But it's not a competition to see who does best. What matters is that we all have as much impact as possible."

# Financial returns

APG can aim for higher financial returns, which means larger pension capital sums and larger pension benefits for participants.

## Assets under management

At the end of the 2023 financial year, we managed the investments for four pension funds, with a total value of €569 billion (€521 billion in 2022). In 2023, the return on investments was 9.4% (-18.2% in 2022).

The increase in assets under management was caused mainly by developments in the financial markets.

## Excess return

We want to achieve good results for our clients over the long term. By outperforming the benchmark — with returns higher than the reference value for the market — we want to help increase the pension value for participants. We refer to this as excess return or outperformance.

### Components of excess return for all investment styles

Excess return on liquid investments  
 Excess return on illiquid investments  
 Smart rebalancing

#### Total excess return

	In basis points (bps)	In basis points (bps)
	2023	5 year
Excess return on liquid investments	-5	-8
Excess return on illiquid investments	-105	12
Smart rebalancing	2	7
<b>Total excess return</b>	<b>-108</b>	<b>11</b>

### Components of excess return for active investment styles

Excess return on liquid investments  
 Excess return on illiquid investments

#### Total active excess return

	In basis points (bps)	In basis points (bps)
	2023	5 year
Excess return on liquid investments	8	5
Excess return on illiquid investments	-126	53
<b>Total active excess return</b>	<b>-118</b>	<b>58</b>



RETURN ON ASSETS UNDER MANAGEMENT	Assets under Management in millions	2023 (1 year) Return (in %)	2023 (1 year) Excess Return (in bps)	5 year (ann) Return (in %)	5 year (ann) Excess Return (in bps)
<b>ACTIVE STRATEGIES<sup>1</sup></b>					
<b>Fixed income</b>					
Long Duration Treasury Euro	1,992	9.5	-10	-5.8	9
Total Credits Active	47,491	6.9	46	1.2	50
Alternative Credits	4,485	0.6	-566	-	-
Investment Grade Corporate Credits	11,180	6.7	20	-	-
Mortgages	4,740	3.7	-337	-1.0	114
Emerging Market Debt Active	18,366	9.8	73	3.4	-0
Alternative Inflation	101	1.3	-193	2.0	-18
<b>Equity</b>					
Developed Markets Equity (excluding DME Min Vol Total) <sup>2</sup>	100,525	20.8	36	13.3	-26
DME Focus Total	17,264	16.4	337	9.9	-87
DME Fundamental Total	45,187	21.5	-47	14.0	-11
DME Quant Total	38,048	22.0	-2	14.0	-17
Developed Markets Equity Small Cap	645	13.2	78	-	-
Emerging Markets Equity	36,496	5.8	54	4.7	39
<b>Alternative investments</b>					
Strategic Real Estate	42,245	-0.4	475	3.9	-45
Tactical Real Estate	6,758	7.5	28	3.1	59
Liquid Commodities <sup>3</sup>	23,876	-0.7	-12	9.8	86
Illiquid Commodities <sup>3</sup>	3,481	8.0	-154	4.1	-599
Hedge Funds <sup>3,4</sup>	8,896	4.3	-75	6.4	442
Thematic Investments	404	-7.5	-2,325	-3.1	-1,556
Private Equity Combined Pools <sup>5</sup>	50,143	5.2	-1,322	18.1	243
Infrastructure Combined Active Strategies <sup>6</sup>	26,557	6.1	-15	8.7	356

RETURN ON ASSETS UNDER MANAGEMENT	Assets under Management in millions	2023 (1 year) Return (in %)	2023 (1 year) Excess Return (in bps)	5 year (ann) Return (in %)	5 year (ann) Excess Return (in bps)
<b>INDEX STRATEGIES<sup>7</sup></b>					
<b>Fixed income</b>					
Emerging Market Debt Index	15,870	8.8	-11	-	-
<b>Equity</b>					
DME Minimum Volatility Total (Developed Markets Equity)	13,621	5.4	29	7.9	-40
Developed Equities RI Index	2,847	19.0	5	-	-
<b>CAPITAL PRESERVATION STRATEGIES<sup>8</sup></b>					
<b>Fixed income</b>					
Treasury Global	48,097	5.3	-41	-1.6	-27
Long Duration Treasury Global	67,481	5.6	-1	-3.9	1
Fixed Income Liability Hedging	11,231	8.2	-24	-	-
Index Linked Bonds	104	5.7	-21	2.1	-33

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1 In this investment style we aim for excess return over and above the benchmark.  
 2 The total YTD and 5Y portfolio and excess returns of Developed Markets Equity active strategies were calculated as a weighted average based on the assets under management as of 31 December 2023.  
 3 Hedge Funds and Liquid and Illiquid Commodities are 100 percent invested in USD. The return figures are therefore based on the return in USD instead of EUR, but the NAV is shown in EUR.  
 4 The Hedge Funds benchmark has been adjusted to JP Morgan 1 month cash (without any mark-up) to provide better insight into the effect of active management.  
 5 The Internal rate of return since inception for the Private Equity Combined Pools is 18,7%. This indicates the annual return since the inception of an investment.  
 6 The Internal rate of return since inception for the Infrastructure Combined Pools is 9,7%. This indicates the annual return since the inception of an investment.  
 7 In this investment style we aim for the benchmark return.  
 8 In this investment style, the main objective is to preserve the principal sum by avoiding credit losses. This type of mandate relates to investments in fixed-interest products.

Where possible, we measure the excess return with respect to the market benchmarks.

In the five-year period from 2019, the average excess return per year was 11 basis points (0.11%, equivalent to €6.7 billion over five years). However, in 2023 we recorded negative excess return of -108 basis points. We believe this negative result reflects the different dynamics in the market prices with which we compare our investments, and the measurement cycle for illiquid investments. We expect these effects to average out over the long term; the five-year excess return is positive, in particular when we consider the strategies with an active investment style. All external costs related to the investments have already been deducted from these figures.

There was some relief in 2023 in the sense that a positive return was reported for most of the asset classes. In the previous year, returns had been negative for most assets, which is a very unusual situation. Lower starting values and relatively good news on inflation were factors in this improvement. We continue to invest according to strategies that we believe will boost the pension value

in the long term. Increasingly, these are index investment products for responsible investing and investments in private markets that can generate stable, inflation-proof cash flows over a long period. In 2023, this included investments in Soly, a company that supplies energy management systems for homes, and Triple Solar, a manufacturer of hybrid panels that generate electricity and heat.

**Smart rebalancing**

Smart rebalancing is the result of short-term adjustments to the asset mix and the currency overlay portfolio. Because the various components of the investment portfolio and the interest-rate and currency hedges change in value with respect to one another, adjustments need to be made. This provides some scope for applying a market philosophy to achieve excess return. However, rebalancing also involves transaction costs. The balance for 2023 and the past five years was positive. In 2023, this was mainly due to the currency results, in particular the additional hedging of the Japanese yen, and to the results for cash.

**Liquid investments**

The excess return on liquid investments (fixed-income securities and equities) increased, measured over the past five years, and currently stands at -8 basis points. This is partly due to what is termed the “rolling window effect,” as the relatively weak fourth quarter of 2018 no longer plays a role, and partly to the excess return of -5 basis points that was achieved in 2023. Positive contributions to the excess return this year came from corporate bonds, and bonds and equity in emerging markets. This follows a change in the way equities in emerging markets are managed. Developed market equities benefited from an upturn in excess returns in the Focus strategy, a better than expected result for the low volatility strategies, and the successful completion of the improvement plan for internally managed quantitative strategies. The investment mix and management of the emerging markets equity portfolio were revised in 2023. There were negative contributions from treasury bonds and liquid commodities.

### Illiquid investments

Illiquid investments performed worse as a category than their benchmarks in 2023, with excess return coming in at -105 basis points. Real estate was an exception in the positive sense. The negative excess return is mainly due to differences in the measurement of private equity and the market benchmark for this asset class. Private equity performed distinctly worse than the MSCI benchmarks in 2023, a reversal of the situation in 2022. The five-year excess return remained positive, even though the impressive results of 2018 were no longer in scope. The aggregated long-term internal rates of return for both private equity and infrastructure still look very healthy, also in comparison with their respective benchmarks.

### Dilemma

How do we strike a balance between investment decisions driven by financial considerations and investment decisions driven by sustainability considerations?

Financial markets may seem abstract, but investments have effects in the “real” world. The money APG invests on behalf of the pension funds can be used to build wind turbines or oil rigs. We can develop a complex options construction or insulate schools. If you look at investments purely from a financial point of view, you will miss the potential impact our decisions have on society. They can bring us one step closer to a sustainable world.

But conversely, if you only consider the non-financial effects on society, you risk losing sight of the principal objective of a pension investor: earning the money for future pensions by achieving a good return on investments. If we do not manage that, we are failing in our societal task.





## 'Our focus is shifting towards investments that create impact'

Three questions for Matilde Segarra, CEO of APG Asset Management US Inc.

### Looking back at 2023, what were the most significant milestones for APG US?

"It was a festive year: we celebrated our 25th anniversary in the United States. We made sure to align our development with the needs of APG's pension funds as they changed. We became a respected voice with regard to responsible investments, for example. In 2023, we were particularly influential in the American green bond market, and we played a leading role in discussions about the transparency of data and ESG reporting.

We also made new, responsible investments in various portfolios, focusing on sustainable energy and carbon reduction, including an innovative 'Orange Bond' for gender equality in developing countries."

### Increasing resistance to ESG changed the investment dynamics in the United States. How is this affecting your strategy?

"There's a marked slowing down in the flow of money to American funds with a specifically 'sustainable' image. But this hasn't made it significantly difficult to invest in line with the preferences of our pension funds. Interestingly, this counter-response can sometimes encourage companies to strengthen the ties between their core activities and ESG initiatives, which makes it easier to demonstrate their value. We never stop talking to investment partners. We try to achieve both our financial and our social goals."

### What are your main priorities for 2024?

"There is no doubt about our overarching

goal: to satisfy our clients' ambitions, and to safeguard the well-being of current and future participants. We recently reviewed our investment policy so that it would correspond more closely with the specific preferences and beliefs of our clients. The 'one size fits all' approach is outdated now that pension funds want tighter control and are aligning their investments to suit their participants' needs. Our focus is shifting towards investments that create impact." We are also devising new frameworks for responsible investment.

At the local level, creating conditions with our New York team that exceed the expectations of the pension fund clients can be a challenge. But it's essential. We strive to design and implement innovative strategies, while at the same time meeting the stringent reporting standards and excelling at an operational level. This requires global cooperation, continuous communication, and a positive corporate culture. In other words: engaged, optimistic staff, who all endorse the APG common goals."

# Administration costs

**Our goal is to achieve the highest possible pension value for the pension funds. Our spending must therefore be carefully considered and always justifiable.**

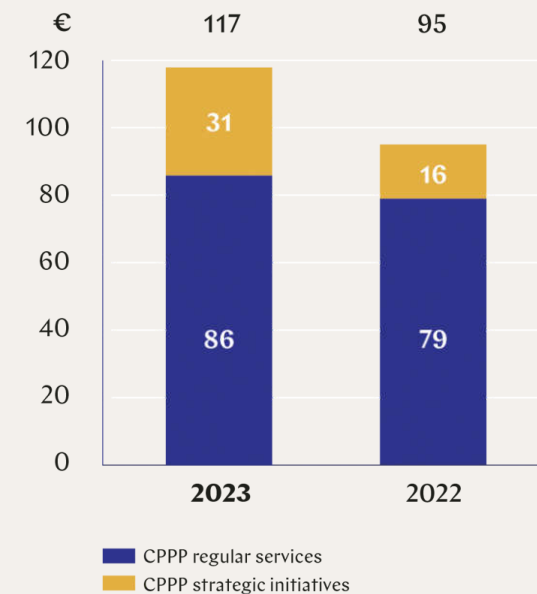
## Pension administration costs

In 2023, we again made substantial investments in the preparations for the new pension system. This included cleaning up all the funds' data and making our organization as effective as possible. The transition to the new pension system will require huge investment until 2027.

Pension administration costs are expressed as an average cost per participant. The average cost per participant comprises the costs incurred by APG for its pension administration divided by the number of active and retired participants at the end of the financial year. In general, the average cost per participant is higher than the fee per participant, meaning that the cost of pension administration is higher than the fee (revenue) APG receives for these services. We can absorb the loss because of the positive results we make on asset management activities.

For the sake of proper management, we split the average cost per participant into a cost per participant for regular services and a cost per participant for strategic initiatives. In 2023, the cost per participant went up by €22, from €95 in 2022 to €117 this year. Both the cost per participant for strategic initiatives and the cost per participant for regular services went up. The cost per participant for strategic initiatives rose by €15 to €31 (€16 in 2022). The cost per participant for regular services increased by €7, from €79 in 2022 to €86 in 2023.

## Cost price per participant



**“ In 2023, we again made substantial investments in the preparations for the new pension system ”**

## Dilemma

How do you remain decisive in an uncertain environment?

Realizing the transition to the new pension system will require enormous effort on the part of APG, which is why we started our preparations in plenty of time. In fact, this was before the bill for the Wtp was passed. We factored in the uncertainty that this would bring on the basis of working hypotheses until the actual introduction of the Act. Although the Wtp came into force in 2023, there is still considerable uncertainty about the practical implementation of the legislation. After all, since last November's elections, the majority of the largest Dutch political parties are critical of the Act and about renewing the system. APG wants to stay in touch with the dynamics in its environment, and be able to respond accordingly. Having said this, we still need to work hard to ensure that everything will be ready in time for the switch to the new system.

Our aim is to reduce the average cost per participant after the introduction of the pension system. Our funds will simplify the schemes, and we will continue to digitalize and introduce a generic working practice into the administration processes.

### Costs of asset management

All our investment activities incur expenses, both within our own organization, and for the management of our funds' assets.

An active investment style involves higher costs. This style is intended to generate excess return in the mid to long term, which will offset the higher costs. The costs of an active investment style are largely reflected in our illiquid strategies, and are mainly affected by the performance rewards paid to external managers.

Costs are always a critical factor in any investment decisions made by pension funds. To help our clients achieve lower investment costs, we set up an internal Private Equity team that selects and monitors private equity funds. In addition, we are trying to make more co-investments and direct investments,

so that our clients can save on costs relating to external management.



**Costs are a critical factor in investment decisions**

Those clients that invest in capital market asset classes are increasingly interested in index investment solutions, which have lower costs than actively managed portfolios. As a result, APG Asset Management must modify the cost level of the organization in line with the new preferences of pension fund clients.

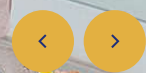
Taking the investment mix and implementation style into account, we can see that on average, in the long term, the investment costs paid by our pension funds are lower than those paid by similar funds. This is confirmed by the global benchmark CEM (Cost Effectiveness Measurement), which compares the costs and returns of pension funds and investment organizations.

### Total expense ratio

The Dutch Federation of Pension Funds recommends that its participants include the total expense ratio (TER) in the annual report. TER reflects the costs of pension administration and of asset management in relation to the average value of assets under management for the financial year. For the four funds for which APG provides pension administration services as well as asset management, the management fees charged contribute an average of 18 basis points to the TER of these pension funds (up from 16 bps in 2022).



The APG Connecting Cultures network organizes a lunch to coincide with the Hindu festival of Diwali





# Transparency

**As one of the largest Dutch pension administrators and a leading asset manager, APG has an important social role to play in the Netherlands. Honest, meticulous business operations are essential. We aim for complete transparency in our investment policy, our expenses, and our returns. We comply with all the relevant legislation and regulations.**

will comply with current and new legislation and regulations in this respect. There are various legislative initiatives relating to this, including the Wtp. This Act explains in great detail how participants must be informed about their pension and the options open to them. The regulators have very strong views about the interpretation of the legislation. This is currently putting an extra burden on the administrators, but will eventually help to ensure uniform implementation of the legislation.

## Sustainability reporting

To us, transparency about sustainability is an important topic. We are facing increasing volumes of legislation, regulations, and obligations, both at national and European level. Examples of national legislation and regulations include the Dutch Stewardship Code and the Dutch Pension Funds' International Socially Responsible Investment Covenant (IMVB). At the European level, they include the revised Shareholder Rights Directive (SRD II), the Sustainable Finance Disclosure Regulation (SFDR), and the EU Taxonomy Regulation (TR).

APG is developing various initiatives to help improve communication with its clients and participants. They concern both communication about the transition to the new system and the communication that will be needed once the pension funds have switched to the new system. APG is taking things a step further than the stipulations laid down in the legislation: we want all participants to be correctly and clearly informed through a channel that they feel comfortable with.

The aim is to increase transparency regarding the risks, opportunities, and impact of a company's activities, and their impact on society and the environment. The rules will contribute to a world in which consumers will find it easier to make sustainable choices.

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APG has transparency and compliance high on its agenda. The APG Code of Conduct defines transparency in relation to its services to pension funds as follows: "We deliver results, are proactive, and discuss dilemmas openly, so that we can join each other in finding the best solutions". Every member of staff is expected to accept personal responsibility in this respect.

As in 2022, we put a lot of effort into ensuring that we provide the funds we work for, and their participants and employers, with clear, correct information. APG complies and

## Code of Conduct

APG deploys a Code of Conduct, which serves as a guideline for who we are and what we stand for. The [Code of Conduct](#) not only guides our behavior within APG, but also tells us how we should treat each other, our pension funds, shareholders, suppliers, regulators, and society in general. We assess all private investment transactions, staff sideline activities, invitations, and gifts against the standards in this Code of Conduct and the Staff Integrity Policy. It lists rules about dealing with sensitive information, contact with suppliers and contract staff, conflicts of interest, sideline activities, gifts and invitations, insider trading, and market abuse. These rules ensue from regulations such as the Financial Supervision Act, the General Data Protection Regulation, the (new) Pensions Act, and anti-corruption laws. Every year, we ask our staff to confirm that they have complied with the Code of Conduct and the Staff Integrity Policy over the previous 12 months.

## SFDR

APG and their clients are expected to provide information about how they are integrating responsible investment into their policy, decision making, and processes. The introduction of the Sustainable Finance Disclosure Regulation (SFDR) represents a significant step in this regard. The SFDR revolves around the provision of information about sustainability in the financial sector. The regulation specifies which investments qualify as sustainable, and how this should be measured and reported. It applies to both pension funds and asset managers. Asset Management is using its experience and expertise to integrate the new legislation into the existing processes and products, in order to provide even better services to the funds.

In 2023, APG signed a joint investors' statement asking the European Commission to enforce the ambition and integrity of the first series of standards for sustainability reporting (European Sustainability Reporting Standards; ESRS) for businesses. We consider it essential that the European Union uphold a consistent regulatory framework that helps capital to flow towards sustainable solutions. Investors will

only have the correct information needed to assess their portfolios and make responsible investment choices if companies are legally obliged to provide information about aspects such as their carbon footprint.

## CSRD

The Corporate Sustainability Reporting Directive (CSRD) came into force in early 2023. This Directive specifies the sustainability aspects that must be included in annual reporting, including the principle of double materiality: the impact of a company on the environment, and the impact of the environment on the company must be included. The precise effect of this Directive is still subject to interpretation and specification. Although the Directive is principally aimed at major listed companies, it is clear that CSRD will have an effect on the way we compile our annual report for 2025.



## 'Our participants will get a slightly better pension'

Three questions for Jeroen van der Geest, board member at the Work and (Re)Integration Pension Fund (PWRI in Dutch). As managing director of the work and placement company KonnecteD, he knows his target group like the back of his hand.

### On January 1, 2025, PWRI will be one of first funds to switch to the new pension system. Are you ready?

"Last year, together with APG, the management immersed itself in all the legal, legislative, and employment aspects of the new system. What

is the intention of the Pensions Act, what do the social partners consider to be important, and what's the best way of organizing this together? It was quite intense. It's new to all of us. As management, we were trying to work with the social partners to come up with clear, well-balanced decisions that we can explain easily, and which have all-round support. It was a good, joint process, which I look back on with satisfaction. We wanted to stick as closely as possible to the existing scheme, and we managed. Thanks to our coverage ratio (the buffer we're going to partly share out), we expect that all our participants will get a slightly better pension."

### Are you expecting any more obstacles?

"We're well placed at the moment, but obviously you can't plan for every eventuality. In the pension world, we always think we're working with reality and facts, but experience has taught us that these are merely assumptions. You never know what's going to happen in the world and how this will affect our coverage ratio. Things are constantly on the move, both in politics and legislation, and in terms of administration. This means you

have to keep reviewing the decisions you've made and the reasons you made them. Should we reconsider certain decisions, or get round the table with the social partners again? In 2024, our plans will be evaluated by the Dutch central bank (De Nederlandsche Bank) and the Netherlands Authority for the Financial Markets (AFM). This is a very intense process. And we'll be informing the participants next year too."

### Your participants have lower than average language skills. What is important when communicating with them?

"We provide information in small doses, per specific group, at B1 level, and try to use a lot of visuals. We use videos. There are focus groups, and we organize information days for employers, at which we urge them to arrange informative meetings for their staff. Particularly for people who are nearing retirement and have a lot of questions. This is a real advantage for our sector; we can reach the participants fairly easily through their employers and case managers. This support structure is very important to us."

# Agile organization

**Until 2028, our services will focus on the current pension scheme while we carry out more work on the new system. Pension Administration and Asset Management will work together more closely. The new system is set to have a huge impact on our organization.**

We will be going through a change process together, one which demands extra flexibility, decisiveness, and professionalism from all our staff. Furthermore, the requirements and expectations of the pension funds and their participants will change. At the same time, we want to realize our sustainability ambitions. Effective collaboration is a must.

In practice, this last aspect appears to need extra attention. In order to make the transition successful, the entire organization must find different ways of working together more closely. Close working relationships between

the various teams ensure better alignment of tasks and faster decision making.

## Strategic staff planning

The sizable, complex transition to the new pension system combined with the administration of the day-to-day services will require extra manpower in the next few years. However, just like many other companies, APG has been hit by an over-stretched job market. In 2023, we launched an intensive recruitment campaign, as we did in 2022. Staff members also approached people in their own networks, which worked out well for positions that are difficult to fill, such as IT, Finance, and Risk. Partly thanks to these campaigns and efforts, we were able to fill more vacancies than we had expected. We were aiming for 80% and achieved 83%. In 2023, APG's workforce totaled 3,723.

## External staff

Despite the overall progress in filling vacancies, we were still unable to relieve the pressure on permanent staff. So we opted to increase the number of external staff we employ to give us more capacity and flexibility where needed.

We will continue this tactic in 2024. In 2023, 805 external staff worked for APG (743 in 2022). They are working on the program that focuses on the transition to the new pension system and in jobs on the business side. Most of them have expertise in IT (Dev Ops, Data Stewards), or particular specialist areas, or they are skilled in participant contact or cleaning data for the pension funds' transition process.

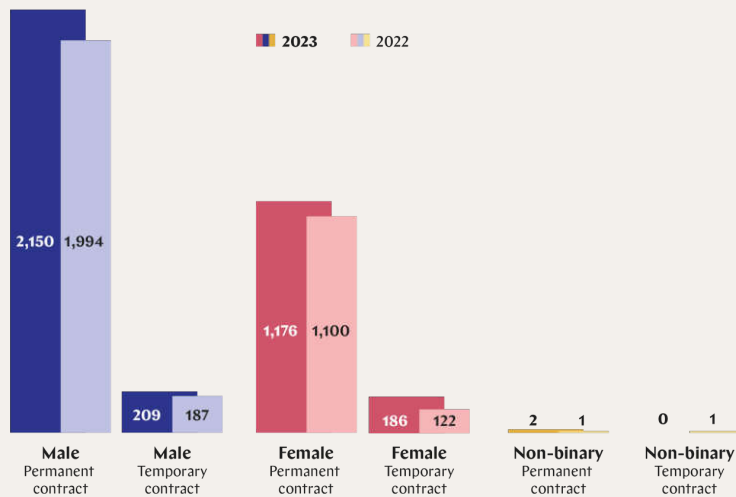
## Sustainable employability

We invest in the sustainable employability of our staff. We offer a wide range of training courses to help them learn and develop their potential. In 2023, we introduced a new platform that enables staff to take more control of their training and development needs.

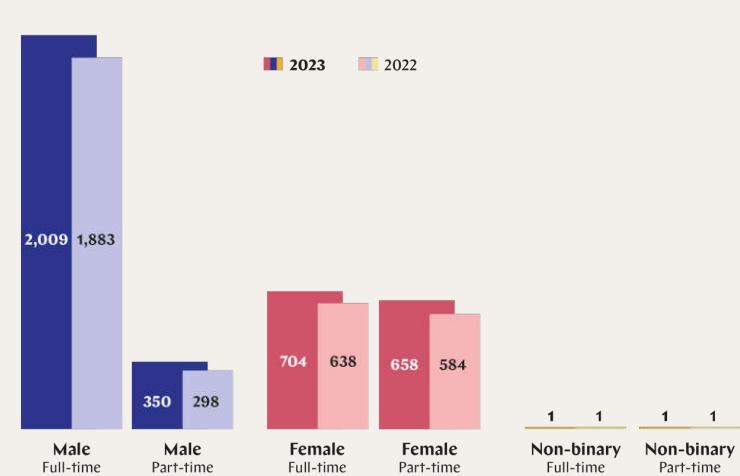
We take note of what staff members need so that they can perform to the best of their ability, and we act as a sparring partner for all staff and managers. The score for the learning culture rose from 69 in 2022 to 71 in the 2023 employee engagement survey.



Employees with permanent and temporary contracts



Employees in part-time and full-time employment



### Leadership development

Our managers must be able to guide their team members through all the current and future changes within the organization. They must also make sure that staff can do their work properly, and facilitate their learning pathway. Managers are trained to do this in 'Leading Talent Development'.

### Great place to work

If staff are to work to the best of their ability, they need a safe environment and good employment practices. An environment where they can work together in a results-oriented, enjoyable way, and where everyone fits in. A vibrant, healthy organization is the basis of a 'great place to work'. We help our staff to stay fit with a wide range of vitality activities, aimed at sustainable employability, physical stamina, and mental resilience.

The employee engagement survey revealed that staff see APG as an organization with a 'pleasant corporate culture and nice colleagues'. They were positive about aspects such as 'autonomy',

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**APG wants to be an inclusive, equal workplace, where every member of staff feels at home**”

'good primary and secondary conditions of employment', and 'room to develop'. The satisfaction score for these factors rose from 77 in 2022 to 78.

**Sickness absence**

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In 2023, the sickness absence rate at APG was 3.8%. This is lower than at the end of 2022 (4.2%). In 2023, the goal for long-term sickness absence, i.e. sickness absence of over 42 days, was to not exceed 2.7%. The long-term sickness absence rate ultimately came in at 2.7% in 2023, compared to 2.1% in 2022.

**Hybride working**

APG encourages staff members to make a conscious choice about where and when they want to work. We encourage hybrid working, but staff from the same team are expected to

go to the office at least twice a week. Direct contact with colleagues is an important aspect of working together and feeling the team spirit. The parking policy has, therefore, been relaxed to make it easier for staff to drive to the APG offices in Amsterdam and Heerlen.

The employee engagement survey showed that in 2023, staff still rated their work-life balance highly, giving it a score of 74 (74 in 2022). In 2021, when hybrid working was first introduced, this score was 68.

**Diversity and inclusion**

APG wants to be an inclusive, equal workplace where every staff member feels at home, irrespective of cultural or social background, gender, age, sexual orientation, and/or other personal traits. In view of APG's social function, we consider it important that the workforce reflect society and the participants at every level and in every department. We take this into account in our recruitment activities.

**Distribution male and female**

December 31, gender (%)

	Supervisory Board	
2023	M 60	F 40
2022	M 40	F 60
	Board of Directors	
2023	M 50	F 50
2022	M 50	F 50
	Managing board	
2023	M 72	F 28
2022	M 82	F 18
	Management	
2023	M 67	F 33
2022	M 65	F 35
	Subtop	
2023	M 67	F 33
2022	M 65	F 35

## Dilemma

Do we concentrate on improving our current operations, or do we shift our focus to the implementation of the Wtp?

One of APG's biggest challenges is finding the right balance between the work we carry out for the current pension system and the work that needs to be done for the new system. Without

compromising on results or quality.

The transition to the new pension system demands a lot of extra capacity. This includes designing and testing an integration pathway to enable the funds to switch to the new system. But also developing (and testing) a new policy and capital administration process, as well as a link between the pension administration and the investment administration.

At the same time, we also need to invest in the

here and now, in the current pension system, to uphold the high quality of our services. So what is the best way to deploy our capacity? Which improvements should we still make to the current system, and which should we abandon? And do we ensure that staff working in the "old" system remain employable in the long term? It's a balancing act.

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A Diversity & Inclusion (D&I) Officer has been appointed in our organization. A D&I Board provides support on strategic matters. There are various active staff networks (Global Women's Forum, Young APG, Proud, and Connecting Cultures). All of these initiatives are designed to raise awareness and bring colleagues together throughout the organization.

A D&I survey was held among staff in the fourth quarter of 2023. It revealed that although staff support the focus on diversity, equality, and inclusion, the level and focus of this support is constantly changing. Our workforce is already very diverse in terms

of age, sexual orientation, and neurodiversity. However, there is less diversity when it comes to gender and particularly cultural background. In general, staff feel that our working climate is equal and inclusive, although colleagues from minority groups are less convinced. Our aim is, therefore, to boost the sense of equality and inclusion, and to make this visible in the employee engagement score (aim for 2024: 77, five points higher than the benchmark). We will continue to recruit diversified talent.

In December, APG signed Workplace Pride's 'Declaration of Amsterdam', in support of our commitment to promote the position of LGBTQIA+ employees. This, along with the

Diversity charter of the Dutch Social and Economic Council (SER) and the Talent to the Top charter, will help us to realize an inclusive working environment for everyone.



## 'We must work hard to become more diverse'

Three questions for Roosmarije Reneman, head of Development & Change at APG.

**Diversity and Inclusion (D&I) is a hot topic at APG. The transition to the new pension system meant that APG had to take on more staff. Was this the golden opportunity for greater D&I?**

"Labor shortages force you to change your ideas about talent. You tap into sources and networks that you might otherwise have been

less inclined to approach. Take people with poor job prospects, for example. We're certainly not the only ones, some companies are much further in this respect. But we were one of the first to close the wage gap, although we must still work hard to become more diverse. This is particularly true of gender, male/female ratio, and cultural diversity. As an organization, we obviously want our staff to reflect the participants affiliated to the pension funds. What's more, diversity, or differing perspectives, improves our decision making. So diversity is also important from a business perspective. That's why this is part of our strategy."

### What does this strategy look like in practice?

"The scores for inclusion in our employee engagement survey are above the benchmark. This is because APG is a people-orientated organization. Of course, it's easier to be inclusive if you're not very different from each other. The more diverse your population is, the more difficult it becomes to remain inclusive. That's

what makes the various D&I networks within APG so important. If you can't identify with each other or don't understand what certain groups consider to be important, it will be difficult to bond with each other.

The networks themselves decide which initiatives they want to develop. The People & Change department tries to connect the various groups, so that we aren't actually creating separate units in which people feel safe. These networks all represent different minority interests, so mutual cohesion is very important."

### Does the D&I policy ever meet with opposition?

"I think you'll always see a reflection of what's going on in society in any organization. It's essential to defuse polarization. To avoid the 'us & them' situation. So we also listen to people who have no time for D&I, but this doesn't mean that we agree with them. Listening is important so that we know where the resistance is, and why. Everyone is welcome to an opinion, as long as they show respect. I'm convinced that we can solve anything as long as we keep talking to each other."



# Digitalization

**Digitalization is a crucial aspect of our strategy. New technology, including artificial intelligence, can improve our efficiency, boost the services we provide to pension participants and funds, and help us to make better decisions. APG is very aware of the security and privacy risks that new technology entails. Raising awareness is one of our main priorities.**

landscape at APG is currently stable, we must keep it updated to be ready for new situations, including the new pension system.

Optimum IT architecture will prevent us from using too many types of applications and control solutions. We will be more agile and it will be easier to share data – both inside and outside the organization. In order to safeguard flexibility, we will ensure that the new IT architecture is as 'unlinked' as possible. This means that certain systems will be able to make the switch individually, at their own pace.

We will find a controlled, composed way to work towards a modern, digital organization that is able to respond to and absorb new developments swiftly. We will also check to see which changes we need to make to achieve APG's goals. Our digital infrastructure does not only take the impact of programs like Pension of the Future into consideration, but also digital developments that make the landscape more agile, such as the cloud and generative artificial intelligence.

## Digitalization at Asset Management

The workflow management system at APG Asset Management has been expanded for product management, for assessing external mandates, client workflow management, and operational due diligence. The Integral Client Portal has also been launched to give clients direct access to all information relevant to them, from both the asset management and the pension administration perspectives.

2023 was an important year for the digital transformation at Asset Management. There were three key areas.

### Order and Execution management systems

The Order Management System (OMS) and the Execution Management System (EMS) ensure that Asset Management can carry out investments efficiently while also satisfying the compliance requirements applying before and after the implementation of a transaction portfolio.

APG is steadily becoming an organization that relies heavily on new technology. All our current strategic programs are specifically designed for further digitalization. This is also visible from the outside: pension funds, employers, and participants are obtaining more information via online portals and apps.

### IT architecture and innovation

If we want to stay agile and efficient, it is important that our IT architecture is slick and well-organized. Although the IT and data

### Smart data solutions

Smart use of data is an important part of the digitalization process within asset management. Multidisciplinary teams supply digital data solutions for the pension funds,

such as the Fundamental Equities & Alternative Data case. They put the investment teams in the very best position to select, analyze, and prepare alternative datasets for our clients' positions.

### Self-service

The introduction of self-service tooling is also an integral part of the digital transformation. In 2023, we saw a sharp rise in the number of colleagues using self-service tools like Phyton, Qlik, R, and Power BI to improve their work processes. When implementing these tools, we check them carefully to ensure that they comply with our risk and control framework.

### Training en awareness

In 2023, we put a lot of time and effort into training and awareness. APG staff are continuously trained to be aware and wary of the risks posed by cybercrime. We regularly post items about 'phishing emails' on intranet, as this is something that affects APG. All IT specialists have completed training courses in 'secure programming'!

In addition, all APG staff follow online courses such as Data Ethics, Data Literacy, and Security & Awareness. We keep track of how many colleagues take the training we offer. In 2024, we will try to persuade more staff members to follow training courses.

## Dilemma

What is the best way to deploy artificial intelligence, without taking too many risks?

The rapid emergence of artificial intelligence (AI) means that new technology has suddenly become available to a large group of people, including members of APG staff. The dilemma is finding a balance between using it effectively and managing the risks. We need to make changes relating to vision building, governance, and control. APG works alongside an AI expert group, with a wide representation of both users and experts in content and risk/legal. This strategy allows us to try out applications that make a direct contribution to our foremost processes, and applications that make the operation more effective. It is important to adopt the technology swiftly as we operate in a

highly competitive market. Best-case scenario: we create a competitive advantage. Worst-case scenario: at least we will still be relevant. We certainly don't want to lag behind and watch our competitors reaping the benefits of new AI tools.

On the other hand, the adoption of AI tools must be carefully monitored. Rushed implementation, without a solid policy, will lead to system weaknesses and failure. This, in turn, may generate huge financial and ethical risks and could be damaging to our reputation. Even worse, it could have a negative impact on client confidence.

We also think it important to share this awareness with the pension fund clients. APG and two pension funds held a 'business continuity drill', so that we are all clear about how we should react in the event of an emergency. We intend to arrange more of these drills in the year to come, together with all the pension funds. We also organized some major sessions around specific topics with our pension fund clients in 2023, addressing topics such as digital legislation and regulations, and developments in the field of artificial intelligence.

### Legislation and regulations on digitalization

APG embraces the legislation and regulations relating to digital security, artificial intelligence, and privacy. We implement DORA (Digital Operational Resilience Act), which provides a sound basis for limiting the risks ensuing from our digital innovations. We are also working on a vision for implementing applications that use artificial intelligence, while paying close attention to the Artificial Intelligence Act being prepared by the European Union. Everything that APG undertakes in this respect must be in line with all existing and future legislation and regulations.



## 'AI can help us to innovate more swiftly'

Three questions for Tim Schulteis, director of Group Digital Office at APG.

### As a major financial organization, how do you capitalize on the potential of technology such as AI, without taking too much risk?

"By starting to work with it. This is the only way to identify the risks and tighten up your strategy. In other words, an innovative mindset. This may sound like common sense, but here at APG, we're used to thinking from the risk angle.

Logical really if you consider the magnitude of our responsibility. But spending a few months thinking things through and weighing them up before you take the first step can be a real obstacle. I mean, procrastinating is a choice in itself. You can waste a lot of time thinking about technology that's developing faster than the legislation designed for it."

### Does APG have a mindset that's innovative enough to embrace these developments?

"We're trying to expand it. Take 2023. I'm really proud of how we avoided having any major security incidents despite undergoing massive changes and new systems. In the run-up to the new pension system, operations continue while we perform an extensive overhaul. We have a good understanding of the frameworks and guidelines for the changes in the area of IT. Which is just as well because we need to have the systems ready in time for the first two funds switching to the new system on January 1, 2025. I'm confident that it will work, but the main challenge is trying to combine today's major overhaul with the capacity


and willingness to look forward. And to make sure that we don't make any decisions now that won't stand the test of time simply to meet tight deadlines."

### In concrete terms, how can AI help an organization like APG?

"AI can help us to speed up digital innovation and increase the pace at which we change. We still do a lot 'manually' albeit increasingly less. At present, if you want to make IT changes (changing a piece of software, for example), you have to go to a change department, and start a lengthy process of analyzing, building, and testing. And in the case of major changes, potentially time-consuming interdependency between teams. We should be aiming for 'change as a commodity.' A situation where end users can make changes easily, swiftly, and soundly. This saves so much time and effort. Think of it like building a website: anyone with a handy program and a tiny bit of technical knowhow can do it these days, while a few years ago, you needed an html expert. The drive for innovation; that's the essence of digitalization."



# Our financial position



**2023 in the picture: Nature Restoration Act**  
The European Parliament approved the Nature Restoration Act in July. This act aims to stop the swift loss of species of flora and fauna in Europe.

# Our financial position

## Our finances in 2023

APG's primary goal is to maximize pension value for our pension fund clients and their participants. APG must also achieve a healthy result, a return appropriate for a socially oriented organization. In 2023, APG achieved revenue of €1,002 million (€962 million in 2022) and net profits of €10.3 million (€48.9 million in 2022).

The net profit was €38.6 million less than in 2022. We had already prepared for a drop in the business plan for 2023. As expected, the costs of the regular services rose due to high inflation in 2023. As part of the strategic initiatives Pension of the Future and Grip on Data, in 2023 we made a substantial investment in preparing for the new pension system, whereby some of the costs were not passed on to the clients. An unexpected effect of this were the higher costs from being unable to reclaim VAT on purchasing expenses for preparations for Wtp-related services. We were also forced to accept lower fees from our clients for specific services.



**As expected, the costs of the regular services rose due to high inflation in 2023**

The effective tax rate was 21.4% in 2023 (24.5% in 2022). With a solvency ratio of 54% (59% in 2022), our equity position is strong. Our operating cash flow for 2023 was positive.

## Operating costs

As well as higher costs due to inflation and investment in strategic initiatives (including Pension of the Future, Grip on Data, and Digitalization), the operating costs also rose compared with 2022 as a result of the completed collective agreements and the higher market prices for external costs. As we were not able to fill all our job vacancies, in 2023 we hired more external staff, who are relatively more expensive than permanent members

of staff! Last year, we also saw the clear effects of COVID-19: fewer journeys, less energy, fewer training courses, etc. In the 'new normal', people are still making more conscious decisions about travel and going into the office, but the effect of this is no longer as visible in the financial figures as it was in recent years.

## Revenue

We generate our revenue via contracts with long-term clients. Asset management revenue partly depends on the development of assets under management. This revenue dropped in 2023, due to amended target revenue figures and changes in the asset management services. Revenue is differentiated between revenue from regular services and that from strategic initiatives. The revenue for regular services in pension administration rose in 2023, but as the services are largely based on long-term price agreements, the effect of inflation on these costs could not be fully compensated. Although not all costs for strategic initiatives are paid for by clients, revenue from strategic initiatives in 2023 was higher.

“

**The profit margin on asset management activities was sufficient**

### Market position

The competitive position in the pension administration and asset management market varies, as do profit margins. While the profit margin on the pension administration business is very low and even negative on specific activities, the profit margin on the asset management business has proven to be adequate. We expect that the average fee per participant for pension administration can be brought down in the future. By investing in strategic initiatives, we can provide better service in the long term, and work to reduce costs once the new pension system has been introduced.

### Capital and dividend policy

Key principles in our capital and dividend policy are financial stability, room for possible

strategic investments, no over-capitalization, and a required rate of return appropriate for a socially oriented organization. Our return target was based on a minimum return on equity on the one hand, and a minimum return on the total cost of our services on the other. In this way, the return target is in line with the tax transfer pricing principles that apply with respect to the shareholder relationship that APG has with ABP.

The sharp drop in net profit in 2023 compared with 2022 means that the return on equity in 2023 was 4.3% (13.9% in 2022). This just satisfies the required rate of return under APG's policy.

In 2023, APG distributed a dividend of €99.8 million to shareholders for the 2022 financial year. The proposed dividend payout for 2023 has been calculated based on the analysis of available capital versus our required capital under the capital and dividend policy, and the statutory requirements under our asset management license. The lower returns in 2023 and a rise in our required capital at the end of 2023 mean that the proposed dividend payout in 2023 is considerably lower than in 2022.

Our statutory profit appropriation for 2023 is included in the Financial Statements.

### Outlook

The strategic initiatives Pension of the Future, Grip on Data and Digitalization will reach their peak in 2024 in terms of volume, tasks, and results. Our aim is to successfully transfer all our pension fund clients within the next three years, starting with the first two funds in 2025. We anticipate that in 2024, the strategic initiatives will generate even higher costs and that in the same way as in 2023, some of these costs will not be covered by profits. We will, therefore, have to absorb a larger part of the investments in the strategic initiatives. As a result, the pressure on our profit will probably persist, and perhaps even increase, in 2024.



As well as the focus on our strategy, in 2024 we will limit other cost increases as much as possible and try to bring down costs in the long term. The aim for 2024 is to keep the net profit within the minimum financial goals. This will be quite a challenge and we will regularly have to make some difficult decisions.



**Carola Schouten on a visit to APG.**



## 'The government must ensure that everyone accrues a pension'

Three questions for Eduard Ponds, senior researcher at APG.

**You have carried out a lot of research into the new pension system. As part of this research, you asked participants for their thoughts on a joint buffer for their fund. The vast majority was in favor. What else do you want to look into?**

“Whether it’s possible to introduce statutory pension accrual for all working people. There are currently blank spots: some of the working population have joined a pension scheme, while

others, including the self-employed, have not. There’s a danger that people who haven’t accrued pension will get into financial difficulties in later life. And then society will have to pay. There are two solutions. The first is a minimum statutory pension, whereby everyone must reserve at least 15% of their income for a pension. They could do this themselves or via a pension fund. This would prevent competition on the job market caused by employers taking on self-employed people to avoid having to pay pension contributions for them. The second idea is that the government introduces PAT (pension added tax) for the self-employed, which would solve the problem automatically. Self-employed people who accrue pension could deduct the PAT that’s been paid from the unutilized allowance for premiums paid from income before tax. Everyone would pay the same proportion of their income.”

**How could you organize a scheme like this for the self-employed?**

“That’s exactly what I’m looking into: how can you turn this into a proposal that will get everyone on board? A scheme like this isn’t in everyone’s

interests. You could set up a pension fund for self-employed people or let them choose a financial institution that invests contributions on their behalf, like they do in Australia. But the regulations must come from the government. As well as protecting the pension system we currently use, the government must also ensure that everyone accrues an adequate pension.”

**What will your research focus be on in 2024?**

“The risk appetite of participants is a hot item at the moment. Research has been carried out into the level of risk people are prepared to take when investing their pension contributions. But participants have never been asked how much of their contributions they want to invest. How much of their contribution are they prepared to invest, and at which investment risk level? Some people might be careful and conservative and would rather pay higher contributions and take less risk to ensure that they end up with a decent pension. Or the complete opposite and prefer to pay lower contributions and invest at a higher investment risk. I want to find out how willingness to take risk relates to willingness to pay higher contributions. We really have no idea at the moment.”

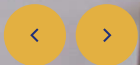


# Our governance



**2023 in the picture: Uneven distribution of work and care tasks**

Fewer than one in ten couples share work and care tasks evenly. A new government campaign is encouraging women to work more hours.



# Corporate governance

**Good governance and ethical business practices are essential if APG wants people to feel confident that it is fulfilling its important role in society honestly and correctly.**

APG complies with the relevant laws and regulations. APG also adheres voluntarily to the Netherlands Corporate Governance Code – the standard for good corporate governance. In the rare cases that we do not adhere to the provisions of the Code, we explain why. See also [Corporate governance](#) on the APG website.

## Executive Board

The Executive Board is jointly responsible for the day-to-day management, the strategy, the progress of the results, and the sustainable performance and the social impact of APG. The Executive Board reports to the Supervisory Board and the shareholders.

APG has set up risk committees at business unit and group level. The Executive Board is assisted by boards, each with its own

focus area. They include the Portfolio Board (the use of resources for change initiatives within APG), the IT Board (providing a controlled, secure, flexible, and future-proof IT landscape), the Data Board (data management matters), the Sustainability Board (sustainability, social impact), the Diversity Board (diversity and inclusion), and the Innovation Board (monitoring the innovation pipeline and innovation funding).

## Composition of the Executive Board

The Executive Board comprises four members. Annette Mosman has been appointed as chair of the Executive Board until 2025. She manages the portfolios for Strategy, Communication and Public Affairs, Legal & Governance, Policy, People & Change, Facility Services, Internal Audit, Sustainability, and the Pension of the Future program.

Francine Roelofsen-van Dierendonck (portfolios for Participants and Employers Services and Fund operations), and Ronald Wuijster (portfolio for APG Asset Management) have been reappointed as members of the

Executive Board until 2026. Maarten Blacquièrè has been appointed as CFRO, Chief Data Officer, and member of the Executive Board (portfolios for Finance, Risk & Compliance, Tax, and IT) until 2026.

## Supervisory Board

The Supervisory Board is appointed by the APG shareholders and is charged with safeguarding the continuity of the organization, with a view to creating long-term sustainable value for all APG stakeholders. It fulfills this role (in part) by monitoring the company's performance and results and by providing the Executive Board with advice. The Supervisory Board plays an active role in contact with the shareholders.

The Supervisory Board also plays a key role in the appointment and dismissal of members of the Executive Board and the Supervisory Board. The Supervisory Board compiles job profiles, recruits and selects candidates, and prepares the appointments. As the employer, the Supervisory Board appraises the performance of the Executive Board and advises the shareholders on the remuneration

policy for the Board members. The shareholders are authorized to appoint and dismiss members of the Executive Board and the Supervisory Board, and decide on their remuneration.

The Supervisory Board has two committees: the Audit and Risk Committee and the Remuneration and Selection Committee, both of which assist the Supervisory Board in its supervisory and advisory tasks. They also pave the way for decision making in certain areas. The external auditor is always present at meetings of the Audit and Risk Committee. The Audit and Risk Committee meets both the internal and the external auditor twice a year without the Executive Board.

The report of the Supervisory Board sets out the specific points the Supervisory Board and its committees focused on over the past year. The way that the Supervisory Board intends to perform its tasks is laid down in a Supervisory Vision, which is available on APG.nl.

### Composition of the Supervisory Board

On January 1, 2023, the Supervisory Board comprised five members, with Pieter Jongstra as chair, Dick van Well as vice-chair, and José

Meijer, Sarah Russell, and Claudia Zuiderwijk as members. As of April 1, 2023, Pieter Jongstra was succeeded by Peter Bommel, and Claudia Zuiderwijk was succeeded by Constant Korthout as of August 1, 2023.



**APG sets great store by ethical business practices**

### Shareholders

APG Groep NV has two shareholders: Stichting Pensioenfonds ABP (92.16% of the shares) and Stichting Sociaal Fonds Bouwnijverheid (7.84% of the shares). The Executive Board and the Supervisory Board had regular meetings with the shareholders throughout 2023.

### Ethical business practices

APG sets great store by ethical business practices, at the organizational level and at the individual staff level. APG has a Code of Conduct aimed at promoting ethical business practices.

### External supervision

The Dutch central bank (De Nederlandsche Bank (DNB)) is officially responsible for regulating pension funds, but not pension administration organizations. ABP, a client of APG, is regulated by DNB, as are APG's other pension fund clients. This regulation covers the outsourcing of services to APG used to administer pensions. For this reason, APG holds regular meetings with DNB.

APG Asset Management manages assets for four pension funds. Asset Management has been accredited for these activities by the Netherlands Authority for the Financial Markets (AFM), and is also subject to supervision by the AFM under the Alternative Investment Fund Managers Directive (AIFMD) and Markets in Financial Instruments Directive (MiFID). In addition, DNB exercises prudential oversight of APG AM's collective and individual asset management. To comply with the solvency and liquidity requirements, APG Asset Management follows the Internal Capital Adequacy and Risk Assessment Process (ICARAP).

## Tax

Tax proceeds make an essential contribution to the local communities that we serve and invest in. APG endorses the importance of national and international initiatives aimed at fiscal transparency and minimum effective tax levying.

### Horizontal Monitoring

APG sets great store by open and honest dealings with the tax authorities. APG and ABP signed a renewed monitoring agreement with the Dutch tax authorities in late 2021. It is based on 'ongoing horizontal monitoring', meaning that the relationship is based on transparency, understanding, and trust. APG has set up a Tax Control Framework, which has been integrated into the APG-wide risk framework. The Dutch tax authorities increasingly rely on the internal control processes at APG.

### Responsible tax policy on investments

As part of the implementation of our tax policy, we raised our tax expectations for the companies in which we invest. We also introduced stricter voting criteria in the run-up to the Annual General Meeting of Shareholders season in 2023. This underlines APG's tax

policy and tax principles and those of our asset management clients.

APG carries out assessments on listed shares in developed markets (with a market cap of at least €5 billion), based on information about the company's tax strategy, fiscal transparency, the effective tax burden, and known controversies about taxes. Based on this assessment, we identify companies to engage with about responsible tax behavior. We intend to conduct this analysis, which was first carried out in 2022, every year from now on.

Please refer to the APG website for more information about our [tax policy](#).

### Voting policy

In 2023, we integrated the assessment of the tax policy and tax principles of APG and the pension funds for which we invest into our voting policy. If companies turn out not to be acting in line with our expectations with regard to tax matters, we can vote against the appointment or reappointment of the CFO/ chair or members of the Audit Committee. In 2023, we discussed our concerns about fiscal transparency and the low effective tax rate

with several companies, including Amazon. This company's reluctance to meet our request led us to vote against the reappointment of the chair of the Audit Committee during the AGM of Amazon shareholders. We also voted in favor of a shareholders' resolution calling on Amazon to make its tax affairs public, in line with global reporting standards.

With regard to alternative investments, we have translated the tax policy and tax principles of APG and the pension funds into fiscal criteria to be used for assessing whether potential new investments correspond with our tax policy. We promote compliance with these tax principles, while pointing out that success partly depends on our degree of influence regarding the proposed investment.



## Meetings with the works council

In 2023, the works council dealt with five requests for advice and five requests for approval regarding reorganizations. They were all issued a 'positive advice', albeit often accompanied by certain conditions. The works council also received 38 informative memos on less far-reaching changes within the organization.

Nine meetings were held with representatives of the Executive Board. Themed sessions and problem analyses were organized in advance to limit the agenda and enhance people's knowledge. At two of these meetings, the works council and the Supervisory Board discussed the general state of affairs, and the works council executive committee had regular informal meetings with members of the Supervisory Board. The executive committee of the works council held eleven agenda committee meetings with management.

Meetings from autumn onwards focused on how to ensure that the work of the works council continues smoothly during the transition. Management would like to see fewer formal, and more informal, meetings. This

is mainly because fewer formal requests for advice are expected, and the organization is concentrating its efforts on 'APG of the future'.

### Internal consultations

The works council held 21 internal meetings. Two two-day training days were organized, focusing on team-building and contact with members of the Supervisory Board. Other subjects that had been neglected were also brought up during the training days and later discussed in meetings with management. They included: the way that quarterly reports are dealt with. The assessment of privacy aspects when implementing new systems or policy proposals. The ratio of internal to external staff, which needs special attention in view of the transition. The APG remuneration policy was also discussed on several occasions. The works council was given more information and better reports at their request, which benefited transparency.

### Changes in council members

There were a lot of changes in the members of the works council during this second session. Time pressure was the main reason. The extra tasks taken on by members of

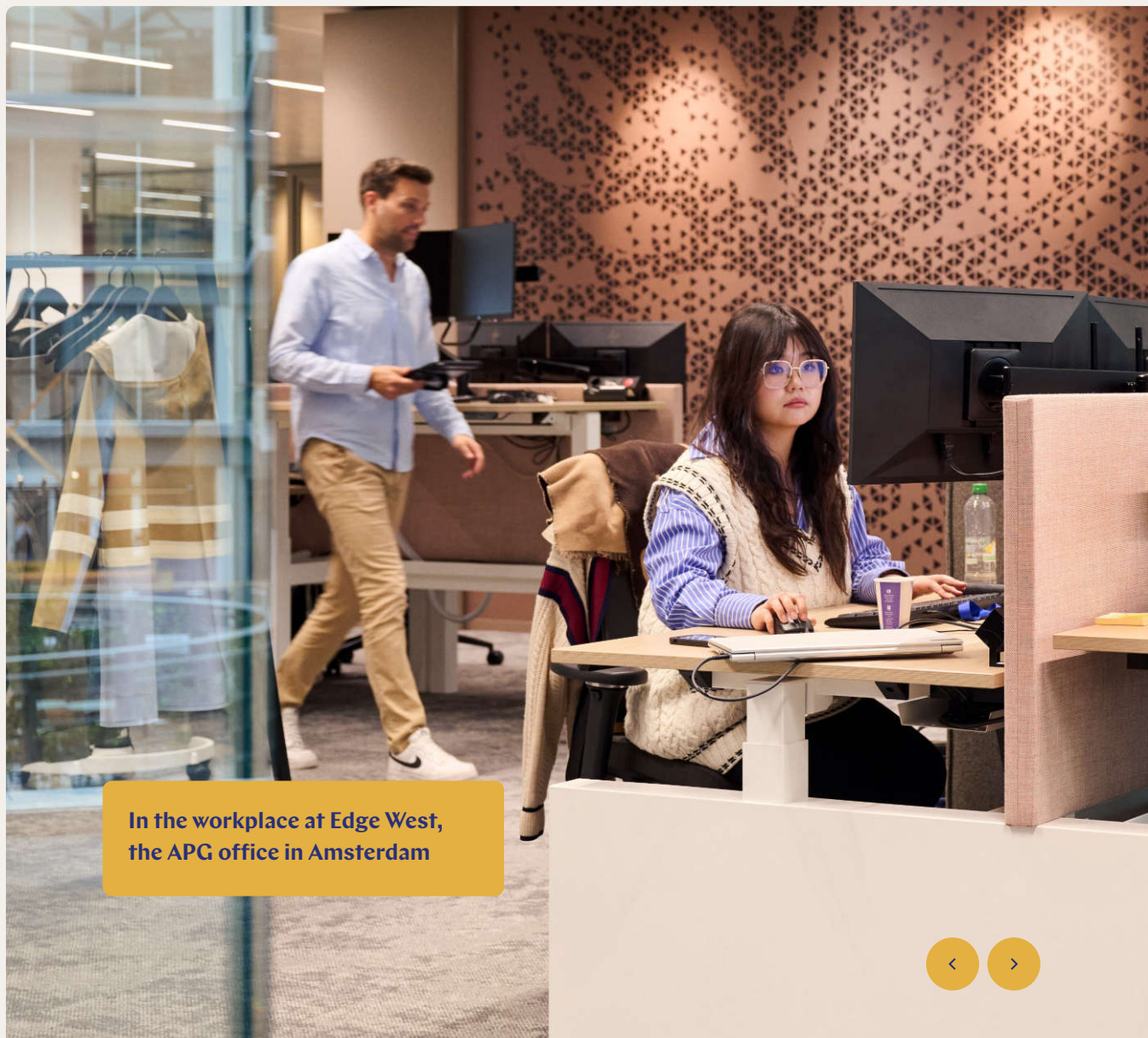
the works council can become too much of a burden. Staff feel pressurized to choose between their own personal career and the work they carry out for the works council. The executive committee spends a lot of time and effort on filling vacancies. Management and the executive committee are trying to stress the importance of works council work to persuade staff members to put themselves forward as candidates.

The process of setting up a works council at APG Asset Management did not go smoothly. On the one hand, this was because of the way that management wanted to organize the works council. On the other hand, the members of the working group concerned reported in September that they had neither the manpower nor the time to continue their work. As no more people could be found, the entire works council took over the task. The transition and attempts to redress the knowledge deficit caused delays, particularly during the reorganization of the Responsible Investment function.



## Different approach

In 2023, the works council chose a different approach to discussing documents. The more strategic issues were given more attention. Smaller changes were largely dealt with by working groups. This benefited the quality of meetings and the general implementation. However, this is conditional on the works council being involved in plenty of time, so that it can represent the interests of staff members.



In the workplace at Edge West, the APG office in Amsterdam

# Our remuneration policy

**Our remuneration policy is transparent and precise, reflecting APG's sustainable long-term vision and strategy. We focus on three main perspectives in our remuneration policy: internal proportionality, external proportionality, and the social context.**

## Internal proportionality

There must be a fair balance between the salaries paid to the Executive Board and those paid to the staff, between people working in different parts of the organization, and between men and women, for example. If pay discrepancies exist, we must be able to justify them.

## External proportionality

We need a degree of competitive remuneration in order to attract and retain specific expertise or talent. This must always be transparent, consistent, and well-balanced. To achieve this, we use specific benchmarks for jobs and

business units. The vast majority of employees are subject to the APG company collective labor agreement, as agreed with the labor unions.

## In balance with social responsibility

Our strategy is aimed at achieving maximum pension value. This is our social responsibility. Sustainability and financial health are conditions. This will enable APG to create sustainable value for the long term. Our remuneration policy must, therefore, be in balance with this responsibility.

The sustainable employability of staff, their ongoing development, and their mental and physical well-being are at the center of this policy. We offer a fixed salary, good pension provisions, and various fringe benefits, such as a generous study cost allowance, a mental and physical health budget, and group occupational disability insurance. Day-to-day policymakers do not receive severance payments above 100% of their fixed annual salary.

## Variable pay

In the Netherlands, only APG Asset Management staff with a direct influence on investments are eligible for variable pay. Position and proven performance (against quantitative and qualitative targets) play a role when setting the level.

Variable pay depends for 50% on non-financial performance, measured against sustainability indicators for example. For many of the staff who are eligible for variable pay, half of this is held back and paid in three equal portions in the second, third, and fourth years after the years that the results were delivered and after a reassessment of performance. Staff working for the subsidiary Entis may also qualify for (limited) variable pay, whereby quantitative and qualitative performance also plays a role.

We never guarantee awarding variable pay or employee retention pay. We may, sporadically and only in the first year of employment, agree to pay a sign-on bonus.

We do not want our remuneration policy, and variable pay in particular, to lead to 'perverse incentives'. We conduct periodical risk analyses to ensure this is not the case. Categories of staff who have a material impact on the APG Asset Management risk profile are identified every year and designated as 'identified staff'. Our remuneration policy includes control measures for those categories.

### Remuneration abroad

In other countries, performance-related pay is often a larger part of the total pay package. This is due to the local culture, legislation, and job market. Variable pay helps us to recruit the right staff members and target performance. This variable pay abroad has a different structure and can be higher than in the Netherlands. We look very carefully at whether, and when, variable pay should form a larger proportion of the total pay package. We consider this in terms of internal and external proportionality and the social context.

### Assigned variable pay

In 2023, variable pay totaled €63.7 million (€51.6 million in 2022). Of this, €55.0 million (€45.4 million in 2022) related to the foreign

offices APG US, APG Hong Kong, and APG Singapore. The €12.1 million increase was partly caused by a higher exchange rate, the growth of the organization and in the number of staff members who qualified for variable pay, and the positive investment returns as measured over a five-year period, particularly in private equity.

In 2023, 24 members of APG Asset Management staff (15 in 2022) were awarded total pay of over €1 million. All of these staff worked outside the Netherlands, mostly in private equity in the US. Exchange rates are another factor that affected the number of staff receiving total pay of over €1 million in 2023. The total remuneration package comprises fixed salary and variable pay.

### Responsibility

We comply with laws and regulations as regards restrained remuneration. We also adhere to the Netherlands Corporate Governance Code. Primary responsibility for the overall remuneration policy rests with the Executive Board. The Supervisory Board monitors this and receives advice from the remuneration committee.

The formal authority to decide the remuneration for individual members of the Executive Board rests with the general meeting of shareholders, under the guidance of the Supervisory Board. The general meeting of shareholders is also authorized to appoint members of the Executive Board.

The management board of APG Asset Management is responsible for implementing its own general remuneration policy, which must adhere to the framework of the general remuneration policy of APG Group. Asset management activities are managed by an independent company, which means that APG Asset Management has its own Supervisory Board and remuneration committee. This Supervisory Board determines the general remuneration policy for Asset Management in the Netherlands, based on a proposal of the management board. A review committee provides support in the area of remuneration policy. The members of this review committee represent People & Change, Risk, Compliance and Legal. They work closely to align the design, regulation, and monitoring of the remuneration policy. The internal accountant does not sit on this committee, but carries out

independent periodical checks of the design, implementation, and application of the policy.

## Remuneration of the Executive Board

The remuneration policy for the Executive Board is also based on internal and external proportionality and the social context. The internal ratio between the salary of the chair of the Executive Board and the average salary of members of staff was 4.5 (4.6 in 2022), which is relatively low. The ratio for APG Nederland alone is 5.8 (5.7 in 2022). For the financial years 2018 to 2021, the latter internal pay ratio was 5.9, 5.9, 6, and 5.7 respectively.

We assess external proportionality periodically using a carefully compiled benchmark of similar companies. The social context is reflected in the form that the remuneration takes. Members of the Executive Board are enrolled in the same pension scheme as the staff. Furthermore, members of the Executive Board are not eligible for variable pay.

We apply the same principles to members of the Supervisory Board. Their pay must be an incentive for them to perform their duties to a satisfactory degree and must be in keeping with their responsibilities. The Supervisory Board presents its own proposal regarding remuneration to the general meeting of shareholders. The notes to the consolidated profit and loss account (under Financial Statements) contain a summary of the remuneration of the Executive Board and the Supervisory Board.

The Executive Board [remuneration report](#) for 2023 is available on our website.

It should be noted that these internal ratios for 2023 and previous years were determined on the basis of principles set out in the current Netherlands Corporate Governance Code (amended version of December 2022, applicable from the 2023 financial year). The internal ratios for the 2021 and 2022 financial years, now calculated on the basis of the current Netherlands Corporate Governance Code, deviate slightly from the ratios published in the respective Annual Reports.

# Risk management

**Risk management helps to create pension value for the pension funds we work for, the employers, and the participants. APG identifies and manages risks from an integrated perspective, in the interests of pension and asset management. We weigh up the financial and the social values.**

## Integrated risk management

All staff must be aware of potential risks. Weighing up risks and opportunities on the basis of our risk appetite is an intrinsic part of our day-to-day work at every level of the organization. Our integral risk management framework encompasses risk governance, risk policy, risk culture, risk appetite, the risk management process (backed up by the risk and control framework), and risk reporting.

## Risk governance and policy

APG bases its risk management and control on the 'three lines of defense' model. The first line

is formed by the various business units and staff departments (central support and policy units) at APG. They are primarily responsible for risk management. Risk management and compliance (the second line) provides the first line with advice and support and acts as a 'counterforce'. The internal audit function forms the third line of defense. The risk committees in the various business units, the Executive Board, and the Audit and Risk Committee of the Supervisory Board ensure that the responsibility for risk management is safeguarded.

APG has a set of Risk and Compliance Policy frameworks within which it aims to control its risks. These frameworks guide the staff working in the first line, enabling them to implement risk management as part of the regular business activities.

The risk taxonomy comprises five risk categories: strategic risks, operational risks, financial reporting risks, compliance risks, and financial risks. Each category sets out the principal risks associated with APG's activities.

Every year, we update the biggest risks posed by external developments, strategy, and business operations for each category.

## Risk culture

Sound and effective risk management depends above all on promoting a culture of risk awareness.

Assessing and limiting fraud risks is a priority for APG. Our basic principles are set out in the Code of Conduct. The guidelines and processes for managing, reporting, and dealing with incidents of fraud are set out in our fraud policy. Fraud is assessed through risk self-evaluations of processes and via Systematic Integrity Risk Analysis (SIRA). Important control steps have been introduced to restrict fraud. All cases, or suspected cases, of fraud reported to the fraud coordinator are examined meticulously. In 2023, APG looked into various external attempts to commit fraud within pension administration and asset management. These attempts consisted of falsified signatures and invoices, falsified life certificates, and falsified capital calls. In addition to its fraud policy,



APG has a [system for reporting misconduct and irregularities anonymously](#).

### Risk appetite

Risk appetite describes the nature and extent of the risks we are prepared to accept in our strategic aims and the provision of our services. We deploy a single risk appetite method for APG as a whole. The Executive Board approves the qualitative risk appetite statement.

### Risk management process

The risk management process is designed to monitor the development of the risk profile in relation to the risk appetite. Identifying, evaluating, managing, and monitoring risks are all part of this continuous process. Compliance sets out the changes to legislation and regulations in the compliance report. The business units are responsible for incorporating these changes into the processes and control measures. The risk and control framework ensures that we stick to the desired risk profile. It gives us insight into the effectiveness of the control measures designed to limit the risks.

### Risk report

We monitor activity continuously on the basis of the five risk categories. Part of the operational risk management process is being demonstrably 'in control', both inside the organization (corporate) and outside (on behalf of our clients). Every quarter, we report to the APG risk committee and the Supervisory Board's Audit and Risk Committee about the current risk profile. The risk report is the conclusion of our risk management process.

### Risk profile in 2023

In 2023, the APG risk profile did not contain any unacceptable risks.

The risks in our risk taxonomy cover material topics ensuing from the materiality assessment and serve as a guideline for the 'Our results in 2023' chapter. Our decisive, action-oriented culture enables us to respond actively to risks that are part and parcel of an ever-changing society. These include the changes to the organization after the transition to the new pension system, in response to the implementation of new legislation and regulations in areas such as sustainability, but also as a result of applying new IT

technology. We are always able to manage the services entrusted to us by the pension funds satisfactorily. This can be seen in the way we uphold the quality of our current services, for example, and the strong, ongoing relations with our clients. This is explained in more detail in the next section.

### Smooth transition to the new pension system

In order to be able to transition effectively to the new pension system, we are replacing IT systems, simplifying regulations, and cleaning up data. We are working hard on generating high-quality data, which we can migrate to the new pension administration system. We follow the data quality rules to ensure that satisfying the quality requirements for clean data is structurally embedded in our processes.

The instructions given to APG Asset Management by the pension funds are becoming more extensive. Our clients want 'more sustainable' investments, for example. This requirement has implications for current and future orders. The IT systems and infrastructure in Asset Management need to

be modified to meet all requirements as fully as possible.

We set great store by a smooth transition to the new pension system, which is why we set up the Pension of the Future program, which incorporates the 'three lines of defense' model. All disciplines coordinate their activities and group their reports. During the transition period, they will build a 'house' with their 'products'. We will keep the pension funds we work for updated about the progress and effectiveness of the program activities.

### After the introduction

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APG is preparing for the situation after the introduction of the new pension system. The impact on every business unit will be different, so an assessment will be made for every business unit to see what they need for the new pension system. Risk management is one aspect of this. A project has been launched to ensure a solid revenue model for APG, taking account of long-term developments in revenue and costs.

### Uphold the current service quality

The transition to the new pension system has prompted a large number of initiatives in pension administration, which impact on the internal management and the risk and control frameworks. Alongside all the work being carried out for the transition to the new pension system, it is also important to uphold the agreed level of regular services provided to clients. Managing the regular services, the work involved in the transition to the new pension system, and the overlap between the two, demand extra attention.

Labor shortages are making it hard for APG Asset Management to find qualified staff. Asset management is now focusing on training its own staff in an effort to prevent ongoing IT and Responsible Investment initiatives from being delayed. An intensive onboarding program has also been implemented as a means of recruiting new colleagues.

### Maintaining good client relations

Although most of the agreements made with clients about the regular services are being met, client relations are under pressure. The changes ensuing from the new pension system are

causing pressure and uncertainty regarding the transition among the pension funds. APG holds ongoing open discussions with the pension funds about relevant topics and risks.

### Digital security and managing IT risks

A lot of attention is needed for the prevention and prompt discovery of cyberattacks and attempts by cybercriminals to gain access to the APG information systems. The results of pentests (penetration test: simulated cyberattack) carried out and ransomware exercises have led to a tightening up of existing measures and the implementation of new measures. They include the ongoing development of emergency scenarios for the event of an IT system outage.

The IT risk framework has been standardized throughout APG. Improvements are constantly being made to increase the maturity level of the various domains. This also applies to controlling access to our systems.

### Compliance risks

APG improved compliance risk management in 2023. Partly due to the Wtpt, which came into force on July 1, 2023, the focus of the

compliance reports for 2023 was on duty of care and clear communication (with participants), on the part of both APG and the pension funds and regulators. These subjects are part of the risk taxonomy of compliance. They are monitored closely, so that APG and its clients can comply with legislation and regulations.

Continuous attention is also paid to the integrity of the organization, the staff members, and corporate relations. For example, we create ongoing awareness of staff integrity policy and the APG Code of Conduct.

90 In addition, in 2023 we carried out a SIRA to identify any integrity risks (including new risks) that APG may be facing, and take appropriate control measures. The findings will be reported to the clients.

All of these developments and activities contribute to honest, controlled business operations and more importantly, to APG providing optimum services to the pension funds and participants.

### Sustainability

Sustainability is an important part of APG's mission. This is why APG manages the sustainability risks that may jeopardize its sustainability goals and that may occur in the investment activities or APG's own business operations. Sound governance has been set up to this effect. APG monitors the progress of the sustainability goals in performance reports. Risks such as violations of human rights, bribery and corruption, environmental damage, impact of climate change, and lack of transparency are monitored via the ESG/ sustainability risk overview in the risk reports.

### Reporting risks

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

We issue Standard 3402 and Standard 3000A reports about the services for pension management and asset management to offer our clients independent assurance about the design and functioning of the monitoring and control measures. The external auditor provides assurance for these reports.

### In Control Statement

As Executive Board of APG Groep NV, we are responsible for the design, existence, and operation of the internal risk management and control systems. The aim of these systems is to manage the strategic, financial, operational, compliance, and financial reporting risks in pursuing APG's objectives. In the previous risk section, we explained our foremost risks, our internal risk management and control systems, and any possible shortcomings.

While the internal risk management and control systems were set up on the basis of internationally accepted and applied standards, they cannot provide absolute certainty that financial reporting will not contain any material misstatements, nor that the systems will be able to prevent all errors or cases of

fraud or non-compliance with relevant laws and regulations.

The material risks and control measures were identified and recorded in the APG IRM framework.

APG's Executive Board monitors the design and functioning of the internal risk management and control systems and carries out a systematic review of them at least once a year. This review covers all material measures aimed at controlling strategic, operational, financial, compliance, and reporting risks, and considers, among other things, identified weaknesses, misconduct and irregularities, concerns raised by whistle-blowers, and findings from the internal audit function and the external auditor. Improvements have been made to the internal risk management and control systems where necessary.

management and control systems, and any possible shortcomings;

- the improvements made and due to be made have been explained;
- the risk management and control systems provide a reasonable degree of assurance that the annual report of APG Groep NV does not contain any material misstatements;
- the APG Groep NV annual report has been drawn up based on the going concern principle;
- there is no evidence of material risks or uncertainties that are relevant to APG Group NV's going concern assumption for a period of 12 months from the preparation of the APG Group NV annual report.

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### Statement by the Executive Board of APG Groep NV

The Executive Board of APG Groep NV declares that:

- the APG Groep NV annual report explains the foremost risks, internal risk

# Members of the Executive Board

## Annette Mosman

(female, 1967, Dutch nationality)



**Chair of the Executive Board since March 1, 2021.**  
Annette focuses on Policy, Strategy, Pension of the Future, Communication, Public Affairs, General Counsel/Board matters, Group Internal Audit, People & Change, and Facility Services.

Annette has extensive management experience in the financial sector. Prior to this, Annette was chair of the Executive Board of insurer Generali Nederland.

### Other positions as of March 12, 2024:

- Board member and treasurer, NOC\*NSF
- Board member, Stichting TBI and Stichting TBI Fundatie
- Supervisory Board member, Ajax NV
- Supervisory Board member, Stichting Netspar

First appointed to the Executive Board: February 6, 2018 as CFRO, appointed chair on March 1, 2021.

## Maarten Blacquièrre

(male, 1967, Dutch nationality)



**Maarten was appointed Chief Finance & Risk Officer (CFRO) on April 1, 2022.**  
His main focuses are Finance, Risk & Compliance, Tax, and IT.

Maarten has extensive management experience and expertise of all aspects of financial operations. Over the past 30 years, he has held various management, operational, and staff positions in the energy sector. As Chief Financial Officer, he was a member of the Executive Board of network operator Enexis for eight years. As CFO, he was the central point of contact for finance and corporate social responsibility on the Executive Board of GasTerra for more than seven years.

### Other positions as of March 12, 2024:

- Supervisory Board member and chair of the Audit Committee, Slingeland Hospital in Doetinchem
- Supervisory Board member, Ultra-Centrifuge Nederland (UCN) NV

First appointed to the Executive Board: April 1, 2022.



## Francine Roelofsen - Van Dierendonck

(female, 1976, Dutch nationality)



**Member of the Executive Board focusing on Participant and Employer services and Fund operations.**

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

### Other positions as of March 12, 2024:

- Supervisory Board member and chair, RemCo Koninklijke Haskoning DHV Groep BV
- Chair of the Advisory Board, European Leadership Platform
- Chair Advisory Board, Slingshot Ventures

First appointed to the Executive Board: November 1, 2018, reappointed: November 1, 2022.

## Ronald Wuijster

(male, 1966, Dutch nationality)



**Member of the Executive Board with a focus on APG Asset Management. He also chairs the Executive Board of APG Asset Management.**

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

investment strategy and that of its pension fund clients.

### Other positions as of March 12, 2024:

- Chair of the Dutch Fund and Asset Management Association (Dufas)
- Board member, ABP Lifecycle Holding BV (on behalf of APG AM) (stepped down as of April 1, 2023)
- Executive Board member, FCLTGlobal
- Member of the GISD Alliance (UN Global Initiative on Sustainable Development)
- Board Member, APG Trading BV
- Board Member, APG Liquiditeiten Beheer BV
- Chair, World Economic Forum Biodiversity Initiative from January 16-20, 2023 (Stepped down as of July 1, 2023)
- President of the juniors' committee of the Apeldoornse Mixed Hockey Club (stepped down as of October 1, 2023)

First appointed: March 6, 2018, reappointed March 6, 2022.

## The Executive Board:

Annette Mosman, chair

Maarten Blacquière

Francine Roelofsen - van Dierendonck

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Ronald Wuijster

Amsterdam/Heerlen, March 12, 2024

More information about the Executive Board is available on: [www.apg.nl/nl/wie-is-apg/bestuur](http://www.apg.nl/nl/wie-is-apg/bestuur).

# Members of the Supervisory Board

## Peter Bommel Chair

(male, 1961, Dutch nationality)



### Relevant other positions as of March 12, 2024:

- Chair, VU Vereniging
- Supervisory Board member and Audit Committee chair, Flynth Adviseurs
- Board member, Elite Sport Fund of the Netherlands Olympic Committee.
- Advisory Board member, Render AS (until 9 May 2023)
- Advisor, Imperial Feet
- NL Groeit mentor

First appointed to the Supervisory Board: April 1, 2023, term of office: 4 years.

## Dick van Well Vice-Chair

(male, 1948, Dutch nationality)



### Relevant other positions as of March 12, 2024:

- Supervisory Board member, Avenue Beheer BV
- Advisory Board member, LSI Project investment NV
- Independent chair, Stichting Administratiekantoor PPF Participatie Fonds
- Board member, Nationaal Programma Rotterdam Zuid
- Board member, Stichting Continuïteit Feyenoord
- Supervisory Board member, Dura Vermeergroep NV (stepped down as of June 30, 2023)

First appointed to the Supervisory Board: November 14, 2016, reappointed: November 14, 2020, term of office: 4 years.

## Constant Korthout Member

(male, 1962, Dutch nationality)



### Relevant other positions as of March 12, 2024:

- Supervisory Board member and chair of the Risk and Audit Committee, Knab bank
- Vice-Chair of the Supervisory Board and chair of the Audit Committee, Royal Dutch Touring Club (ANWB)
- Supervisory Board member and chair of the Audit Committee, Dijklander Hospital
- Interim CFO and Board member, Nederlandse Waterschapsbank (NWB)  
(Stepped down as of December 1, 2023)

First appointed to the Supervisory Board: August 1, 2023, term of office: 4 years.

## José Meijer Member

(female, 1955, Dutch nationality)



### Relevant other positions as of March 12, 2024:

- Chair of PvdA Weert and surrounding area (political party)
- Steering committee member, IMVB (responsible investment) covenant (Dutch Federation of Pension Funds)
- Board member of the Pension Fund for hair-dressers

First appointed to the Supervisory Board: September 5, 2020, term of office: 4 years.

## Sarah Russell

### Member

(female, 1962, Australian nationality)



### Relevant other positions as of March 12, 2024:

- Supervisory Board member, chair of the Audit Committee, and chair of the Remuneration and Nominations committee, The Currency Exchange Fund
- Supervisory Board member and chair of the Audit Committee, member of the Risk and Capital Committee, ABN AMRO NV
- Supervisory Board member, APG Asset Management NV

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

### Stepped down as member of the Supervisory Board as of April 1, 2023

## Pieter Jongstra

### Chair

(male, 1956, Dutch nationality)

### Relevant other positions as of April 1, 2023:

- Supervisory Board chair, CZ Groep
- Supervisory Board member, Mazars Holding NV
- Board member and treasurer, Stichting Ondersteuning Nederlandse Bachvereniging

### Stepped down as member of the Supervisory Board as of April 1, 2023:

## Claudia Zuiderwijk

### Member

(female, Dutch nationality)

### Relevant other positions as of July 27, 2023:

- Chair of the Executive Board/ CEO, GVB Holding NV
- Policy Board member, International Association of Public Transport (UITP)
- Board member, Railforum Nederland
- Board member, Stichting railAlert
- NL Groeit mentor
- Ambassador, NEMO Science Museum Center Amsterdam



# Message from the SB



**2023 in the picture: Pensions in Parliament**  
The Dutch Senate debating the Wtp, before passing the bill. The Act sets out the rules for the new pension system.



# Message from the Supervisory Board

2023 was an important year for the pension sector. The Wtp – an important, concrete step towards a new pension system in the Netherlands – was approved and came into force on July 1, 2023. All pension funds must switch to the new system by January 1, 2028 at the latest. This will create a new reality in the world of pensions.

For the past few years, APG has been preparing for the transition by means of the Pension of the Future project, which is based on a number of assumptions. A lot of the uncertainty has vanished now that the Act has been introduced.

With so much attention being focused on the new pension system, we must not forget the excellent work carried out by APG in 2023 in terms of pension administration and asset management for eight clients, the pension funds, and the participants.

The quality of pension administration manifests itself in meeting the agreed levels of service and a high degree of client satisfaction. This has a positive impact on millions of retired people

every single day. APG Asset management also made significant steps in responsible investment, increasing the positive impact that the pension funds have on the world.

## Three priorities

The Supervisory Board acts as supervisor, advisor, and employer of the Executive Board. Three main priorities for 2023 were determined in consultation with the Executive Board: the transition to the new pension system, one APG, and long-term strategy. Aside from this, the Supervisory Board paid attention to various other matters, including trying to carry out existing work for APG's clients (i.e. the pension funds) to the highest standard.

## Making the transition to the new pension system

The Supervisory Board followed the progress being made in the preparations for the new pension system closely throughout the year, both at regular meetings and via extra sessions. During these extra sessions, the Supervisory Board received detailed updates

about developments regarding the Wtp and the progress of the Pension of the Future project.

Once the Act had been approved, a transition timeline was discussed with all the pension fund clients, and the aims for the Pension of the Future were more clearly defined. All parties involved are aware that the transition is a complex jigsaw puzzle with lots of stakeholders, including regulators. It is important to keep working together with these stakeholders. Transparent communication must be a priority.

Transferring the pension funds to the new system does not mean that APG can simply close the door on the current system. To ensure that APG provides good services, it must find a way to operate in both the current and the new pension system, with support from IT systems in both cases. This is a challenge that we are not underestimating.

The new pension system is enabling us to make a shift to greater pension awareness and new services. The Supervisory Board was regularly informed about the implementation

of the new digital experience platform for participants and employers being built by APG, including feedback from participants. Finally, the Supervisory Board was given an update on how members of APG staff are being informed about, and prepared for, the transition to the new pension system.

**One APG**

APG is a large organization with specialized departments. The changes brought about by the new pension system (in future, participants must be able to see all the information about the contributions they have made and the value of their pension in a single overview) make it important for all internal units to work together. To learn from each other. This is what we mean by 'One APG'.

**Long-term strategy**

Special sessions were held at which the Supervisory Board helped the Executive Board to tighten up the long-term strategy. The current strategy does not require any amendments (yet), but more detail is needed regarding the 'robust pension funds' strategic pillar.

The matter of whether sustainable long-term value creation is sufficiently guaranteed in the strategy was also discussed. The completion of the materiality assessment, which involved external stakeholders, represented another step in defining APG's focus areas for sustainable long-term value creation.

Financial future scenarios were discussed several times with the Supervisory Board as part of the process of developing a long-term strategy, giving APG insight to set long-term cost and revenue goals. In this respect, potential impact on the organization, alternative organizational and business models, and technological developments were discussed, such as digitalization using artificial intelligence.

**Other focus points in 2023**

As well as focusing on the priorities, the Supervisory Board also dealt with a number of specific matters in 2023.

**State of affairs at Asset Management**

Subsidiary APG Asset Management, which handles asset management, has its own Supervisory Board. However, important issues

playing out at Asset Management, which may affect APG, are also discussed with the Supervisory Board of APG Group. As well as regular updates about investment results, discussions were also held with the Supervisory Board about changes to the composition of the management team, a new organizational structure for responsible investment, and the implementation of the SFDR. All these initiatives are intended to satisfy the increasing demands of clients to invest responsibly throughout the world, and to comply with the statutory requirements.

The amended investment principles of ABP, APG Asset Management's largest client, were also discussed. These principles have an effect on the activities of APG Asset Management in terms of the balance between passive and active asset management, and the responsible investment universe in which APG can invest for ABP. The fact that ABP is taking the next step in responsible investment is an opportunity for APG Asset Management to stand out in this domain.

Finally, the Supervisory Board met with the CEOs of the international offices in

New York, Hong Kong, and Singapore. They gave a presentation about their focus areas and activities.

**Sustainability**

September saw discussions with members of the Supervisory Board about progress in the field of sustainability. APG has set a 'best in class' sustainability ambition.

Although APG is accredited in responsible investment and sustainable business operations, some benchmark results leave room for improvement. So in 2023, further steps were taken to boost APG's sustainability ambition. Sustainability was integrated into senior leadership training courses, into performance goals for staff members, and into the HR appraisal cycle.

The sustainability guidelines issued by the EU, which have a huge impact on APG and include the Sustainable Finance Disclosure Regulation SFDR and the CSRD, were also discussed.

**Performance management, financial statements, and business plan**

The Executive Board updates the Supervisory Board on the results at APG and its business units.

In 2023, the overall financial results were below plan throughout the year, largely because of the lower fees that APG received from its clients. Progress in the negotiations on service agreements with some of the pension funds were also a regular subject for discussion at Supervisory Board meetings.

Alongside the quarterly updates, the Supervisory Board paid particular attention to approving the 2022 financial statements, including the focus points regarding improving internal processes, as pointed out by the external auditor, and the dividend proposal to the shareholders. The external auditor also issued an assurance report (limited level of assurance) for the non-financial information relating to 2022. Under the CSRD, the number of non-financial KPIs in the reporting is set to increase in the years to come. APG is already preparing for this.

The Supervisory Board discussed the working relationship with the external auditor and the plan for the audit of the 2023 financial year. The business plan for 2024, which mainly provides for continuing the current strategy, was also discussed.

**Staff and organization**

The Supervisory Board endorses APG's ambition to be an attractive employer and a 'Great place to work'. In this respect, the Supervisory Board focused attention on the planning and development of internal successors for management positions. The way that the transition to Pension of the Future will affect the staff and culture at APG, and how we will achieve our diversity goals (see [the UN's Sustainable Development Goals](#)), received attention. An update on the general remuneration policy was also discussed and approved. Members of the Supervisory Board held breakfast sessions with staff members, and people other than members of the Executive Board were invited to meetings to talk about their work.

The number of reports of inappropriate behavior within APG is low and does

not correspond with the national trend of increasing reports of this nature. Although APG scores high in employee engagement surveys, including regarding the mental safety of staff members, APG is continuing to work on ensuring a safe working culture in which people can hold each other to account for inappropriate behavior. The Supervisory Board discussed the importance of the 'tone at the top' and other suggestions for improvements, including making this a theme in training courses for managers.

### Composition of the Executive Board

In 2023, there were no changes to the composition of the Executive Board. The findings of a team scan were discussed with the Executive Board.

### Composition of the Supervisory Board

The chair of the Supervisory Board Pieter Jongstra stood down at the end of his term on April 1, 2023. The Board extends its gratitude to Pieter for all the hard work he has done for the Board as a member, and later as chair, since his

appointment in February 2015, and also for his amicable style of working with others.

Peter Bommel took over as chair of the Supervisory Board on April 1, 2023, after undergoing an extensive onboarding program on which he met many members of APG staff and attended various meetings. Peter was also appointed as a member of the Audit and Risk Committee and Remuneration and Selection Committee.

At the end of her term of office on August 1, 2023, member of the Supervisory Board and chair of the Audit and Risk Committee Claudia Zuiderwijk was succeeded by Constant Korthout. He also underwent an extensive onboarding program. The Board thanks Claudia for her expert, original contributions to the meetings and the way she chaired the meetings of the Audit and Risk Committee in recent years.

Member of the Supervisory Board Sarah Russell is also a member of the Supervisory Board of the subsidiary APG Asset Management.

### Functioning of the Supervisory Board

In late 2023, the Supervisory Board took the first steps towards a self-evaluation that will take place in 2024. The evaluation will examine the Board's own functioning and the way it functions in combination with the Executive Board, the APG organization, shareholders, and other stakeholders.

### Committees

The Audit and Risk Committee and the Remuneration and Selection Committee help the Supervisory Board in its supervisory and advisory duties, and prepare the decision making for the Board on specific issues. The committees share their findings during every plenary session of the Supervisory Board by means of written highlights and verbal explanations. The committees evaluated their own performance in 2023 and concluded that there were no major points for concern requiring further action.

### Audit and Risk Committee

In 2023, the Audit and Risk Committee comprised Claudia Zuiderwijk (chair) – succeeded by Constant Korthout in August



2023 –, Pieter Jongstra – succeeded by Peter Bommel in April 2023, – and Sarah Russell. Alongside the regular subjects such as financial statements, dividend, the business plan for 2023, and quarterly plans relating to Finance, Risk & Compliance and Internal Audit, in 2023 the Committee dealt with the following subjects: Effective Control of Pension Administration - including risk management and data quality -, being 'visibly in control', update on IT and information security, identity and access management for IT systems, tax matters, preparation for CSRD reporting, update on financial matters relating to APG Asset Management, evaluation of the

relationship with the external auditor, the audit plan, the management letter and the external auditor's audit plan, and the communication with the regulators.

**Remuneration and Selection Committee**

In 2023, the Remuneration and Selection Committee was formed by Dick van Well (chair) and José Meijer. Peter Bommel joined the Committee in April 2023.

In 2023, the Remuneration and Selection Committee dealt with the following subjects: the impact of the transition to Pension of the Future on employees, preparing and

training staff for the transition to the new pension system, the employee engagement survey, appointments and reappointments, sideline activities, profile update, remuneration, assessment and training for the Executive Board, strategic staff planning, managerial staff review and succession management, the appraisal process and remuneration policy, the collective agreement and salary development, reports from the confidential advisor and HSE services, and diversity.

**Meetings**

The Supervisory Board held eight formal meetings. The Supervisory Board members were present, and the members of the Executive Board were also invited. Most of the meetings were in person, some were online.

The attendance rate for every Supervisory Board member at the formal meetings of the Supervisory Board and its committees is provided below. In addition to formal meetings, the Supervisory Board also met 10 times to discuss specific matters. In May and November 2023, lifelong learning sessions were held for the members of the Supervisory Board. The sessions focused on soft controls,

	Supervisory Board	Audit- and Risk Committee	Remuneration and Selection Committee
<b>Peter Bommel (since April 1st 2023)</b>	6/6	4/4	5/5
<b>Dick van Well</b>	8/8	n/a	6/6
<b>Constant Korthout (since August 1st 2023)</b>	4/4	2/2	n/a
<b>José Meijer</b>	8/8	n/a	6/6
<b>Sarah Russell</b>	8/8	7/7	n/a
<b>Pieter Jongstra (until April 1st 2023)</b>	2/2	3/3	n/a
<b>Claudia Zuiderwijk (until July 27th 2023)</b>	4/4	5/5	n/a

responsible investment and the Sustainable Finance Disclosure Regulation, artificial intelligence, and the Corporate Sustainability Reporting Directive.

### Relationship with the works council

José Meijer and Dick van Well regularly represented the Supervisory Board in discussions with the works council. They attended consultation meetings with the works council in February and October. As well as an update on the general state of affairs, subjects discussed included the preparation and training of staff for the transition to the new pension system, the impact of the transition on staff members and the culture at APG, and the remuneration policy. A number of requests for advice were also discussed.

### Independence of the members of the Supervisory Board

All of the current members of the Supervisory Board are entirely independent, as defined in the Netherlands Corporate Governance Code, with the exception of José Meijer, who served on the Board of a company affiliated to APG within five years before her appointment in

September 2020. Until June 2020, José Meijer was vice-chair of Pensioenfonds ABP (ABP pension fund), a shareholder in APG. This did not cause any conflict of interests in the subjects discussed by the Supervisory Board in 2023.

### Annual report and financial statements for 2023

The Supervisory Board has approved the annual report and financial statements for 2023 and is advising the shareholders to adopt the annual report and financial statements, and approve the corresponding proposed dividend.

## A word of thanks

The Supervisory Board would like to thank the members of the Executive Board and all members of APG staff who have once again done their utmost for APG, the pension funds, employers, and pension participants.

### Supervisory Board

Peter Bommel, chair

Dick van Well, vice-chair

Constant Korthout


105 José Meijer

Sarah Russell

Amsterdam, March 12, 2024

# Financial statements

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**2023 in the picture: Living in your daughter's garden.** More and more local councils are permitting the construction of informal care homes in gardens. These are for people who may need care at some point in the future.



# Introduction

These are the financial statements of APG Groep NV, in which we account for the financial year 2023, in accordance with laws and regulations. The original financial statements were drafted in Dutch. This document is an English translation of the original. In case of any discrepancies between the English and the Dutch text, the latter will prevail.



# Consolidated financial statements

## Consolidated balance sheet at December 31, 2023

Before profit appropriation, in thousands of euros

	Notes	31-12-2023	31-12-2022
<b>Assets</b>			
<b>Non-Current Assets</b>			
Intangible assets	1	54,680	72,078
Property, plant and equipment		74,617	64,218
Financial non-current assets		54,880	45,992
		<b>184,177</b>	<b>182,288</b>
<b>Current assets</b>			
Receivables	2	247,503	268,206
Cash & cash equivalents		455,068	515,543
		<b>702,571</b>	<b>783,749</b>
<b>Total assets</b>		<b>886,748</b>	<b>966,037</b>
<b>Liabilities and equity</b>			
<b>Equity</b>			
Equity	3	477,075	567,724
Non-controlling interest		582	531
		<b>477,657</b>	<b>568,255</b>
<b>Provisions</b>			
	4	<b>78,543</b>	<b>75,391</b>
<b>Non-current liabilities</b>			
	5	<b>1,021</b>	<b>1,021</b>
<b>Current liabilities</b>			
	6	<b>329,527</b>	<b>321,370</b>
<b>Total liabilities and equity</b>		<b>886,748</b>	<b>966,037</b>

## Consolidated profit & loss account for 2023

In thousands of euros

	Notes	2023	2022
<b>Net turnover</b>			
Management fees		992,669	952,020
Other operating income		9,828	9,804
<b>Total operating income</b>	<u>7</u>	<b>1,002,497</b>	<b>961,824</b>
Costs of outsourced work and other external costs		228,637	177,352
Personnel expenses		579,421	493,173
Amortization and depreciation of non-current assets		32,185	54,761
Other operating expenses		165,046	155,640
<b>Total operating expenses</b>	<u>8</u>	<b>1,005,289</b>	<b>880,926</b>
<b>Operating result</b>		<b>-2,792</b>	<b>80,898</b>
<b>Interest and similar income</b>	<u>9</u>	<b>15,694</b>	<b>1,745</b>
<b>Interest and similar expenses</b>	<u>10</u>	<b>-587</b>	<b>-9,222</b>
<b>Changes in the value of receivables attributable to fixed assets and of investments</b>	<u>11</u>	<b>1,751</b>	<b>-1,341</b>
<b>Result before taxes</b>		<b>14,066</b>	<b>72,080</b>
Taxes on result	<u>12</u>	-3,005	-17,650
Share of profit/(loss) associates		-748	-5,459
<b>Result after taxes</b>		<b>10,313</b>	<b>48,971</b>
Non-controlling interests		-51	-46
<b>Net result</b>		<b>10,262</b>	<b>48,925</b>

## Consolidated cashflow statement for 2023

In thousands of euros

	2023	2022
<b>Cash flow from operating activities</b>		
Operating result	-2,792	80,898
Adjustments for:		
- Amortization and depreciation of non-current assets	32,185	54,761
- Changes in working capital	33,592	-7,358
- Change in provisions	4,999	-7,448
<b>Cash flow from business operations</b>	<b>67,984</b>	<b>120,853</b>
Interest received	11,808	693
Dividends received	599	-
Interest paid	-587	-9,883
Corporate income tax paid	-5,549	-3,685
<b>Cash flow from operating activities</b>	<b>74,255</b>	<b>107,978</b>
<b>Cash flow from/(used in) investing activities</b>		
Investments in non-current assets	-24,263	-28,287
Issue of loans	-4,447	-2,386
Redemption of issued loans	819	473
Purchase of securities	-4,805	-3,000
Sale of securities	1,945	1,896
Capital contribution in participations	-1,050	-700

	2023	2022
<b>Cash flow from/(used in) investing activities</b>	<b>-31,801</b>	<b>-32,004</b>
Cash flow from/(used in) financing activities		
Dividend paid to shareholders	-99,800	-120,000
Repayment loan	-	-9,890
<b>Cash flow from/(used in) financing activities</b>	<b>-99,800</b>	<b>-129,890</b>
<b>Net cash flow</b>	<b>-57,346</b>	<b>-53,916</b>
Price and translation differences on cash & cash equivalents	-3,129	3,923
<b>Change in cash &amp; cash equivalents</b>	<b>-60,475</b>	<b>-49,993</b>
Opening balance, cash & cash equivalents	515,543	565,536
Closing balance, cash & cash equivalents	455,068	515,543
<b>Change in cash &amp; cash equivalents</b>	<b>-60,475</b>	<b>-49,993</b>



## Consolidated statement of total result for 2023

in thousands of euros

	2023	2022
Net result	10,262	48,925
Translation differences on foreign operations	-1,111	1,966
Total of direct movements in the equity as part of group equity	-1,111	1,966
<b>Comprehensive income</b>	<b>9,151</b>	<b>50,891</b>

## Basis of preparation and accounting policies

### Introduction

#### Activities

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

#### Group relationships

The financial statements are based on the legal entities of APG Group. APG Group was founded on February 29, 2008, is registered in the commercial

register under number 14099616, and has its registered office at De Oude Lindestraat 70, 6411 EJ Heerlen.

#### APG DWS en Fondsenbedrijf

APG DWS en Fondsenbedrijf is responsible for management advice, pension administration and pension communication for APG's principals (pension funds and social funds) in the public and private sectors.

#### APG Asset Management

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

On April 13, 2022 APG Asset Management incorporated APG Infrastructure Asset Owner I GP BV which is the first general partner entity established as part of the Asset Owner Partnering (hereinafter 'AOP') program. The AOP program is a new initiative aimed at co-investments in large infrastructure and real estate transactions by asset owner partners alongside pools and segregated accounts managed by APG Asset Management. On June 5, 2023 APG Asset Management NV the entity incorporated APG Infrastructure Asset Owner II GP BV, the second general partner entity established as part of the AOP program. On November 9, 2023 APG Asset Management NV the entity incorporated APG Order Execution BV This entity was founded to provide services that include reception, transmission and execution of trade orders in financial instruments on behalf of their clients.

## Shareholder relationship

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

## Reporting period

These financial statements cover the financial year 2023, which ended on the balance sheet date 31 December 2023.

## Applied Standards

The consolidated financial statements of the company are part of the statutory annual accounts of the company and has been drawn up in accordance with the statutory provisions of Title 9, Book 2 of the Dutch Civil Code. The accounting policies applied for the valuation of assets and liabilities and the determination of the result are based on historical costs, unless stated otherwise in the further accounting policies.

## Application of Article 402, Book 2 of the Dutch Civil Code

The company's financial information is included in the consolidated annual report. Therefore, the company profit and loss account in accordance with Article 402, Book 2 of the Dutch Civil Code, only presents the share in the result of participating interests after tax and the other result after tax.

## Going concern

These financial statements have been prepared on the basis of the going concern assumption. In addition, the credit risk on the most important customers is relatively limited and a large part of our revenues is

based on price agreements that are independent of developments in the financial markets.

## Functional and presentation currency

The financial statements are presented in euros, which is the company's functional currency. All amounts in the financial statements have been rounded to the nearest thousand.

## Comparison with the previous year

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

## Estimates

The preparation of the financial statements requires management to make judgments and estimates and make assumptions that affect the application of accounting policies and the reported value of assets and liabilities, and of income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are continuously reviewed. Revisions of estimates are recognized in the period in which the estimate is revised and in future periods affected by the revision. Management estimates primarily relate to valuation of goodwill, client contracts and provisions. If there is a change in estimate, this is stated in the notes to the relevant part of the financial statements item.

## 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. Minority interests are valued at the proportional share of third parties in the net value of the assets and liabilities of a consolidated company, determined according to the accounting principles of the company.

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.

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### Related parties

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

### Recognition

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

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

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

Costs are recognized when a reduction in economic potential associated with a reduction in an asset or an increase in a liability has occurred and the extent can be reliably determined.

### Principles for the translation of foreign currencies

#### Transactions in foreign currencies

At initial recognition, transaction denominated in a foreign currency are translated into the functional currency of the Company at the exchange rates at the date of the transactions. Monetary assets and liabilities and non-monetary assets and liabilities denominated in foreign currency, with the exception of goodwill, are translated into the functional currency at the exchange rate on the balance sheet date. The exchange rate differences

resulting from the settlement and translation are credited or charged to the profit and loss account, unless hedge accounting is applied. Goodwill that is valued according to the acquisition price valued in a foreign currency is converted at the exchange rate on the transaction date. Non-monetary assets and liabilities denominated in foreign currency that are measured based on historical cost, are translated into the functional currency at the exchange rates at the date of the transactions. Non-monetary assets and liabilities denominated in foreign currencies that are measured at current value, are translated into the functional currency at the spot exchange rates when the current value is determined. Exchange rate differences that arise from this translation are directly recognised in equity using the accounting treatment as the change in current value.

### Conducting business abroad

On consolidation, the balance sheets of group companies whose functional currency is not listed in euro, are converted into euro at the exchange rate on the balance sheet date. Result items are converted at the average price during the reporting year. Currency differences on the value on consolidation Group companies involved are included in the translation differences reserve.

### Hedge of the net investment in foreign operations

Translation differences arising on the translation of a financial liability designated as hedging of the net investment in a foreign business operation are included in the reserve translation differences in equity, insofar as the hedge is effective. The ineffective part is recognized as an expense in the profit and loss account.

### Financial instruments

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

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

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

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

Financial instruments are initially measured at fair value, including discount or premium and directly attributable transaction costs. However, if financial instruments are subsequently measured at fair value through profit and loss, then directly attributable transaction costs are directly recognised in the profit and loss account at the initial recognition. After initial recognition, financial instruments are valued as explained in the relevant paragraphs.

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### Derivative financial instruments and hedge accounting

Derivative financial instruments are measured at the lower of cost and market value, unless hedge accounting is applied. APG Group has taken out forward exchange contracts to hedge the currency risk of its foreign subsidiaries' expected future transactions in foreign currencies. These forward exchange contracts are measured at cost, using the hedge accounting method. As long as the hedged item has not yet been recognized in the balance sheet under cost-price hedge accounting, the hedging instrument is not revalued. If there is an ineffective part of the hedging relationship, this part is recognized in the profit and loss account, insofar as this is a loss. Internal derivatives arising from back-to-back agreements between APG Group and APG Asset Management are recognized in the

separate financial statements of APG Group on the basis of cost price or lower market value.

Valuation differences arising in the valuation of the currency forward contracts that are designated as a hedge of the net investment in foreign subsidiaries, are directly recognized in the reserve translation differences as part of equity, insofar as the hedge is effective. The ineffective portion is recognized in the income statement.

### Hedge accounting

When applying 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.

### Conditions for hedge accounting

The APG Group has documented its hedging strategy. The assessment if derivative financial instruments used in hedge accounting are effective in settling currency results of the hedged items are documented using hedge accounting documentation. Hedge relationships are terminated when the respective derivative instruments mature or are sold. At least on any formal



reporting time and upon inception of the hedging relationship, APG Group conducts a quantitative effectiveness test.

### Impairment of financial assets

A financial asset that is not measured at (1) fair value with value changes reflected in the profit and loss account, or at (2) amortised cost or lower market value, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, with negative impact on the estimated future cash flows of that asset, which can be estimated reliably.

Objective evidence that financial assets are impaired includes significant financial difficulty of the issuer or obligor, breach of contract such as default or delinquency in interest or principal payments, granting to the borrower a concession that the Company would not otherwise consider, indications that a debtor or issuer will enter bankruptcy or other financial restructuring, the disappearance of an active market for that financial asset because of financial difficulties or observable data indicating that there is a measurable decrease in the estimated future cash flow, including adverse changes in the payment status of borrowers or issuers, indications that a debtor or issuer is approaching bankruptcy, and the disappearance of an active market for a security. Indicators for subjective evidence are also considered together with objective evidence of impairments, such as the disappearance of an active market because an entity's financial instruments are no longer publicly traded, a downgrade of an entity's credit rating or a decline in the fair value of a financial asset below its cost or amortised cost.

Indicators for impairment of financial assets valued at amortised cost by the Company will be assessed individually whether they are subjected to impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in the profit and loss account and reflected in an allowance account against loans and receivables or investment securities held to maturity. Interest on the impaired asset continues to be recognised by using the asset's original effective interest rate. Impairment losses below (amortised) cost of investments in equity instruments that are measured at fair value through profit or loss, are recognised directly in the profit and loss account.

When, in a subsequent period, the amount of an impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the decrease in impairment loss is reversed through profit or loss (up to the amount of the original amortised cost).

### Risk paragraph

As a pension administrator, APG Group is faced 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, as well in case of attracting deposits.

### Liquidity risk

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

### Credit risk

Credit risk is defined as the risk that the counterparty to a financial instrument fails to fulfill its obligation, resulting in a financial loss for APG. The credit risk for APG is mainly limited to receivables from customers, group companies, related parties and banks. The receivables from clients are receivables that arise on a monthly basis with regard to the fees that APG receives for performed activities for asset management and pension administration. These receivables are settled monthly. With regard to banks, APG only uses products for liquidity management which, according to its treasury statutes, are permitted, such as deposits and cash with financial institutions that have at least an A-rating according to rating agencies Fitch and Moody's. The outstanding deposits and cash with banks is spread over various institutions to reduce counterparty risk. The credit risk on forward currency contracts is limited by through the exchange of cash collateral. The company runs a credit risk on loans and receivables included under financial fixed assets, trade and other receivables, cash and cash equivalents and the positive market value of derivative financial instruments. The maximum credit risk run by the company amounts to 699.3 million euros per December 31, 2023 (2022: 774.9 million euros).

### Concentration risk

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

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

### Interest rate risk

Interest rate risk is the risk that the value of investments may fluctuate due to changes in market interest rates. Since APG Group has interest rate risk abroad (limited bonds) and on outstanding liquid assets resources. APG Group has no variable interest loans.

### Currency risk

As a result of the international activities, the company is running out receivables and payables recognized in the balance sheet, net investments in foreign companies and future transactions, currency risk of US and Hong Kong dollars in particular to hedge against unfavorable fluctuations in currency exchange rates, APG Group has concluded foreign exchange forward contracts for the expected future foreign currency transactions of its foreign subsidiaries. These currency forward contracts are valued at cost, with the method of cost price hedge accounting is applied. In the

table below the sensitivity of exchange rate changes to the result before taxes is displayed. The effect on the result before tax assumes that all other

variables remain constant and ignores any impact of unhedged expected costs 2024.

### Currency Table

in thousands of euros

	<b>Assets</b>	<b>Liabilities</b>	<b>Net position</b>	<b>Unhedged forecasted costs 2024</b>	<b>Change in currency exchange rate</b>	<b>Effect on result before tax</b>
<b>EUR - USD</b>	111,360	86,850	24,510	46,882	10%	-2,451
					-10%	2,451
<b>EUR - HKD</b>	33,088	15,603	17,485	4,942	10%	-1,748
					-10%	1,748
<b>EUR - SGD</b>	923	864	59	6,723	10%	-6
					-10%	6
<b>EUR - CAD</b>	-	20	20-	21	10%	2
					-10%	-2
<b>EUR - AUD</b>	-	4	4-	-	10%	0
					-10%	0
<b>EUR - NZD</b>	3	0	3	2	10%	0
					-10%	0
<b>EUR - CHF</b>	-	43	43-	243	10%	4
					-10%	-4
<b>EUR - GBP</b>	641	150	491	2,003	10%	-49
					-10%	49
<b>Total</b>	<b>146,015</b>	<b>103,534</b>	<b>42,481</b>	<b>60,816</b>		

## Solvency risk

There are capital requirements that apply for the asset management activities of the subsidiary APG Asset Management NV as laid down in the Alternative Investment Fund Managers Directive (AIFMD) and in the Investment Firm Regulation and Directive (IFR/IFD). This legislation includes rules for the calculation of the regulatory capital to be held and rules regarding the determination of the available regulatory capital. APG Asset Management is required to have sufficient capital available to absorb financial damage and losses resulting from the identified risks. To assess whether there is sufficient qualifying capital available, APG Asset Management uses the ICLAAP (Internal Capital and Liquidity Adequacy Assessment Process). It also uses historical financial data, a forward-looking business plan and scenario analysis to determine whether the required capital is future-proof. APG During 2023, Asset Management has met the capital requirements according to the AIFMD as well as IFR/IFD.

## Basis of measurement of assets and liabilities

### General

In the notes to the receivables and payables of the company financial statements, the figures for 2022 have been reclassified for comparability with 2023. It concerns in 2023 reclassifications within the breakdown of personnel costs and other operating expenses.

## Non-current assets

### Intangible assets

Intangible assets are only recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the company and the cost of that asset can be measured reliably. The amortization term is based on the expected useful life.

### Goodwill

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.

### Software

Research costs are recognized in the profit and loss account. Expenditure on development projects are capitalized as part of the manufacturing cost if it is probable that the project will be commercially and technically successful (that is, if economic benefits are likely to be achieved) and the costs can be determined reliably.

## Property, plant and equipment

Tangible fixed assets of the enterprise are valued at cost less straight-line depreciation or at a lower value. The cost price of the mentioned assets consists of the acquisition price and other costs of getting the assets in place and in the condition that is necessary for their intended use. Depreciation takes place on the basis of the expected useful life, taking into account any residual value.

Maintenance expenses are only capitalized if they extend and/or generate future performance related to the object. A provision is recognized in case decommissioning cost are applicable, refer to the section Provisions.

## Financial non-current assets

### Participating interests with significant influence

Participating interests are valued according to the net equity method on the basis of net asset value. Participating interests with a negative net asset value are valued at nil. If the Company fully or partially guarantees the debts of the relevant participating interest, or if has the constructive obligation to enable the participating interest to pay its debts (for its share therein), then a provision is recognised accordingly to the amount of the estimated payments by the Company on behalf of the participating interest.

### Participations without significant influence

Participating interests in which APG Group cannot exercise significant influence are included in the financial fixed assets and valued at cost or lower realisable value.

## Deferred tax assets

Deferred tax assets, including assets arising from tax losses carried forward, are recognized in the balance sheet to the extent that it is probable that there will be future taxable profits against which temporary differences exist and unused tax losses can be carried forward. The deferred tax assets are determined taking into account the applicable enacted tax rates in upcoming years. Valuation takes place against nominal value.

## Loans lent

Loans lent are measured at fair value on initial recognition. After initial recognition, loans receivable are valued at amortized cost, based on the effective interest method. In the absence of premium and discount, this is the nominal value.

## Impairment of fixed assets

For tangible and intangible fixed assets, an assessment is made at each balance sheet date to determine whether there are indications that these assets are subject to impairment. If such indications are present, recoverable amount of the asset is estimated. The recoverable amount is the higher of the value in use and the realizable value. If it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

Impairment occurs when the carrying amount of a non-current asset exceeds its realizable value. The recoverable amount is the higher of the business value and the realizable value. The business value is the present value of the future cash flows. For the determination of the business value,



specific provisions apply with regard to the determination of the cash flows and the discount rate.

Reversal of a previously recognized impairment loss only takes place if there is a change in the estimates used in determining the recoverable amount since the recognition of the latest impairment loss. In that case, the carrying amount of the asset (or cash-generating unit) increased to its estimated recoverable amount, but not higher than the carrying amount that would have been determined (after depreciation) if no specific impairment loss for the asset (or cash-generating unit) would have been recognized.

## Current assets

### Receivables

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

### Cash & cash equivalents

Cash & cash equivalents are measured at nominal value. If liquid assets are not freely available, this is taken into account in the valuation. Cash and cash equivalents denominated in foreign currencies are converted into the functional currency at the spot exchange rate prevailing on that date. Reference is made further to foreign currency pricing bases. Cash and cash equivalents expected not to be available to the company for more than twelve months are classified as financial fixed assets.

## Group equity

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

### Equity

Issued financial instruments that, on the basis of economic reality, qualify as equity instruments are presented under equity. Distributions to holders of these instruments are deducted from equity after deduction of any related income tax benefit.

Issued financial instruments that, on the basis of economic reality, qualify as a financial liability are presented under liabilities. Interest, dividends, income and expense related to these financial instruments are recognized in the profit and loss account as costs or revenues.

### Agio

The amounts contributed by the shareholders in excess of the nominal share capital are accounted for as premium. This also includes additional capital contributions by existing shareholders without issuing shares or issuing rights to subscribe for or acquire shares of the partnership. Costs and capital tax associated with the placement of shares that are not capitalized are charged to the share premium less tax effects. If and to the extent the share premium is insufficient, the amounts are charged to the other reserves.

### Third party minority interest

Minority interests are valued at the proportional share of third parties in the net value of the assets and liabilities of a consolidated entity is determined with the Company's measurement principles.

### Provisions

#### General

Provisions are formed for legally enforceable or constructive obligations that are outstanding on the balance sheet date, where an outflow of resources is likely to be necessary and of which the size is can be estimated reliably. The size of the provision is determined by estimating the amounts necessary to offset the relevant liabilities and losses per balance sheet date and, insofar as long-term and material, are valued at the present value of the expected future expenditure. The discount rate is based on the interest rate at the end of the year of high-quality Dutch corporate bonds, taking into account the remaining term of the provisions.

#### Personnel-related provisions

Personnel-related provisions are stated at nominal value and only at cash value, if the effect of time value is material. The provision for service anniversaries is valued at the present value of expected future expenses, where relevant and taking into account actuarial principles. The calculation of the provision for official anniversaries takes into account, among other things expected salary increases, retention rates. In addition, the provision bonus plan valued at the present value of expected future expenditure. The discount rate is based on the interest rate at the end of the year of

high-quality Dutch corporate bonds taking into account the remaining term of the provisions.

#### Restructuring provision

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

#### Provision for onerous contracts

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

#### Provision for claims, disputes and lawsuits

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

### Provision for repair costs

Costs of dismanteling that are caused by installing the asset, are recognised by building up a provision during the useful life of the asset. Additions to the provision are charged systematically to the profit and loss account. The amount of the provision to be built up is the best estimate of the expenditure necessary to settle the liability.

### Non-current liabilities

Non-current liabilities are initially recognized at fair value. They are subsequently valued at amortized cost. This value corresponds to the nominal value in case there are no transaction costs.

### Current liabilities

Current liabilities 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

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

### Net turnover

The Company usually recognizes revenue at the level of separate contracts. If it is necessary to reflect economic reality, revenue is recognized at the level of a group of contracts, for example when the Company has entered into several separate contracts, which have been negotiated as a total, separating the individual contracts in terms of pricing and profit margin

that are closely related and are performed simultaneously or immediately after each other.

The Company recognizes revenue for the amount to which the Company expects to be entitled in exchange for transferring promised goods or services, which is the transaction price. This amount excludes amounts received on behalf of third parties. The transaction price may consist of a fixed fee, a variable fee or a combination thereof. When determining the transaction price, the Company does not take credit risk into account. Any write-downs as a result of the credit risk are charged to the profit and loss account. In determining the transaction price, the Company assumes that the goods or services will be provided in accordance with the relevant agreement and that this agreement will not be cancelled, extended or otherwise modified. The Company measures a non-monetary consideration at fair value. The Company recognizes revenue per separate performance obligation. A performance obligation is a commitment in a contract to supply: a distinct good or service or a combination of goods or services which are collectively distinguishable from other commitments in the contract; or a range of distinct services that are largely the same.

A promised good or promised service can be distinguished if the following criteria are met: the buyer can use the benefits of the goods or services independently, whether or not jointly with resources that the buyer has or can obtain; and the commitment to provide the goods or services is distinct from the other commitments contained in the contract.

If two or more commitments in a contract by the Company to provide goods or services are indistinguishable separately, the commitments are combined

into a combination of goods or services that are collectively distinct from other commitments in the agreement.

In the event of multiple performance obligations in a contract, the total transaction price is allocated to the performance obligations in proportion to the value of the performance obligations. The Company bases this value on the stand-alone selling price per performance obligation. If the standalone sales price is not known, the Company uses estimates.

### Rendering of services

Revenue from services rendered is accounted for in net turnover at the fair value of the consideration received or receivable, net of allowances and rebates.

Revenues from services rendered are recognised in the profit and loss account when the amount of the revenue can be determined reliably, collection of the related compensation to be received is probable, the extent to which the services have been performed on the balance sheet date can be determined reliably, and the costs already incurred and (possibly) yet to be incurred to complete the service can be determined reliably.

If the result from a specific service contract cannot be determined reliably, then revenues are recognised up to the amount of the service costs that are covered by the revenues.

Revenues from services rendered are recognised in the profit and loss account in proportion to the stage of completion of the transaction as at the reporting date. The stage of completion is assessed by reference

to assessments of the work performed/the services performed up to that moment as a percentage of the total services to be performed/the costs incurred up to that moment in proportion to the total estimated costs of the services to be performed.

### Management fees

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

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 based on the percentage completed relative to the total services to be provided at the balance sheet date.

### Operating expenses

#### Costs of outsourced work and other external costs

This includes the costs incurred for the benefit of the operating income, insofar as these costs have been charged by third parties.

#### Personnel costs

Employee benefits are recognized as an expense in the income statement in the period in which the work is performed and, insofar as it has not yet been paid, is included as a liability in the balance sheet. If the amounts already paid exceed the benefits owed, the excess is recognized as a current asset

insofar as there will be a reimbursement by the personnel or a settlement against future payments by APG.

For the rewards with accrual of rights, sabbatical leave, any transition payments, profit sharing and bonuses, the expected expenses during employment are taken into account. An expected compensation as a result of profit sharing and bonus payments is recognized if the obligation to payment of that consideration arose on or before the balance sheet date and a reliable estimate of the obligations can be made. Contributions received arising from life-course savings schemes are included in taken into account in the period in which these contributions are due. Additions to and release liabilities are charged and credited to the profit and loss account.

127 If a benefit is paid in case of non-accumulating rights (e.g., continued payment in case of sickness or disability), the projected costs are recognised in the period in which such benefit is payable. For existing commitments at the balance sheet date to continue the payment of benefits (including termination benefits) to employees who are expected to be unable to perform work wholly or partly due to sickness or disability in the future, a provision is recognised.

The recognized liability is the best estimate of the amounts necessary to settle the relevant obligation on the balance sheet date. The best estimate is based on contractual agreements with employees (CAO and individual employment contracts). Additions to and release of liabilities are charged or credited to the profit and loss account.

If the effect of the time value of money is material, the liability shall be measured at the present value of the expenditure expected to be necessary to settle the obligation. The pre-tax discount rate used to discount reflects the current market interest rate. The risks already taken into account when estimating future expenditure do not serve this purpose to be involved.

If no reliable estimate can be made of the part of the insurance premiums payable in the future that is directly attributable to the individual claims record of the entity to be paid in the future, no provision is recognised.

### Dutch pension plans

The pension plans are processed on the basis of the applicable pension agreements in accordance with the commitment approach; the pension premiums due for the year under review are recognized as an expense in the profit and loss account. Insofar as the premiums due have not yet been paid on the balance sheet date, a liability is recognized. If the premiums already paid on the balance sheet date exceed the premiums due exceed, a receivable is recognized to the extent that this will be repaid by the fund or offset against premiums due in the future. APG Group has no obligation to make additional contributions in the event of shortfalls at these pension funds, other than the payment of future premiums.

### Foreign pension plans

Pension plans that are comparable in design and functioning to the Dutch pension system, with a strict division between the responsibilities of and a risk sharing between the parties involved (company, fund and participants), are recognised and measured in accordance with Dutch pension plans (see above).



For foreign plans that are not comparable in design and functioning to the Dutch pension system is, a best estimate is made of the liability existing on the balance sheet date. This liability is then measured on the basis of an actuarial measurement principle generally accepted in the Netherlands.

Specific regulations apply to most employees abroad.

### Termination benefits

Severance payments (including most transition payments) are payments that are awarded in exchange for termination of employment. A benefit as a result of dismissal is recognized as an obligation and recognized as an expense if the company has demonstrably committed itself unconditionally to payment of benefit. If the dismissal is part of a restructuring, the costs of the severance payment included in a restructuring provision, refer to the section provisions.

Termination benefits are valued taking into account the nature of the benefit. As the severance payment is an improvement of post-employment benefits, valuation takes place according to the same principles that are applied for pension plans. Other severance payments are measured on the basis of the best estimate of the amounts necessary to settle the obligation.

### Amortization and depreciation of non-current assets

Amortization and depreciation is recognised in the profit and loss account on a straight-line basis over the estimated useful lives of each item of the intangible and tangible fixed assets, taking into account any estimated residual value of the individual assets.

### Other operating expenses

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

### Interest and similar income

Interest and similar income is allocated to to the period to which they relate. Where necessary, the effective interest rate of the relevant assets is taken into account. Interest income includes income from cash balances, deposits and issued loans.

### Interest and similar expenses

Interest and similar expenses are allocated to the period to which they relate. Where necessary, the effective interest rate of the relevant liabilities is taken into account. Interest expenses includes negative interest charges (negative interest) in relation to cash balances, deposits and interest charges on outstanding loans.

### Income Tax

Income tax on profit is calculated on the result before taxes in the profit and loss account taking account any available tax loss carryforwards (insofar as these are not included as part of deferred tax assets) and taxexempt profit components, and after adding back any nondeductible costs. Temporary differences resulting from differences between accounting and tax valuation are expressed in (the movement 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.

## Fiscal unity

Fiscal units apply within the APG Group, for the company income tax respectively sales tax. Within such a fiscal unity, the companies are jointly and severally liable for each other's tax debts. Stichting Pensioenfonds ABP, APG Groep NV, APG DWS and Fondsenbedrijf NV, APG Asset Management NV, APG Trading BV, as well as Entis Holding BV and Entis BV form together a fiscal unity for sales tax purposes. This means that the company is jointly and severally liable for sales tax debts of the fiscal unity as a whole. With regard to income tax APG Groep NV forms a fiscal unity with APG DWS and Fondsenbedrijf NV and APG Asset Management NV. This means that these legal entities are jointly and severally liable for tax debts.

The income tax of the fiscal unity is charged to each company belonging to the fiscal unity allocated on the basis of the company's share of the total corporate income tax. Transactions between our client ABP and APG Groep NV must comply with the tax transfer pricing agreements.

## Share of profit/(loss) of participating interests

The result from participating interests is determined based on the share of the group in the results of these participating interests, determining on the basis of the accounting principles of the group. This also includes any impairment losses on investees.

## Leasing

The company may enter into financial and operating lease contracts. A lease agreement in which the advantages and disadvantages associated with ownership of the leased object wholly or substantially wholly are borne by the lessee is classified as a finance lease. All other leases are classified

as operating leases. In the lease classification, the economic reality of the transaction is decisive and not so much the legal form. Classification of the lease is made at the time of inception of the relevant lease agreement. If the company acts as lessee in an operating lease, the lease object not activated. Fees received as an incentive for concluding a lease agreement are treated as a reduction of the lease costs over the lease term. Lease Payments and operating lease fees are charged or debited on a straight-line basis over the lease term, unless a different allocation system is more representative is for the pattern of benefits to be obtained from the leased object.

## Subsequent events

Events that provide further information on the actual situation at the balance sheet date and that appear before the financial statements are being prepared, are recognised in the financial statements. Events that provide no information on the actual situation at the balance sheet date are not recognised in the financial statements. When those events are relevant for the economic decisions of users of the financial statements, the nature and the estimated financial effects of the events are disclosed in the financial statements.

## Principles of preparation of the cash flow statement

The cash flow statement has been drawn up using the indirect method and provides insight into the changes in the balance sheet item Cash and cash equivalents. Cash flows in foreign currency are converted at the average exchange rate. Income and expenditure in connection with interest, dividends received and income taxes are included under the cash flow from operating activities. Dividends paid are included under cash flow financing activities. Cash flows from financial derivative instruments accounted for as hedges are classified in the same category as the cash flows from the hedged balance sheet items. Cash flows from financial derivatives where hedge accounting is no longer applied are consistent with the nature of the instrument classified, from the date the hedge accounting is discontinued.

## Notes to the consolidated balance sheet

### 1 Non-current assets

#### Intangible assets

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

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	Goodwill	Client Contracts	Software	Total 2023	Total 2022
Opening balance	64,412	5,247	2,419	72,078	115,590
Investments	-	-	1,743	1,743	760
Reclass investments	-	-	-	-	858
Divestments	-175	-	-	-175	-14
Amortization	-12,454	-5,247	-1,265	-18,966	-45,116
<b>Closing balance</b>	<b>51,783</b>	<b>-</b>	<b>2,897</b>	<b>54,680</b>	<b>72,078</b>
Cumulative acquisition value	249,305	488,325	30,742	768,372	767,153
Cumulative amortization and impairment	-197,522	-488,325	-27,845	-713,692	-695,075
<b>Carrying amount</b>	<b>51,783</b>	<b>-</b>	<b>2,897</b>	<b>54,680</b>	<b>72,078</b>
Amortization percentage	5-10%	5-10%	20-25%		

The economic life of intangible assets, with the exception of purchased software, is based on the period over which future economic benefits from underlying long-term contractual agreements are derived. Of the goodwill recognized at year-end 2023, 51.8 million euros (2022: 64.4 million euros) has a remaining useful life of approximately four years.

At year-end 2023, the management has no indication that these assets are subject to any impairment.

The software includes intangible fixed assets that are already fully amortized but are still in use. There are no intangible assets with limited ownership rights and there are no intangible assets pledged as security for debts. For the investment commitments already entered into for intangible and tangible fixed assets we refer to the notes off-balance sheet liabilities and assets.



## Property, plant and equipment

Property, plant and equipment comprises the furniture and fittings, IT equipment and installations in buildings. Movement in these items is as follows.

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	Furniture and fittings	ICT	Installations in buildings	Total 2023	Total 2022
Opening balance	44,056	19,317	845	64,218	49,968
Investments	11,964	7,927	3,780	23,671	23,328
Reclasses	-	-	-	-	-
Divestments	-60	-	-	-60	-61
Depreciation	-5,292	-7,692	-59	-13,043	-9,645
Currency impact	-224	55	-	-169	628
<b>Closing balance</b>	<b>50,444</b>	<b>19,607</b>	<b>4,566</b>	<b>74,617</b>	<b>64,218</b>
Cumulative acquisition value	70,166	58,793	4,625	133,584	111,076
Cumulative depreciation and impairment	-19,722	-39,186	-59	-58,967	-46,858
<b>Carrying amount</b>	<b>50,444</b>	<b>19,607</b>	<b>4,566</b>	<b>74,618</b>	<b>64,218</b>
Depreciation percentage	10-20%	20-25%	5-10%		

The investments in furniture and fittings mainly relate to the renovations in the rental property Heerlen. In addition, investments were made in servers and storage capacity in 2023. The investments in installations relate to

technical installations in the office in Heerlen as well as the renovation of the roof and parking garage.

## Financial non-current assets

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

The list of equity interests is included as part of the notes to the company financial statements.

Movement in these items is as follows.

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	Deferred taxes	Related party loans	Other loans	Equity interests	Other securities	Total 2023	Total 2022
Opening balance	31,946	2,322	2,036	995	8,693	45,992	47,130
Acquisitions and advances	-	196	4,251	1,050	4,805	10,302	6,086
Sales and repayments	-	-569	-	-250	-1,945	-2,764	-2,369
Share of profit/(loss) of associates	-	-	-	-771	-	-771	-1,459
Impairments	-	-	-	-77	-	-77	-
Revaluations	-	-	-	-	1,590	1,590	-1,342
Change deferred taxes	1,262	-	-	-	-	1,262	-2,939
Currency impact	-254	-	-	-	-400	-654	885
<b>Closing balance</b>	<b>32,954</b>	<b>1,949</b>	<b>6,287</b>	<b>947</b>	<b>12,743</b>	<b>54,880</b>	<b>45,992</b>

The deferred tax asset mainly relates to temporary differences between the commercial and tax valuation of the goodwill arising as a result from of the statutory unbundling of pension funds and administrators in 2008 (and agreed with the tax authorities). Of this, 1.6 million euros is expected to be realized in 2023. For temporary valuation differences as at the balance sheet date, a deferred tax asset or liability is recognized. Deferred tax assets are recognized insofar as it is expected that at the time of expiration of these valuation differences, the tax loss can be settled with taxable profits in the applicable periods.

The loan to related parties mainly relates to Campus Heerlen Huisvesting BV.

In 2022, APG provided a loan of 2.0 million euros to Festina Finance for financing project costs. In addition, in 2023 the loan amount will be increased by two tranches totaling 4,0 million euros. Repayment of the loan amount and the accumulated interest (annual 5%) will take place from January 1, 2027. The total term of the loan is eight and a half years and security has been issued for the loan amount by the director who is a major shareholder of Festina Finance.

The fair value of the loan to related parties and the other loan amounts to 8.0 million euros.

The item equity interests concerns the interests in Campus Heerlen Huisvesting BV and Campus Heerlen Management & Development BV, Hyfen BV and Design Authority BV. The stake acquired in 2021 in Prikkel BV was sold in 2023, leading to a write-down of the remaining goodwill. At

the end of 2022, the other shareholder of Campus Heerlen Huisvesting BV agreed that APG will sell its interest to the other shareholder. The expectation is that the settlement of this transaction will result in a loss of 3.7 million euros for APG. The amount has been recognized as a provision in the balance sheet as of December, 2023. As of December 31, 2022, a provision of 4.0 million euros has already been made. The release of 0.3 million euros in 2023 has been accounted for as an equity method investment result. It is expected that the transaction will be settled in 2024.

The other securities item relates to investments in relation to long-term remunerations.

## 2 Current assets

### Receivables

	31-12-2023	31-12-2022
Related party receivables	132,950	154,121
Prepaid expenses	57,793	47,195
Debtors	19,886	25,613
Income tax	23,739	22,052
Receivable cash collateral related to derivatives	1,991	11,456
Amount to be invoiced	4,625	4,653
Taxes and social security contributions	1,457	884
Other receivables and accrued income	5,062	2,232
<b>Total</b>	<b>247,503</b>	<b>268,206</b>

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

No allowance for doubtful debts has been recognized.

In short-term receivables, an amount of 7.6 million euros (2022: 2.9 million euros) has a term of more than one year. No security has been provided and no interest was received on the receivables.

### Cash & cash equivalents

	31-12-2023	31-12-2022
Bank balances	365,068	305,543
Deposits	90,000	210,000
<b>Total</b>	<b>455,068</b>	<b>515,543</b>

An amount of 15.3 million euros (2022: 12.3 million euros) of cash & cash equivalents is not freely available due to long-term obligations towards personnel.

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

### 3 Group equity

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

#### Capital and dividend policy

Important main assumptions for the in 2023 applicable capital and dividend policy are: financial stability, room for possible strategic investments and a required return appropriate to a societal oriented organization. The current capital- and dividend policy includes next to a required return

on equity a required return that takes into account the the tax transfer pricing agreements, given the relation APG has with the client ABP. The proposed dividend allocation is calculated annually based on an analysis of the available capital versus our required capital according to the capital and dividend policy.

#### Movements in group equity

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

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	2023		2022	
Opening balance		568,255		637,318
Group result after taxes	10,262		48,925	-
Translation differences, foreign associate	-1,111		1,966	-
Overall result		9,151		50,891
Dividend distributed	-99,800		-120,000	-
Total direct changes relative to shareholders		-99,800		-120,000
		51		46
<b>Closing balance</b>		<b>477,657</b>		<b>568,255</b>



## 4 Provisions

Movement in other provisions was as follows.

	Personnel-related provisions	Provision for reorganization	Other provision	Total 2023	Total 2022
Opening balance	52,383	13,605	9,403	75,391	76,744
Additions	23,555	4,590	7	28,152	31,694
Withdrawals	-5,279	-5,623	-3,890	-14,792	-18,829
Release	-6,520	-982	-1,090	-8,592	-8,050
Discounting effect	-851	732	-	-119	-8,263
Currency impact	-1,471	-	-26	-1,497	2,095
<b>Closing balance</b>	<b>61,817</b>	<b>12,322</b>	<b>4,404</b>	<b>78,543</b>	<b>75,391</b>

138 Of the total amount 11.9 million euros (2022: 12.9 million euros) has an expected remaining term of more than five years. An amount of 25.5 million euros is expected to be settled in 2023 (2022: 19.9 million euros).

### Personnel-related provisions

This provision has been formed for obligations arising from long-term employee benefits (service anniversaries, bonus plan). The bonus plan provision is recognized for obligations arising from long-term employee benefits and obligations arising from redundancies and short-term and (former) employment contracts. The Private Equity Long-Term Bonus Plan vests over a period of six years. The final payout of the award depends on the multiplier that is used according to the plan. The assessment of the

multiplier in the year of the award is based on performance in the past of the underlying private equity portfolio.

### Provision for restructuring

This provision was recognized to cover the costs of restructuring related to voluntary departure plans facilitated by the employer and redundancy analogous to the various stages of the change programs within the group. There was an addition to the provision in 2023 of 4.6 million euros (2021: 2.1 million euros). The total restructuring payments were lower than initially estimated, resulting in a release of 1.0 million euros (2022: 3.0 million euros).

## Other provisions

The other provisions mainly concern a provision of 3.7 million euros recorded for the settlement of an obligation arising from the attended sale of shares in the subsidiaries Campus huisvesting BV. It is expected that this transaction will be settled in 2024.

## 5 Non-current liabilities

	31-12-2023	31-12-2022
Opening balance	1,021	10,911
Withdrawn	-	-
Repayments	-	-9,890
<b>Total</b>	<b>1,021</b>	<b>1,021</b>

In 2022, an early repayment took place on one of the loans amounting to 9.9 million euros. The loan had a relatively long term term with interest paid annually at 7.25 percent. Due to the early repayment, interest costs are paid in a lump sum of 6.2 million euros in 2022. The entire closing balance of 1.0 million euros has a remaining term to maturity of more than five years (2022: 1.0 million euros). The interest rate is 7.25 percent p.a. (2022: 7.25 percent p.a.). No security has been provided. The fair value of the non-current liabilities is 1.7 million euros (2022: 1.6 million euros). The repayment of the non-current liabilities takes place at the end of the term.

## 6 Current liabilities

	31-12-2023	31-12-2022
Related party liabilities	116,980	118,956
Other personnel-related liabilities	49,406	47,969
Invoices not yet received	42,336	39,374
Vacation pay and vacation days	32,616	30,560
Taxes and social security premiums	35,570	29,988
Rent reduction for office building	20,186	21,155
Amounts invoiced in advance	20,692	16,879
Accounts payable	6,591	9,866
Other payables	3,273	4,678
Pension liabilities	1,551	1,717
Corporate income tax	234	24
Other liabilities	92	204
<b>Total</b>	<b>329,527</b>	<b>321,370</b>

Current liabilities include an amount of 18.2 million euros (2022: 19.5 million euros) falling due after more than one year. Related-party liabilities mainly relate to provided asset management services and settlements with clients. In addition, a rental discount received in advance has been recognized in relation to rented office buildings, which will be released over the term of the contract. Other personnel related liabilities relate to variable remuneration obligations.

### Off-balance sheet commitments and assets

At balance sheet date, commitments under current rental agreements in an amount of 233.9 million euros were outstanding (2022: 282.7 million euros), of which 21.3 million euros was due within one year (2022: 21.9 million euros), 74.1 million euros between one and five year (2022: 83.2 million euros) and 138.5 million euros more than five year (2022: 177.6 million euros). Rental costs of 21.2 million euros were recognized in the reporting year (2022: 23.0 million euros).

Commitments in respect of long-term car leases total 5.1 million euros (2022: 5.4 million euros), of which 2.1 million euros due within one year of the end of the financial year (2022: 2.3 million euros) and 3.0 million euros between one and five years (2022: 3.1 million euros). There are no commitments due beyond five years. In the reporting year 2.8 million euros of leasing costs inclusive fuel costs were recognized (2022: 2.8 million euros). The leasing commitment is determined exclusive the fuel advance.

Commitments in respect of maintenance and other contracts amount to 87.0 million euros (2022: 63.8 million euros) of which 32.3 million euros (2022: 26.0 million euros) due within one year of the end of the financial year and 54.7 million euros (2022: 37.8 million euros) due at between one and five year. There are no commitments due beyond five year.

At the end of the reporting year the group assumed investment commitments for 8.3 million euros (2022: 4.0 million euros).

Liabilities in respect of derivative contracts to hedge the future transactions of foreign subsidiaries have a nominal value at balance sheet date of

165.5 million euros (2022: 191.1 million euros). The fair value of these derivatives at balance sheet date amounted to a 1.3 million euros negative (2022: 11.7 million euros negative). The liabilities have a term of less than one year. The contract conditions include the exchange of collateral to hedge the settlement risk.

APG Groep NV has committed itself to an annual capital contribution of 0.3 million euros to Campus Heerlen Management & Development BV until mid-2031.

## Notes to the consolidated profit and loss account

### Net turnover

Management fees	Total 2023	Total 2022
Asset management	669,661	679,343
Pension administration	323,008	272,677
<b>Total</b>	<b>992,669</b>	<b>952,020</b>

The management fees relate to the fees received for the performed asset management activities less custody fees and fees for pension administration. The decrease in asset management fees is the result of changed pricing agreements and modified services. The increase in fees for pension management is mainly due to the increase in fixed fee resulting

from increased strategic activities, related to the transition to the new pension system.

### Other operating income

Other operating income (2023: 9.8 million euros; 2022: 9.8 million euros) includes income that does not arise directly from the execution contracts with pension funds and asset management for third parties.

## 7 Segmented information on net turnover

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Net turnover	Total 2023	Total 2022
Asset management	670,433	680,034
Pension administration	332,412	283,203
Supporting entities of companies	6,743	5,640
APG Group company only	212,880	184,667
Eliminations	-219,971	-191,720
<b>Total</b>	<b>1,002,497</b>	<b>961,824</b>

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

## 8 Operating expenses

### Costs of outsourced work and other external costs

The costs of outsourced work and other external costs (2023: 228.6 million euros; 2022: 177.4 million euros) include costs of hiring external personnel, audit fees and consultancy fees. The costs have increased in 2023 in particular due to the strategic projects Pension of the Future, Grip on Data and Digitalization.

Personnel expenses	Total 2023	Total 2022
Wages and salaries	439,217	382,573
Pension charges	44,592	37,614
Social security	48,841	40,195
Other personnel expenses	46,771	32,791
<b>Total</b>	<b>579,421</b>	<b>493,173</b>

The personnel costs have increased on one hand due to the collective labor agreement (driven by inflation) and individual salary increases, and on the other hand due to an increase in the number of employees, particularly driven by strategic initiatives of Pension of the future, Grip on Data and Digitalization.

### Employee pension plan

APG has a pension plan with Stichting Pensionfonds ABP and 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.

### Number of employees

In 2023 the group employed an average of 3,565 people (2022: 3,300), divided into the following segments.

Staffing level	Total 2023	Total 2022
Management and supporting units	754	698
APG DWS en Fondsenbedrijf NV	1,634	1,515
APG Asset Management	1,177	1,087
<b>Total</b>	<b>3,565</b>	<b>3,300</b>

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In 2023 an average of 290 employees worked abroad (2022: 263). 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.

Supervisory Board	Fixed fee	Commision fee	Employer charges and taxes	Total 2023	Total 2022
Peter Bommel <sup>1</sup>	39,296	8,732	-	48,028	-
Dick van Well	40,751	8,732	-	49,483	48,335
Constant Korthout <sup>2</sup>	14,522	3,631	-	18,153	-
José Meijer	34,929	5,822	1,015	41,766	39,993
Sarah Russell <sup>3</sup>	55,162	5,822	-	60,984	58,079
Pieter Jongstra <sup>4</sup>	13,099	1,455	483	15,037	55,710
Claudia Zuiderwijk <sup>5</sup>	20,027	5,007	-	25,034	41,583

<sup>1</sup> from April 1, 2023

<sup>2</sup> from August 1, 2023

<sup>3</sup> from May 15, 2021 remuneration incl. APG Asset Management

<sup>4</sup> until April 1, 2023

<sup>5</sup> until August 1, 2023

Executive Board	Direct salaries	Compensation for reduction in accrued pension rights	Personal charges	Pension charges	Total 2023	Total 2022
Annette Mosman	566,409	75,776	14,660	25,230	682,075	648,394
Ronald Wuijster	801,751	101,215	14,660	26,899	944,525	808,221
Francine Roelofsen - van Dierendonck	469,276	59,004	14,660	24,130	567,070	538,930
Maarten Blacquièrè <sup>1</sup>	446,250	54,985	14,660	23,866	539,761	367,687
Jan Nijland <sup>2</sup>	-	-	-	-	-	128,682

<sup>1</sup> from April 1, 2022  
<sup>2</sup> until April 1, 2022

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The column 'direct salaries' contains the fixed annual salary, the vacation allowance, and the year-end payments. 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 accrued pension rights (2023: 128,810 euros | 2022: 114,866 euros) is paid 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 (2023: 87,100 euros | 2022: 81,131 euros). The mobility and vitality allowances are both part of the Collective Labor Agreement, whereby with regard to mobility a choice can be made between a reimbursement or a lease car and the vitality allowance contributes to an active and healthy lifestyle.

With effect from 1 January 2023, the leave scheme for Executive Board members has been changed. No days of leave are paid out at the end of the employment contract. Vacation days are taken in consultation with the chairman of the Executive Board and are no longer recorded. Because Ronalds Wuijster, upon his reappointment for 4 years in 2022, has received additional days of leave as part of his salary increase, he will be compensated for this new arrangement. This resulted into a one-off remuneration of 80.000 euros, given that the value of his extra leave days is 20.000 euros per year.

All remuneration was unchanged except for the increase as per the collective labor agreement (CAO) which amounted to 5.0 percent for all APG Group employees as of January 1, 2023. There are no early retirement plans for members of the Executive Board.

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

### Amortization and depreciation of non-current assets

	Total 2023	Total 2022
Amortization of intangible assets	19,140	45,116
Depreciation of property, plant and equipment	13,045	9,645
<b>Total</b>	<b>32,185</b>	<b>54,761</b>

The depreciation of intangible assets has decreased compared to 2022, because the client contracts were fully written off by the end of February. The depreciation of tangible fixed assets is increasing to investments in inventory in Heerlen and hardware.

### Other operating expenses

	Total 2023	Total 2022
Accommodation costs	33,948	32,507
Automation costs	110,184	94,985
Office costs	6,939	9,182
Non deductible VAT internal costs	10,488	8,517
Other	3,487	10,449
<b>Total</b>	<b>165,046</b>	<b>155,640</b>

The accommodation costs item includes an amount of -0.9 million euros for the provision of the onerous contract for the old office building (2022: 6.1 million euros). Because the last floors were installed earlier than expected, this led to lower costs for APG and therefore a release of the provision formed.

The automation costs have increased due to an increase in the number of FTEs and due to the strategic initiatives. The category other includes the more general costs that are not attributable to the others categories, including insurance costs. The increase in 2023 compared to 2022 is caused by some incidental effects, including additions and releases of other provisions.

### 9 Interest and similar income

The financial income (2023: 15.7 million euros; 2022: 1.7 million euros) mainly concerns interest received on bank balances and outstanding loans. The interest rate over the intire year 2023 was significantly higher than in 2022, what resulted in a higher income in 2023.

### 10 Interest and similar expenses

The financial expenses (2023: 0.6 million euros; 2022: 9.2 million euros) mainly concern payment fees and in 2022 the interest paid for the early redemption of the outstanding loan (6.2 million euros). There are no interest charges and similar expenses recognized that relate to related parties.

## 11 Changes in value of receivables belonging to fixed assets and of investments

The value adjustments of 1.8 million euros (2022: -1.3 million euros) relate to unrealized value changes in other securities.

## 12 Taxes on result

With a tax charge of 3.0 million euros for 2023 (2022: 17.7 million euros) the effective tax rate over 2023 was 21.4 percent, compared to a nominal rate applicable in the Netherlands of 25.8 percent. The lower effective tax rate is mainly caused by deviating tax rates in the foreign countries in which APG operates. In the foreign countries in which APG operates, APG pays taxes according to the tax rates applicable there, which are lower than the current tax rate in the Netherlands.

The following reconciliation between the applicable and effective tax rate can be given:

	Total 2023	Total 2022
Result before taxes	14,066	72,080
Tax charges based on the Dutch tax rate	-3,629	-18,597
Tax effect from:		
- Different applicable tax rates in foreign countries	1,306	818
- Non-deductible expenses en non-taxable income	-674	-203
Adjustment prior years	-8	204
Revaluation deferred tax assets due to change in tax rate	-	127
<b>Total</b>	<b>-3,005</b>	<b>-17,650</b>
<b>Effective tax rate</b>	<b>-21.4%</b>	<b>-24.5%</b>

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	Netherlands	United States of America	Hong Kong	China	Singapore	Total 2023	Total 2022
Result before taxes	-7,686	15,711	5,533	89	419	<b>14,066</b>	<b>72,080</b>
Tax charges	1,454	-3,458	-898	-5	-98	<b>-3,005</b>	<b>-17,650</b>
Effective tax rate	-18.9%	-22.0%	-16.2%	-5.6%	-23.4%	<b>-21.4%</b>	<b>-24.5%</b>

## Share of profit/(loss) of participating interests

The result from participating interests is the result from investees not included in the consolidation including impairment losses on investees. At the end of 2022 APG has agreed with the other shareholder of Campus Heerlen Huisvesting BV that APG will sell its interest to the other shareholder. This has led to a loss for APG Groep NV of 4.0 million euros in 2022. The expectation is that an amount of 3.7 million euros is needed for the settlement of the transaction in 2024, therefore an amount of 0.3 million euros has been released to the results from participating interests in 2023.

## 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, IT equipment, software and installation in buildings.

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

## Events after the reporting period

None.

## Other notes

### Related parties transactions

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

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

### Independent auditor's fees

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



	<b>Total 2023</b>	<b>Total 2022</b>
<b>Auditor's fee</b>		
Audit of the financial statements	926	912
Other audit engagements (including work in relation to ISAE 3402)	3,081	2,703
Tax advisory services	-	-
Other non-audit services	192	-
<b>Total</b>	<b>4,199</b>	<b>3,615</b>

The auditor's fees for the audit of the financial statements are the costs that are attributable to the financial year. The other audit engagements include 1.8 million euros (2022: 1.5 million euros) for audit-related work on reports to clients of APG Groep NV in the context of the services provided by APG Groep NV. The fees increased in 2023 by 0.6 million euros, primarily due to indextation, some changes in scope and other non-audit services performed by KMPG. The other non-audit services refer to compensation for agreed specific tasks related to data quality for APG's clients in preparation for the transition to the new pension system.

# Parent company financial statements

## Parent company balance sheet at December 31, 2023 (before appropriation of profit)

In thousands of euros

	Notes	31-12-2023	31-12-2022
<b>Assets</b>			
<b>Non-Current Assets</b>			
Intangible assets	<u>1</u>	1,618	2,476
Property, plant and equipment	<u>2</u>	63,784	52,151
Financial non-current assets	<u>3</u>	355,328	442,512
		<b>420,730</b>	<b>497,139</b>
<b>Current assets</b>			
Receivables	<u>4</u>	65,178	76,528
Cash & cash equivalents		92,144	208,435
		<b>157,322</b>	<b>284,963</b>
<b>Total assets</b>		<b>578,052</b>	<b>782,102</b>
<b>Liabilities and equity</b>			
<b>Equity</b>			
Paid-up and called-up share capital	<u>5</u>	352,649	352,649
Share premium		109,690	160,565
Legal reserves		4,474	5,585
Other reserves		-	-
Undistributed result for the financial year		10,262	48,925
		<b>477,075</b>	<b>567,724</b>
<b>Provisions</b>			
	<u>6</u>	<b>11,339</b>	<b>16,896</b>
<b>Non-current liabilities</b>			
	<u>7</u>	<b>1,021</b>	<b>1,021</b>
<b>Current liabilities</b>			
	<u>8</u>	<b>88,617</b>	<b>196,461</b>
<b>Total liabilities and equity</b>		<b>578,052</b>	<b>782,102</b>

## Parent company profit and loss account for 2023

In thousands of euros

	2023	2022
Share of profit/(loss) of participating interests after tax	8,318	53,286
Other results after tax	1,944	-4,361
<b>Net result</b>	<b>10,262</b>	<b>48,925</b>

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.

In the separate financial statements, financial instruments are presented on the basis of their legal form.

### Basis of measurement and determination of results

The company financial statements have been drawn up in accordance with the statutory provisions of Title 9, Book 2 of the Dutch Civil Code and the authoritative statements from the Annual Reporting Guidelines published by the Dutch Accounting Standards Board. The accounting policies for measurement 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 measurement of assets and liabilities and for the determination of the result, please see the basis of measurement and determination of results to the consolidated balance sheet and profit and loss account.

## Notes to the parent company financial statements

### 1 Intangible fixed assets

The intangible fixed assets relate to purchased software.

	Goodwill	Software	Total 2023	Total 2022
Opening balance	190	2,286	2,476	1,879
Investments	-	302	302	760
Reclass investments	-	-	-	858
Divestments	-174	-	-174	-15
Amortization	-16	-970	-986	-1,006
<b>Closing balance</b>	<b>-</b>	<b>1,618</b>	<b>1,618</b>	<b>2,476</b>
Cumulative acquisition value	-	14,787	14,787	14,721
Cumulative amortization and impairment	-	-13,169	-13,169	-12,245
<b>Carrying amount</b>	<b>-</b>	<b>1,618</b>	<b>1,618</b>	<b>2,476</b>
Amortization percentage	10%	20-25%		



## 2 Property, plant and equipment

Property, plant and equipment comprises the furniture and fittings and IT equipment and installations in buildings. Movement in these items was as follows.

	Furniture and fittings	ICT	Installations in buildings	Total 2023	Total 2022
Opening balance	33,811	17,495	845	52,151	37,868
Investments	11,670	6,761	3,780	22,211	21,948
Reclasses	2	-2	-	-	-
Divestments	-	-	-	-	-9
Amortization	-3,840	-6,679	-59	-10,578	-7,656
Changes in value	-	-	-	-	-
<b>Closing balance</b>	<b>41,643</b>	<b>17,575</b>	<b>4,566</b>	<b>63,784</b>	<b>52,151</b>
Cumulative acquisition value	53,004	52,707	4,625	110,336	88,124
Cumulative amortization and impairment	-11,361	-35,132	-59	-46,552	-35,973
<b>Carrying amount</b>	<b>41,643</b>	<b>17,575</b>	<b>4,566</b>	<b>63,784</b>	<b>52,151</b>
Amortization percentage	10-20%	20-25%	5-10%		

The investments in furniture and fittings mainly relate to renovations of the rental premises in Heerlen, as well as foreign offices. The investments in installations relate to technical installations in the office in Heerlen, as well as the renovation of the roof and parking garage.

### 3 Financial non-current assets

Financial non-current assets concern active deferred taxation, loans granted to related parties and group companies, other loans and participations. Movement in these items was as follows.

	Deferred taxes	Related party loans	Equity interests	Total 2023	Total 2022
Opening balance	4,078	2,310	436,124	442,512	503,530
Acquisitions and advances / allocations	-	196	47,550	47,746	34,650
Sales and repayments	-	-557	-250	-807	-473
Share of profit/(loss) of associates	-	-	8,295	8,295	57,286
Dividend distributed	-	-	-139,076	-139,076	-152,105
Impairments	-	-	-77	-77	-
Change deferred taxes	-2,154	-	-	-2,154	-2,342
Translation differences	-	-	-1,111	-1,111	1,966
<b>Closing balance</b>	<b>1,924</b>	<b>1,949</b>	<b>351,455</b>	<b>355,328</b>	<b>442,512</b>

The closing balance includes a deferred tax asset of 1.9 million euros (2022: 4.1 million euros). APG Group does not have dominant control over this equity interest but does have significance influence over this equity interest. Hence this equity interest is valued at net asset value. In addition, a capital contribution in the subsidiary APG DWS en Fondsenbedrijf was made in 2023 of 47 million euros and a capital contribution of 0.3 million euros (2022: 0.3 million euros) in the participation Campus Heerlen Management & Development BV.

APG has decided in Januari 2023 to search for a third party that wants to take over part of the interest in Entis, under which the majority interest in Entis will decrease to a minority interest. The consolidated subsidiary Entis belongs to the supporting companies segment. To date, no transaction with a third party has taken place.

## 4 Current assets

<b>Receivables</b>	<b>31-12-2023</b>	<b>31-12-2022</b>
Prepaid expenses	31,359	26,832
Income tax	23,150	19,917
Receivables from group companies	3,259	86
Debtors	2,348	1,426
Receivables cash collateral derivatives	1,991	11,456
Other receivables and accrued income	1,660	1,222
Taxes and social security contributions	1,131	884
Related party receivables	146	14,697
Amounts to be invoiced	134	8
<b>Total</b>	<b>65,178</b>	<b>76,528</b>

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The receivables and prepayments predominantly consist of receivables on group companies and prepaid amounts. In the receivables an amount of 4.8 million euros has a term of more than one year (2022: 2.9 million euros). No security has been provided and no interest was received on the receivables.

## Cash & cash equivalents

	<b>31-12-2023</b>	<b>31-12-2022</b>
Bank balances	92,144	88,435
Deposits	-	120,000
<b>Total</b>	<b>92,144</b>	<b>208,435</b>

The cash & cash equivalents are at free disposal of the company. No further securities or additional conditions have been contracted. Given the nature of the deposits (short-term), the interest rate risk is very low. The deposits are placed with creditworthy financial institutions with a minimum A-rating according to rating agencies Fitch and Moody's and have a duration of three months. For this reason the credit risk is limited.

## 5 Equity

	<b>31-12-2023</b>	<b>31-12-2022</b>
Paid-up and called-up share capital	352,649	352,649
Share premium	109,690	160,565
Legal reserves	4,474	5,585
Other reserves	-	-
Undistributed result	10,262	48,925
<b>Total group equity</b>	<b>477,075</b>	<b>567,724</b>

Movements in shareholders' equity are shown in the following overview:

	Paid up and called-up share capital	Share premium	Legal reserves	Other reserves	Undistributed result	Total 2023
Opening balance	352,649	160,565	5,585	-	48,925	567,724
Movements resulting from appropriation of profit	-	-	-	48,925	-48,925	-
Movement in legal reserves	-	-	-1,111	-	-	-1,111
Dividend paid	-	-50,875	-	-48,925	-	-99,800
Result for the financial year	-	-	-	-	10,262	10,262
Other changes	-	-	-	-	-	-
<b>Closing balance</b>	<b>352,649</b>	<b>109,690</b>	<b>4,474</b>	<b>-</b>	<b>10,262</b>	<b>477,075</b>

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### Paid-up and called-up share capital

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

### Share premium

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

### Legal and other reserves

Legal and other reserves include direct changes in equity associated with the development of the legal reserve for translation differences of 4.5 million euros (2022: 5.6 million euros). In this legal reserve translation differences are recognized that are the result of the translation of the

functional currency of business operations abroad to the presentation currency of the parent company. On sale of a participating interest, the cumulative translation differences relating to this participating interest will be recognized in the profit & loss account, and presented therein as part of the result on the sale.

### Undistributed result for the financial year

This comprises the result for the year under review.

Share premium, other reserves and the undistributed 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 the equity capital of group companies to be at a certain level. APG Group takes the stipulations from regulators into account in determining the potential dividend payment.

The 2023 annual accounts have been adopted in the General Meeting held on March 28, 2024. The General Meeting has determined the appropriation of the result for the 2023 financial year in accordance with the proposal of the board.

### Proposed appropriation of profit

In accordance with the policy adopted, a proposal will be submitted to the General Meeting of Shareholders to distribute a dividend in the amount of 4.3 million euros: from the net result.

## 6 Provisions

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	Personnel-related provisions	Provision for restructuring	Other provisions	Total 2023	Total 2022
Opening balance	2,074	7,392	7,430	16,896	22,356
Additions	203	1,194	-	1,397	6,090
Withdrawals	-520	-2,447	-2,690	-5,657	-7,950
Release	-4	-695	-1,090	-1,789	-2,367
Discounting effect	55	437	-	492	-1,233
<b>Closing balance</b>	<b>1,808</b>	<b>5,881</b>	<b>3,650</b>	<b>11,339</b>	<b>16,896</b>

Of the total amount, 1.1 million euros (2022: 1.4 million euros) is expected to have a term of more than five years. 6.2 million euros is expected to be settled in 2023 (2022: 8.7 million euros).

### 7 Non-current liabilities

	31-12-2023	31-12-2022
Opening balance	1,021	10,911
Advances	-	-
Repayments	-	-9,890
<b>Total</b>	<b>1,021</b>	<b>1,021</b>

Of the closing balance 1.0 million euros has a longer term to maturity than five years (2022: 1.0 million euros). The interest rate is 7.25 percent per year (2022: 7.25 percent per year). No securities have been provided. The fair value of the long-term liabilities to third parties amounts to 1.7 million euros (2022: 1.0 million euros).

### 8 Current liabilities

	31-12-2023	31-12-2022
Liabilities to group companies	39,338	158,760
Rent reduction for office building	11,721	11,278
Invoices not yet received	11,678	7,194
Amounts invoiced in advance	8,709	1,349
Taxes and social security premiums	8,161	7,830
Holiday pay and rights	7,390	7,272
Other personnel-related liabilities	380	332
Pension liabilities	368	419
Accounts payable	237	1,121
Related party liabilities	0	520
Other liabilities	635	386
<b>Total</b>	<b>88,617</b>	<b>196,461</b>

With regard to the debts to group companies, there are no interest obligations nor securities. 10.8 million euros of the current liabilities has a term of more than 1 year (2022: 10.9 million euros).



### Off-balance sheet liabilities and assets

At balance sheet date, liabilities under current rental agreements in an amount of 182.5 million euros were outstanding (2022: 221.8 million euros), of which 12.9 million euros was due within one year (2022: 13.5 million euros), 43.8 million euros at between one and five year (2022: 52.0 million euros) and 125.8 million euros at more than five year (2022: 156.3 million euros). Rental costs of 13.5 million euros were recognized in the reporting year (2022: 14.8 million euros).

Liabilities in respect of long-term car leases total 4.9 million euros (2022: 5.4 million euros), of which 2.0 million euros due within one year of the end of the financial year (2022: 2.3 million euros) and 2.9 million euros at between one and five year (2022: 3.1 million euros). There are no liabilities due beyond five year. In the reporting year 2.7 million euros of leasing costs inclusive fuel costs were recognized (2022: 2.8 million euros). The leasing liability is determined exclusive the fuel advance.

Liabilities in respect of maintenance and other contracts amounted to 51.0 million euros (2022: 37.7 million euros) of which 19.5 million euros (2022: 17.3 million euros) due within one year of the end of the financial year and 31.5 million euros (2022: 20.4 million euros) due at between one and five year. There are no liabilities due beyond five year.

At the end of the reporting year the group assumed investment commitments in respect of data processing equipment and software for 8.3 million euros (2022: 3.9 million euros).

Liabilities in respect of derivatives contracted to hedge the financing of foreign subsidiaries amounted at balance sheet date to 165.5 million euros (2022: 191.1 million euros). The fair value of these derivatives at balance sheet date amounted to a negative 1.3 million euros (2022: 11.7 million euros negative). The liabilities have a term of less than one year. The contract conditions include the exchange of collateral to hedge the settlement risk. The contract terms include the exchange of collateral to cover the settlement risk. Directly related agreements between APG Groep NV and APS Asset Management NV have been formalized by means of back-to-back agreements.

APG Groep NV has committed itself to an annual capital contribution of 0.3 million euros to comply with Campus Heerlen Management & Development BV until mid-2031.

### Related party transactions

APG Group passes on costs to its subsidiaries APG Asset Management and APG DWS en Fondsenbedrijf. No profit mark-up is made on this allocation of costs, since these entities belong to the same tax group. The total amount passed on by APG Group in the year was 209.2 million euros.

### Liability statements

The company has issued liability statements for a number of subsidiaries included in the consolidation, as referred to in Articles 2:403 BW and 2:408 BW of the Dutch Civil Code. The liability statements concern APG DWS en Fondsenbedrijf NV.

### Liability of a tax group

There are tax groups in APG Group, specifically for income tax and sales tax. 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 2023 APG Groep NV employed an average of 754 people (2022: 698), all in the Netherlands.

### Share in the result of participating companies after tax

This concerns the share of the company in the results of its participations, of which an amount of 8.9 million euros (2022: 58.5 million euros) concerns group companies.

### Board remuneration

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

## List of equity interests

APG Groep NV has the following equity interests:

### Consolidated equity interests

APG DWS en Fondsenbedrijf NV	100%	Heerlen
APG Asset Management NV	100%	Amsterdam
APG Asset Management US Inc	100%	Delaware
APG Investments Asia Ltd	100%	Hong Kong
APG Business Information Consultancy (Shanghai) Co Ltd	100%	Shanghai
APG Asset Management (Singapore) Pte	100%	Singapore
APG Trading BV	100%	Amsterdam
APG Infrastructure Asset Owner I GP BV	100%	Amsterdam
APG Infrastructure Asset Owner II GP BV	100%	Amsterdam
APG Order Execution BV	100%	Amsterdam
Entis Holding BV	76%	Amsterdam
Entis BV	76%	Utrecht

### Non-consolidated equity interests

Campus Heerlen Huisvesting BV	50%	Maastricht
Campus Heerlen Management & Development BV	33%	Maastricht
Hyfen BV	39.10%	Amsterdam
Vive Group BV	3.21%	Amsterdam
Design Authority BV	25%	Amsterdam

Amsterdam/ Heerlen, March 12, 2024

### Executive Board

Annette Mosman, chairman

Francine Roelofsen-van Dierendonck

Ronald Wuijster

Maarten Blacquière

### Supervisory Board

Peter Bommel, chairman

Dick van Well, vice-chairman

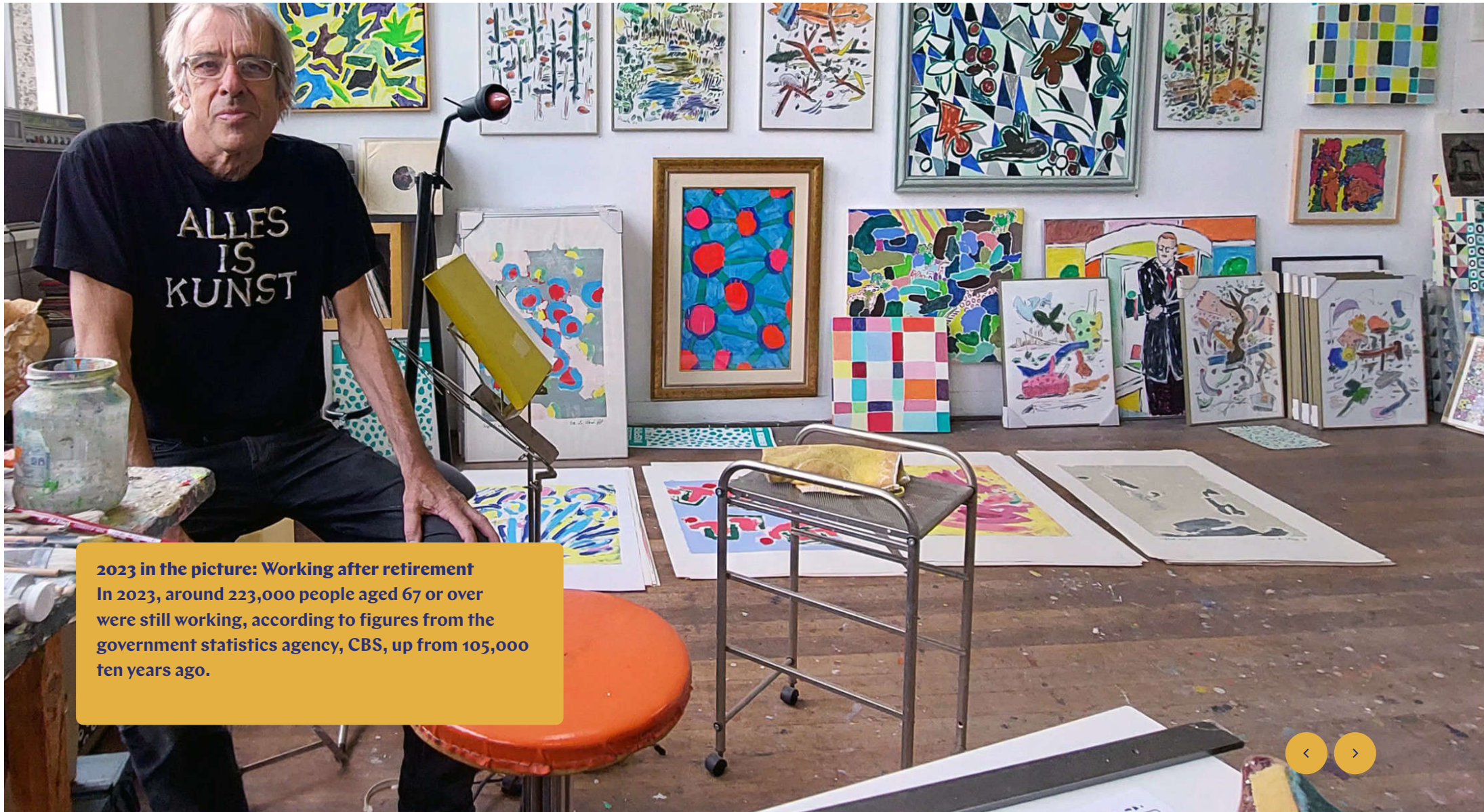
Constant Korthout

José Meijer

Sarah Russell

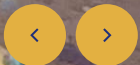


# Other information



**2023 in the picture: Working after retirement**

In 2023, around 223,000 people aged 67 or over were still working, according to figures from the government statistics agency, CBS, up from 105,000 ten years ago.



# Profit appropriation under the Articles of Association

The profit is appropriated in accordance with Article 36 of the APG Articles of Association, which stipulates that APG Groep NV can only distribute dividends to the extent that its shareholders' equity exceeds the amount of the paid-up and called-up part of the issued share capital and the reserves that must be maintained by law.





# 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 2023 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 2023 and of its result for the year then ended, in accordance with Part 9 of Book 2 of the Dutch Civil Code.

### *What we have audited*

We have audited the financial statements 2023 of APG Groep N.V. ('APG' or 'the Company') based in Heerlen.

The financial statements comprise:

- 1 the consolidated and company balance sheet as at 31 December 2023;
- 2 the consolidated and company profit and loss account for 2023;
- 3 the consolidated cashflow statement 2023; and
- 4 the notes comprising a summary of the accounting policies and other explanatory information.

### *Basis of 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

KPMG Accountants N.V., een naamloze vennootschap ingeschreven in het handelsregister in Nederland onder nummer 33263683, is lid van het KPMG-netwerk van zelfstandige ondernemingen die verbonden zijn aan KPMG International Limited, een Engelse entiteit.



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

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in respect of going concern, fraud and non-compliance with laws and regulations and the key audit matters was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

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

## Information in support of our opinion

### Summary

#### Materilaity

- Materiality of EUR 9 miljoen
- 0.9% of revenues from management fees

#### Group audit

- Audit coverage of 99% of total assets
- Audit coverage of 99% of revenue

#### Risks of a material misstatement due to risks related to fraud, NOCLAR, and continuity

- Fraud risk: We have identified the presumed risk of internal control override by management and further elaborated on this in the section 'Control approach to fraud risk and non-compliance with laws and regulations'.
- Risks related to non-compliance with laws and regulations (NOCLAR): We have identified reportable risks of material misstatement due to non-compliance with laws and regulations and elaborated on them in the section 'Control approach to fraud risk and non-compliance with laws and regulations'.
- Risks related to going concern: No going concern risks identified.



### Key audit matters

- Accurate recognition of revenue from management fees
- Reliability and continuity of the electronic data processing
- Preparation for the transition to the new pension system

### Materiality

Based on our professional judgment, we have determined the materiality for the financial statements as a whole at EUR 9 million (2022: EUR 9 million). Materiality is determined based on management fees (0.9%; 2022: 0.9%). We consider management fees to be the most appropriate benchmark, given the nature of the company's activities (pension administration, asset management and other advisory services) and because they are a stable indicator of the company's size. We also consider deviations and/or potential deviations that we believe are materially significant for the users of the financial statements for qualitative reasons.

We have agreed with the Supervisory Board that we will report discrepancies identified during our audit exceeding EUR 450 thousand (2022: EUR 450 thousand) to them, as well as smaller discrepancies that we consider relevant for qualitative reasons.

### 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.

The group audit has primarily focused on significant components based on their nature and size, namely APG Groep N.V., APG DWS en Fondsenbedrijf N.V. and APG Asset Management N.V. For components APG Groep N.V. and APG DWS en Fondsenbedrijf N.V. we conducted our own audit procedures. We engaged another auditor for the audit of APG Asset Management N.V. We provided instructions to the other auditor outlining the areas of focus for the audit, including relevant risks of material misstatement, as well as the information to be reported by the other auditor. We discussed the received reports with the respective KPMG auditor and reviewed the file.

For components that were not in scope, we performed analytical procedures to confirm that our scoping remained appropriate throughout the audit.



Through the aforementioned procedures at the group level, combined with additional procedures at the group level, we have obtained sufficient and appropriate audit evidence regarding the financial information of the group to provide an opinion on the financial statements.

The audit coverage as included in the Summary section is 99% based on total assets and 99% based on management fees ("audit of the complete financial information").

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

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

As part of our audit, we gained insight into APG and the company's business environment, as well as its risk management concerning fraud and non-compliance with laws and regulations. Our procedures included evaluating the code of conduct, whistleblower policy, incident register, and APG's procedures for investigating indications of potential fraud and non-compliance with laws and regulations. Additionally, we obtained information from the Executive Board, the Audit and Risk Committee of the Supervisory Board, and other relevant functions and departments, such as Group Internal Audit and Group Risk & Compliance. We also considered correspondence with relevant supervisory authorities and regulators in our evaluation. We incorporated an element of unpredictability into our audit approach, including performing additional procedures regarding the accuracy and plausibility of reported costs of externally hired employees.

Based on our risk assessment procedures, we identified the following legal areas that could most likely cause a material effect on the financial statements in case of non-compliance with these regulations:

- Supervisory legislations, including the Financial Supervision Act ('Wet op het financieel toezicht' (Wft)), CRR and IFR/IFD; and;
- General Data Protection Regulation (GDPR).

We assess the presumed fraud risk related to revenue recognition as not relevant, given the limited number of APG's clients and the limited ability to materially influence revenues. This is partly due to the absence of significant estimates in determining revenue recognition and the lack of various service elements in the fees.

In accordance with the above and with auditing standards, we have identified the following described risk regarding fraud as relevant to our audit, which is also the presumed relevant risk as documented in auditing standards. Below, we also describe how we addressed it:



## Management override of controls

### Risk:

- Management is in the unique position to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

### Audit response:

- We evaluated the design and implementation of internal control measures relevant for mitigating the risks of fraud, such as identifying activities related to journal entries and estimates.
- We conducted data analysis on journal entries with higher risk, as well as evaluated management's judgments and assumptions. This included performing a retrospective review of management's judgments (and assumptions) regarding significant estimates included in the prior year's financial statements (such as provisions related to personnel). Where unexpected journal entries or other risks were identified through our data analysis, we performed additional audit procedures to address each identified risk. These procedures also included tracing transactions back to the source information.

We communicated our risk assessment, audit approach, and findings to the Executive Board and the Supervisory Board.

Our evaluation of the procedures performed regarding fraud and non-compliance with laws and regulations did not result in a key audit matter.

Our audit procedures did not provide any indications and/or other reasonable suspicions of fraud and/or non-compliance with laws and regulations that are materially significant for our audit.

### Audit response to going concern

As explained on page 90 and 91 of the Executive Board's report, the Executive Board has performed its going concern assessment and has not identified any going concern risks. To assess the Executive Board's assessment, we have performed, inter alia, the following procedures:

- consider whether the going concern analysis by the Executive Board includes all relevant information of which we are aware as a result of our audit;
- analyzed the company's financial position as at year-end and compared it to the previous financial year in terms of indicators that could identify going concern risks; and



- analyzed the budgeted operating results and related cash flows compared to the previous fiscal year, industry developments, and our knowledge gained from the audit.

The results from the procedures we performed as part of our risk assessment do not indicate a need for additional audit procedures on the going concern assessment.

### ***Our key audit matters***

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

#### Accurate recognition of revenue from management fees

##### **Description**

APG receives management fees for its pension administration, asset management and other advisory services provided to its clients. The management fees amount to EUR 993 million for the financial year 2023 (2022: EUR 952 million) and is the largest caption in the consolidated financial statements of APG Groep N.V. Due to the size of the management fees, we determined that the accurate recognition of the management fees is a key audit matter in our audit.

##### **Our responses**

Among other things, we have performed the following procedures:

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





## Our observations

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

## Reliability and continuity of the electronic data processing

### Description

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

### Our response

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

- evaluated the controls around changes to the IT infrastructure and applications (change management);
- evaluated the controls around logical access to systems and key data;
- inspected the outcome of and controls performed by APG itself, mainly aimed at the IT general controls (including cybersecurity) and IT application controls and evaluation of the impact on our audit; and
- inspected the service organization reports (SOC) which APG prepares for its clients.

### Our observations

Based on our procedures performed as part of the financial statements audit of APG Groep N.V., we have not identified significant findings related to the reliability and continuity of the IT infrastructure and the security of the data of pension funds and the participants. In our management letter we reported a number of findings aimed at further strengthening the IT environment and in the auditor's report to those charged with governance, we have included findings from the substantive procedures performed.



## Preparation for the transition to the new pension system

### Description

The ‘Wet toekomst pensioenen’ (Wtp) entered into force on 1 July 2023. The transition has a major impact on APG because of the inherent risks associated with such an impactful transition, its impact on APG’s (change) capacity and the significant costs associated with it. Due to the relevance of this matter and its potential effect on the financial statements as a whole, we paid specific attention to it during our audit.

### Our response

Among other things, we have performed the following procedures:

- inspected the set-up and governance of the ‘Pensioen van Straks’ project, including the management of risks and the application of the ‘three lines of defense model’ within the project;
- inspected the progress reports of the project to the Executive Board and the Supervisory Board;
- evaluated the impact of the ‘Pensioen van Straks’ project on APG’s internal control environment;
- verified the accuracy of the reported costs related to the ‘Pensioen van Straks’ project;
- tested the appropriateness of the accounting for the loan provided to the external party responsible for the development of the new pension and administration system; and
- evaluated the disclosures in the financial statements related to the preparation for the transition to the new pension system by APG as included in the Executive Board’s report and, where relevant.

### Our observation

The results of the procedures performed did not lead to significant findings and we consider the disclosures regarding the preparation for the transition to the new pension system as included in the Executive Board’s report and the financial statements to be appropriate.

### Report on the other information included in the annual report

In addition to the financial statements and our auditor’s report thereon, the annual report contains other information. Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements; and



- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the Executive Board report and other information.

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

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

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

## Description of responsibilities regarding the financial statements

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

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

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

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



### ***Our responsibilities for the audit of the financial statements***

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

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

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

Amstelveen, 12 March 2024

KPMG Accountants N.V.

N.C. Paping 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 APG's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management of APG;
- concluding on the appropriateness of the Executive Board's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on APG'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.



# Non-financial information



**2023 in the picture: Ill-prepared for retirement**  
 Research by the Dutch government's 'Wijzer in Geldzaken' platform has revealed that seven in ten people who reduce their working hours do not look into the effect this will have on their pension.

# About this report

In this annual report, the Executive Board of APG Groep NV renders account for the financial and non-financial performance during the 2023 financial year, which runs from January 1 until December 31. The annual report has been prepared in accordance with Dutch reporting regulations.

The Executive Board renders account for the core activities carried out by APG, both in the Netherlands and through its foreign subsidiaries. APG is based in Heerlen and Amsterdam and has offices in New York, Hong Kong, and Singapore, as well as a satellite branch in Brussels. The office in Beijing will close in 2024.

The clients (the pension funds) have entrusted their pension administration and communications to us. We also manage the assets for a number of pension funds. In our annual report, we describe our achievements in the reporting year concerned, but more importantly, we explain how we fulfilled our role in society, and how we created value for our

stakeholders, that is to say our clients, staff and shareholders, and society as a whole.

## Integrated reporting

In 2023, the connectivity model played a central role in the planning and control cycle in order to reinforce structural reporting on the connectivity and interdependence of the aspects that are relevant to our long-term value creation. This model provides the guidelines we need to steer the stakeholder analysis, right up to APG's impact on society. Our insights into our impact on the environment and our society feature prominently in this annual report. We also outline the dilemmas and challenges we are facing.

## Materiality assessment

An update of the materiality assessment was carried out in the first half of 2023. For the first time, the principle of double materiality was used. The material topics identified by the materiality assessment provide insight into APG's impact on social issues (impact materiality) and how social issues affect the

development, performance, and position of APG (financial materiality).

For this detailed assessment, 69 external stakeholders were asked to complete a survey and 47 responded. This high rate of response is partly due to the design of the questions, in which the double materiality principle played a large part. In addition to the survey, in-depth interviews were held with 14 external stakeholders. 10 internal experts then calculated scores for the material topics.

The update, including the double materiality assessment, showed which topics APG can influence the most, which topics will have the greatest impact on APG, and the scope of these topics within the APG value chain. The material topics highlighted in the 'Our results in 2023' chapter were then determined from the impact perspective and the financial perspective.

## Stakeholder engagement

The stakeholders are the most important parties, who can directly influence our strategy and core activities. They include our

clients (pension funds and the employers and participants affiliated with these funds), our staff, the works council, and our shareholders. We also play an important role as a social organization within the sector to which the legislators and regulators, our strategic partners, and the companies in which we invest,

belong. This means that all these parties also fall within our stakeholder domain.

We constantly scan the market for social organizations or institutions that must also be designated as stakeholders. Opinions from society are essential in our quest to become a leading administrator in the field. This is why we

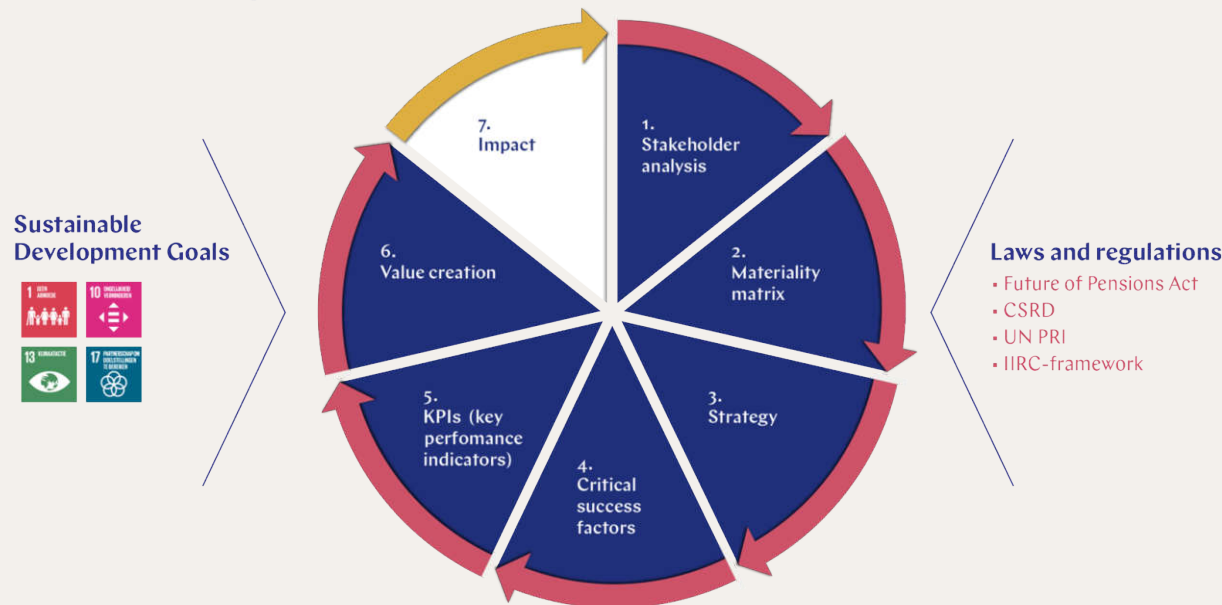
consulted organizations committed to saving the environment, combating poverty, and fighting for human rights for the materiality assessment. We are in discussions with Amnesty International, Extinction Rebellion, Friends of the Earth, Oxfam Novib, World Animal Protection, the Dutch Association of Investors for Sustainable Development, Greenpeace, the Dutch debt relief foundation (De Nationale Schuldhulproude), and the Dutch government's 'Wijzer in Geldzaken' initiative to boost financial fitness.

We maintain a constant dialogue with all our stakeholders, so that we are continuously aware of the things they consider to be important. We have published [our stakeholder dialogue policy](#) on the website, explaining how we take account of the interests of our stakeholders when determining the aspects of our strategy that relate to sustainability, for example.

### Guidelines for the annual report

This annual report is based on the guidelines of the Value Reporting Foundation and the Global Reporting Initiative (GRI). The framework of the International Integrated Reporting Council has been implemented

## Connectivity model APG





in full. The main indicators for measuring added value and making the appropriate adjustments are given in the 'About APG' chapter. The GRI content index, additional sustainability information, and information about staff are included in the 'Non-financial information' chapter.

The Greenhouse Gas Protocol (GHG Protocol) and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) also constitute an important part of our integrated accountability system. Our annual report provides transparency about how we act on the financial industry's best-efforts obligation to implement the Climate Agreement. We endorse the climate goals and want to achieve climate-neutral business operations by 2030. The assets that we manage must therefore be in line with the provisions of the Paris Agreement. By 2050, the emissions of the investment portfolio that we manage will be net zero.

### Preparing for CSRD

The CSRD was approved by the European Parliament and European Council in November 2022. The Directive came into force on

January 6, 2023. The Member States have 18 months to transpose the Directive into national law. In order to comply with the CSRD, organizations must report on the impact that their business activities have on people and planet. The Directive is designed to create greater transparency regarding corporate social responsibility. This will improve the quality and comparability of non-financial information in annual reports.

The European Financial Reporting Advisory Group (EFRAG) has converted the details of the CSRD into sustainability reporting standards, known as European Sustainability Reporting Standards (ESRS). In 2023, we carried out an assessment of the ESRS requirements, including a gap analysis, comparing our existing ESG framework on the basis of the report on non-financial information with the Global Reporting Initiative (GRI).

So preparations for the CSRD are already in full swing. We see this as an opportunity to raise the level of the business operations, the dialogue about business operations with internal and external stakeholders, the reporting on it, and insight into the results

achieved via the relevant KPIs. We expect to be able to report in line with the CSRD from the 2025 reporting year onwards, when it will become compulsory for APG.

### Reporting process

The owner of the annual report within the Executive Board is the Chief Finance & Risk Officer (CFRO). The CFRO has passed the process of compiling the report to the Group Finance Director who has, in turn, formed a steering group representing various APG departments. Meeting once a month, the steering group determines the basic principles, the structure, the synopsis, and the content of the annual report. The report is compiled on the basis of interviews with the Executive Board and various other key figures, as well as on written input and reports. A project team oversees the further preparation of the report.

The information and data is gathered using the regular reporting process at APG. Integrating risk management into the primary processes and the reporting process guarantees the reliability of both the financial and some of the non-financial information. In this way, we ensure that the information included in

the report is accurate. Performance indicators for the key strategic topics are determined throughout the business plan cycle and periodically used to steer the course via the performance report. These are discussed during the performance dialogues organized across all tiers of the organization.

The Supervisory Board’s Audit and Risk Committee is actively involved in reviewing content for the annual report, which is then submitted to the Executive Board for its approval.

### Scope and degree of assurance by the auditor

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

- KPMG has audited the consolidated financial statements from the 2023 annual report. On March 12, 2024, KPMG issued an unqualified audit opinion on the consolidated and company financial statements. The audit opinion is included in Chapter 7, 'Other details'.

- KPMG’s audit also specifically looked at certain non-financial information. On March 12, 2024, KPMG issued a declaration providing a limited degree of assurance for this non-financial information. This assurance report is included below.

### Disclaimer

This annual report contains forward-looking statements, i.e., outlooks and other views on future performance and results that are based on the management's current expectations and assumptions regarding developments and other factors that affect APG. The future performance and results may differ materially. This disclaimer applies in full to all forward-looking statements included in this report.

The interviews in these publications reflect the opinions of internal and external experts; they do not necessarily reflect the policy or standpoint of APG.

Some of the photos in the annual report are photos belonging to ANP. They feature events that were in the news in 2023.

# Report on non-financial information

## Performance indicators

### In scope

	2023	2022
Reputation score	71.8	72.2
Net result	€ 10 million	€ 49 million
Excess return (5 years) in basis points	11	33
Return on equity	4.3%	13.9%
Carbon footprint of operations (in metric tons) gross	6,191	5,390
Carbon footprint of operations (in metric tons) net	1,595	1,989
Benchmark UN Principles for Responsible Investment <sup>1</sup>	5 out of 5 stars	4 out of 5 stars
Gender diversity %	63 / 37	64 / 36
Number of employees	3,723	3,405
Sickness absence <sup>2</sup>	3.8%	4.2%
Employee engagement	7.8	7.7

### Out of scope

Average price per participant	117 (86+31)	95 (79+16)
Participants with insight into their income later	2,760,000	2,300,000
Participants with insight into pension assets	-	1,075,000
Net promoter score	+3	+3
Assets managed in Sustainable Development Investments	€ 111 billion	€ 102 billion

<sup>1</sup> In 2022, we reported the score on the 'Investment & Stewardship Policy' (ISP) module. In 2023, PRI revised its reporting framework, changing the name of the module to 'Policy, Governance & Strategy' (PGS). According to PRI, the PGS module is intended as a way to provide insight into signatories' overall approach to responsible investment, including key topics that apply to most of the investment categories. APG AM scored 97 on this module, topping the peer group median of 88. The peer group is made up of European asset managers who are signatories to the PRI and have similar volumes of assets under management.

<sup>2</sup> Sickness absence: due to restrictions on recording and reporting on sickness absence outside the Netherlands, the figure reported in the table excludes data on foreign offices.



## Independent auditor's assurance report

KPMG has provided an assurance report on the non-financial information included in this annual report. This report provides limited assurance on the 10 applicable performance indicators applicable in 2022. The external auditor tested these 10 elements based on the indicator files compiled by Group Finance. The report is reproduced below.



## Assurance report of the independent auditor

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

We have reviewed the non-financial information related to the below themes as included under the header 'In scope' in the table on page 182 (hereafter: the 'non-financial information') of the Annual Report of APG Groep N.V. for the year ended 31 December 2023.

### Our conclusion

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

The sustainability indicators in scope consist of the following indicators:

- Reputation score
- Net result
- Excess return (5 years) in basis points
- Return on equity
- Carbon footprint of operations (in metric tons) gross (scope 1 and 2)
- Carbon footprint of operations (in metric tons) net (scope 1 and 2)
- Benchmark UN Principles for Responsible Investment
- Gender diversity %
- Number of employees
- Sickness absence
- Employee engagement

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### Basis for our conclusion

We performed our limited assurance engagement on the sustainability information in accordance with Dutch law, including Dutch Standard 3000A 'Assurance-opdrachten anders dan opdrachten tot controle of beoordeling van



historische financiële informatie (attest-opdrachten)' (assurance engagements other than audits or reviews of historical financial information (attestation engagements)).

This requires us to comply with applicable regulations and that we plan our assurance engagement such that a limited level of assurance is obtained that the non-financial information in the report is free from material misstatement.

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

### **Criteria**

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

The criteria applied for the preparation of the sustainability information are own criteria as described in 'Other Sustainability Information on page 194 and the 'Glossary' on page 198 of the Annual Report.

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

### **Materiality**

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

### **Scope of the group review**

APG Groep N.V. is the parent company of a group of entities. The sustainability information incorporates the consolidated information of this group of entities to the extent as specified on page 161 of the Annual Report.

### **Limitations to the scope of our review**

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



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

## Responsibilities of the Executive Board and Supervisory Board's for the sustainability information

The Executive Board is responsible for the preparation and fair presentation of the sustainability information in accordance with the criteria as included in the section 'Criteria', including the identification of stakeholders and the applicability of the criteria used to the objectives of the intended users.

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

The Supervisory Board is responsible for overseeing APG Groep N.V. reporting process.

### Auditor's responsibilities

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

Our assurance engagement is aimed to obtain a limited level of assurance to determine the plausibility of sustainability information. The procedures vary in nature and timing from, and are less in extent, than those performed for a reasonable assurance engagement. The level of assurance obtained in a limited assurance engagement is substantially less than the assurance that is obtained in a reasonable assurance engagement.

We apply the 'Nadere voorschriften accountantskantoren ter zake van assurance-opdrachten RA' (NVAK-aav, Regulation for audit firms regarding assurance engagements) / 'Nadere Voorschriften Kwaliteitssystemen' (NVKS, Regulations for Quality management systems)) and accordingly maintain a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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

Our review included among others:

- Performing an analysis of the external environment and obtaining an understanding of relevant sustainability themes and issues, and the characteristics of the company;
- Evaluating the appropriateness of the criteria applied, their consistent application and related disclosures in the Annual Report. This includes the evaluation of the results of stakeholder dialogue and the reasonableness of estimates made by the Executive Board;



- Obtaining through inquiries a general understanding of the internal control environment and the reporting processes relevant to our review, but not for the purpose of expressing an opinion on the effectiveness of APG Groep N.V.'s internal control;
- Identifying areas of the non-financial information where a material misstatement, whether due to fraud or error, is most likely to occur, designing and performing further assurance procedures responsive to these areas, and obtaining assurance information that is sufficient and appropriate to provide a basis for our conclusion. These procedures consisted amongst others of:
  - Interviewing management and relevant staff at corporate level responsible for the strategy, policy and results;
  - Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures over, and consolidating the data in the non-financial information;
  - Determining the nature and extent of the review procedures to be performed for the components and locations;
  - Obtaining assurance evidence that the sustainability information reconciles with underlying records of the company;
  - Reviewing, on a limited test basis, relevant internal and external documentation;
  - Performing an analytical review of the data and trends.
- Evaluating the consistency of the non-financial information with the information in the report which is not in the scope of our review;
- Evaluating the presentation, structure and content of the non-financial information;
- Considering whether the Annual Report as a whole, including the disclosures reflects the purpose of the criteria used.

Due to the nature and extent of our procedures these can only result in a limited level of assurance. This level of assurance is lower than that which can be obtained from an audit report with a reasonable level of assurance.

Amstelveen, 12 March 2024

KPMG Accountants N.V.

N.C. Paping RA

# Connectivity matrix

Stakeholders	Strategic context	Strategic ambitions	Strategic opportunities and risks	Opportunity	Risk	Performance indicators	SDGs
<b>Our clients</b> 	<ul style="list-style-type: none"> <li>Effective control of pension administration</li> <li>Client and participant-driven organization</li> <li>Public support for the pension system</li> <li>Social investment returns</li> <li>Energy transition, climate change and loss of biodiversity</li> <li>Financial investment returns</li> <li>Responsible and transparent administration costs</li> <li>Transparency and compliance</li> <li>Agile organization</li> <li>Digitalization and artificial intelligence</li> </ul>	<ul style="list-style-type: none"> <li>Maximization of pension value</li> <li>Leading pension administrator</li> <li>Robust pension funds</li> <li>Trusted guide</li> </ul>	<ul style="list-style-type: none"> <li>New pension system</li> <li>Increasing digitalization</li> <li>Changing service demands</li> <li>Robustness of administration processes</li> <li>Increase data quality, privacy, and security</li> <li>Pace of technological developments</li> <li>Client satisfaction</li> <li>Outsourcing</li> <li>Available change capacity</li> </ul>	<ul style="list-style-type: none"> <li>●</li> <li>●</li> <li>●</li> <li>●</li> <li>●</li> <li>●</li> <li>●</li> <li>●</li> <li>●</li> </ul>	<ul style="list-style-type: none"> <li>●</li> <li>●</li> <li>●</li> <li>●</li> <li>●</li> <li>●</li> <li>●</li> <li>●</li> <li>●</li> </ul>	<ul style="list-style-type: none"> <li>Average cost per participant (regular services + strategic initiatives)</li> <li>Excess return (5 years) in basis points</li> <li>Client satisfaction score</li> <li>Participants with insight into their pension assets</li> <li>Participants with insight into their income for later</li> </ul>	 
<b>Staff</b> 	<ul style="list-style-type: none"> <li>Meaningful employer</li> <li>Engaged employees</li> </ul>	<ul style="list-style-type: none"> <li>Great place to work</li> </ul>	<ul style="list-style-type: none"> <li>Employee flexibility</li> <li>Focus on integrity and behavior</li> <li>Personal (ongoing) development</li> <li>Work in social context</li> </ul>	<ul style="list-style-type: none"> <li>●</li> <li>●</li> <li>●</li> </ul>	<ul style="list-style-type: none"> <li>●</li> <li>●</li> <li>●</li> </ul>	<ul style="list-style-type: none"> <li>Number of employees</li> <li>Employee engagement</li> <li>Sickness absence</li> <li>Diversity</li> </ul>	
<b>Society</b> 	<ul style="list-style-type: none"> <li>Trust in pension</li> <li>Contribution to a future-proof system</li> <li>Collaboration in the pension sector</li> <li>Responsible investment</li> <li>Sustainable business operations</li> </ul>	<ul style="list-style-type: none"> <li>Sustainability</li> </ul>	<ul style="list-style-type: none"> <li>Trust in the pension sector</li> <li>Increased importance of responsible investment</li> <li>Sustainability initiatives</li> <li>Sharing knowledge and experience</li> <li>Reputation</li> </ul>	<ul style="list-style-type: none"> <li>●</li> <li>●</li> <li>●</li> </ul>	<ul style="list-style-type: none"> <li>●</li> <li>●</li> <li>●</li> </ul>	<ul style="list-style-type: none"> <li>Reputation score</li> <li>UN PRI benchmark</li> <li>Managed in Sustainable Development Investments</li> <li>Carbon footprint of business operations</li> </ul>	  
<b>Shareholders</b> 	<ul style="list-style-type: none"> <li>Financially healthy organization</li> </ul>	<ul style="list-style-type: none"> <li>Returns appropriate to a social company</li> </ul>	<ul style="list-style-type: none"> <li>Strong solvency and liquidity</li> <li>Safeguard continuity of administration</li> <li>Changing market conditions</li> <li>Available change capacity</li> </ul>	<ul style="list-style-type: none"> <li>●</li> </ul>	<ul style="list-style-type: none"> <li>●</li> <li>●</li> <li>●</li> </ul>	<ul style="list-style-type: none"> <li>Net profit</li> <li>Returns on equity</li> </ul>	



# GRI Index including UN Global Compact references

APG Groep NV has reported the information cited in this GRI content index for the period from January 1, 2023 until December 31, 2023 on the basis of the GRI standards. GRI 1: origin 2021.

## GRI content index (including UNGC references)

GRI Standard	DESCRIPTION	CROSS REFERENCE/ FULFILLMENT/EXPLANATION	Mapping to the Ten Principles of the UN Global Compact
<b>General Disclosures</b>			
GRI 2 - General Disclosures 2021	2-1 Organizational details	APG Groep NV	
	2-2 Entities included in the organization's sustainability reporting	<a href="#">Financial reporting principles</a>	
	2-3 Reporting period, frequency and contact point	January 1, 2023 up to and including December 31, 2023, annual and <a href="mailto:communicatie@apg.nl">communicatie@apg.nl</a>	
	2-4 Restatements of information	Not applicable	
	2-5 External assurance	<a href="#">Independent auditor's report</a>	
	2-6 Activities, value chain and other business relationships	<a href="#">About APG</a>	
	2-7 Employees	<a href="#">Agile organization and report on non-financial information</a>	Principle 6
	2-8 Workers who are not employees	<a href="#">Agile organization and report on non-financial information</a>	
	2-9 Governance structure and composition	<a href="#">Our governance</a>	

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**GRI content index (including UNGC references)**

**GRI Standard**

**DESCRIPTION**

**CROSS REFERENCE/  
FULFILLMENT/EXPLANATION**

**Mapping to the Ten Principles of the UN  
Global Compact**

- 2-10 Nomination and selection of the highest governance body
- 2-11 Chair of the highest governance body
- 2-12 Role of the highest governance body in overseeing the management of impacts
- 2-13 Delegation of responsibility for managing impacts
- 2-14 Role of the highest governance body in sustainability reporting
- 2-15 Conflicts of interest
- 2-16 Communication of critical concerns
- 2-17 Collective knowledge of the highest governance body
- 2-18 Evaluation of the performance of the highest governance body
- 2-19 Remuneration policies
- 2-20 Process to determine remuneration
- 2-21 Annual total compensation ratio
- 2-22 Statement on sustainable development strategy
- 2-23 Policy commitments
- 2-24 Embedding policy commitments
- 2-25 Processes to remediate negative impacts
- 2-26 Mechanisms for seeking advice and raising concerns

[Our governance](#)

[Our governance](#)

[Our governance](#)

[Our governance](#)

[Corporate Governance](#)

[Corporate Governance](#)

[Corporate Governance](#)

[Our governance](#)

[Our governance](#)

[Our remuneration policy](#)

[Our remuneration policy](#)

[Our remuneration policy](#)

[How we create value](#)

Annual report - [APG's human rights policy](#)

Annual report - [APG's human rights policy](#)

Annual report - [APG's human rights policy](#)

Annual report - [APG's human rights policy](#)

Principe 1, 2, 3, 4, 5 en 6

**GRI content index (including UNGC references)**

**GRI Standard**

**DESCRIPTION**

**CROSS REFERENCE/  
FULFILLMENT/EXPLANATION**

**Mapping to the Ten Principles of the UN  
Global Compact**

2-27 Compliance with laws and regulations

Risk management

In its capacity as APG Groep or via its subsidiaries, APG is affiliated with a wide range of associations and interest groups. The most prominent among these are the Dutch Fund and Asset Management Association, Global Real Estate Sustainability Benchmark, Association of Institutional Property Investors in the Netherlands, Eumedion, Climate Action 100+, Council of Institutional Investors, the Investor Leadership Network, CSR Netherlands, and UN Global Compact. There were no changes to membership of trade organizations as a result of limited alignment in the reporting period.

2-28 Membership associations

How we create value

2-29 Approach to stakeholder engagement

About this report

2-30 Collective bargaining agreements

The APG collective labor agreement applies to all 3,437 employees in the Netherlands

Principle 3

**GRI content index (including UNGC references)**

GRI Standard	DESCRIPTION	CROSS REFERENCE/ FULFILLMENT/EXPLANATION	Mapping to the Ten Principles of the UN Global Compact
<b>Material Topics</b>			
GRI 3: Material Topics 2021	3-1 Process to determine material topics	<a href="#">How we create value</a>	
	3-2 List of material topics	<a href="#">About this report</a>	
<b>Effective control of pension administration</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	<a href="#">Pension administration</a>	
<b>Client and participant-driven organization</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	<a href="#">Services</a>	
	APG-1 Improving participants' financial fitness	<a href="#">Services and the UN's Sustainable Development Goals</a>	
<b>3-3 Management of material topics</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	<a href="#">Public support for the pension system</a>	
<b>Social investment returns</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	<a href="#">Social returns</a>	
	APG-2 Positive recognition for APG and its clients in external research	<a href="#">The UN's Sustainable Development Goals</a>	Principle 1, 2, 3, 4, 5, 6, 7, 8, 9 and 10
	APG-3 Marktadaptation of the SDI AOP	<a href="#">The UN's Sustainable Development Goals</a>	
<b>Energy transition, climate change, and biodiversity</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	<a href="#">Climate and the environment</a>	
	APG-4 Carbon emissions in investment portfolio (scope 3)	<a href="#">The UN's Sustainable Development Goals and Declaration by APG Asset Management</a>	
	APG-5 Carbon-neutral business operations	<a href="#">Climate and the environment, The UN's Sustainable Development Goals and report on non-financial information</a>	Principle 7, 8 and 9
	APG-6 More sustainable travel	<a href="#">Climate and the environment, The UN's Sustainable Development Goals and report on non-financial information</a>	
	APG-7 Zero-energy offices	<a href="#">Climate and the environment, The UN's Sustainable Development Goals and report on non-financial information</a>	

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**GRI content index (including UNGC references)**

GRI Standard	DESCRIPTION	CROSS REFERENCE/ FULFILLMENT/EXPLANATION	Mapping to the Ten Principles of the UN Global Compact
	APG-8 Circular business operations	<u>Climate and the environment, The UN's Sustainable Development Goals and report on non-financial information</u>	
<b>Financial investment returns</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	<u>Financial returns</u>	
<b>Responsible and transparent administration costs</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	<u>Administration costs</u>	
<b>Transparency and compliance</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	<u>Transparency</u>	Principle 10
<b>Agile organization</b>			
	3-3 Management of material topics	<u>Agile organization</u>	
	APG-9 Diverse workforce	<u>Agile organization, the UN's Sustainable Development Goals and report on non-financial information</u>	
GRI 3: Material Topics 2021	APG-10 Socially engaged workforce	<u>Agile organization, the UN's Sustainable Development Goals and report on non-financial information</u>	Principe 3, 4, 5 en 6
	APG-11 Inclusive workforce	<u>Agile organization, the UN's Sustainable Development Goals and report on non-financial information</u>	
<b>Digitalization and artificial intelligence</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	<u>Digitalization</u>	
<b>Other topics</b>			
	3-3 Management of material topics	<u>APG is registered in the EU transparency register. APG did not employ third-party lobbyists during the reporting periode</u>	
GRI 415: Public policy 2016	415-1 Political contributions	<u>APG did not make any political financial contributions</u>	

# Other sustainability information

## Working towards demonstrable climate-neutral business operations

We are reducing the negative environmental impact of our own business operations by saving on our energy consumption, making fewer business trips, and recycling our waste. We are also moving towards using renewable resources and compensating for any emissions that are unavoidable. The policy and the relevant measures we drew up in 2020 will ensure that the carbon emissions we have yet to compensate will be negligible by 2030.

## Carbon emissions from business operations

We measure the carbon footprint left by energy consumption, transportation, leaked refrigerants, and waste. In 2023, APG emitted 10,627 metric tons of carbon (gross) (8,152 metric tons in 2022). That is 3.0 metric tons per FTE (2.5 metric tons per FTE in 2022). Our net carbon emissions are lower due to the use of renewable resources. APG's net carbon emissions in Scope 1 and 2 are then

compensated by buying Gold Standard certificates.

The carbon footprint is expressed in terms of Scopes, in line with the Green House Gas Protocol (GHG Protocol). Scope 1 emissions are direct emissions from own sources or sources

### Gross CO<sub>2</sub>-emissions in metric tons

		2023	2022
Scope 1 <sup>1</sup>	natural gas	633	587
	refrigerants	70	-
	fuels - company-leased vehicles	553	1,022
Scope 2 <sup>1</sup>	electricity	4,849	3,770 <sup>2</sup>
	district heating	86	10 <sup>3</sup>
Scope 3	air travel	2,926	1,248
	public transportation - kilometers traveled for business purposes	3 <sup>4</sup>	36 <sup>4</sup>
	vehicle fuels - kilometers traveled for business purposes	246 <sup>5</sup>	220 <sup>5</sup>
	waste	427 <sup>5</sup>	534
	public transport - commuting	56 <sup>5</sup>	48 <sup>5</sup>
	vehicle fuels - commuting	772 <sup>5</sup>	668 <sup>5</sup>
	water & wastewater	6 <sup>6</sup>	9 <sup>7</sup>
<b>Total</b>		<b>10,627</b>	<b>8,152</b>

1 Only scope 1 and 2 have limited assurance. The emissions are based on available data, and estimates for non-available data within scope 1 and 2.  
 2 not including the Beek Data Center  
 3 not including New York  
 4 not including New York and Hong Kong  
 5 not including Hong Kong  
 6 not including New York, Hong Kong, and Edge West  
 7 not including New York and Edge West



**Net CO<sub>2</sub>-emissions in metric ton**

		2023	2022
Scope 1 <sup>1</sup>	natural gas	633	587
	refrigerants	70	-
	fuels - company-leased vehicles	553	1,022
Scope 2 <sup>1</sup>	electricity	253	371 <sup>2</sup>
	district heating	86	10 <sup>3</sup>
Scope 3	air travel	2,926	1,248
	public transport - kilometers traveled for business purposes	3 <sup>4</sup>	36 <sup>5</sup>
	vehicle fuels - kilometers traveled for business purposes	246 <sup>5</sup>	220 <sup>5</sup>
	waste	427 <sup>5</sup>	534
	public transport - commuting	56 <sup>5</sup>	48 <sup>5</sup>
	vehicle fuels - commuting	772 <sup>5</sup>	666 <sup>5</sup>
	wastewater	6 <sup>6</sup>	9 <sup>7</sup>
<b>Total</b>		<b>6,031</b>	<b>4,751</b>

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1 Only scope 1 and 2 have limited assurance. The emissions are based on available data, and estimate for non available data.  
 2 not including the Beek Data Center  
 3 not including New York  
 4 not including New York and Hong Kong  
 5 not including Hong Kong  
 6 not including New York, Hong Kong and Edge West  
 7 not including New York and Edge West

over which APG has control. This includes the fuel used in our lease vehicles, which may be used for private kilometers and commuter journeys as well as business trips. Scope 2 emissions are indirect emissions, produced when generating the energy we purchase. Scope

3 emissions are all relevant indirect emissions that arise in APG's value chain and are not included in Scope 2. They include the carbon footprint from business travel, for example, or commuter journeys made by staff.

The rise in our carbon emissions in 2023 is largely due to the rise in emissions from flights, which were reinstated after the COVID-19 pandemic.

### Principles for carbon emissions

APG uses the “List of emission factors” published on [Co2emissiefactoren.nl](https://www.co2emissiefactoren.nl) as the basis for most of the conversion factors. In the Netherlands, APG uses green electricity to power its business operations. The origin and source of this green power has been transferred from European wind to Dutch wind farms and is assured with Guarantees of Origin (GOs). When calculating net Scope 2 emissions (market-based), this is given as an emission factor of

zero. All our new lease cars are electric, so the ratio is growing rapidly. As from 2023, the electricity used for lease cars was monitored separately and included under scope 2. In 2023, commuter travel within the Netherlands was monitored using a new registration system that precludes estimates.

### Energy consumption for accommodation

The Carbon Risk Real Estate Monitor (CRREM) method was used to get an impression of the

intensity of energy and greenhouse gases. This makes use of the energy consumed and, in the case of the GHG protocol, refrigerants leaked, divided by the leased floor space. We want to keep the accommodation below the CRREM 1.5-degree pathway, and are trying to reach the targets for 2050 before that date. The methodology is still new and we expect to make improvements in the methods for measuring and reporting in the forthcoming year.

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#### Energy intensity in kWh/m<sup>2</sup>/year

		2021	2022	2023	2023 target 1.5-degree pathway	2050 target 1.5-degree pathway
Netherlands	<b>Heerlen<sup>1</sup></b>	248	227	203	155	85
	<b>Symphony</b>	74	-	-	-	-
	<b>Basisweg 30</b>	205	-	-	-	-
	<b>Basisweg 10</b>	-	31	44	155	85
US	<b>New York</b>	-	-	105	132	65
China	<b>Hong Kong</b>	140	298	129	200	60

<sup>1</sup> Energy consumption at the internal data center in Heerlen was no longer included in the calculations as from 2023

**GHG-intensity in kgCO<sub>2</sub>e/m<sup>2</sup>/year**

		2021	2022	2023	2022 target 1.5-degree pathway	2050 target 1.5-degree pathway
Netherlands	<b>Heerlen</b>	16.1	12.9	14.0	45.4	0.7
	<b>Symphony</b>	4.6	-	-	-	-
	<b>Basisweg 30</b>	27.9	-	-	-	-
	<b>Basisweg 10</b>	-	0.0	0.0	45.4	0.7
US	<b>New York</b>	-	-	28.2	45.9	1.7
China	<b>Hong Kong</b>	78.0	211.5	43.9	111	2.0

**Sorted waste**

APG wants to reduce the residual waste to almost 0% by 2030. In 2023, residual

waste accounted for 35.3% of the total waste produced (31.5% in 2022). This is 26.7 kg

residual waste per FTE (27.5 kg of residual waste per FTE in 2022).

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**Waste in kg**

	2023	2022
Paper and cardboard	74,710	99,320
Other seperated waste	84,463	93,108
Residual waste	86,756	89,574

# Glossary

**AIFMD and IFR/IFD:** the Alternative Investment Fund Managers Directive (AIFMD) and the Investment Firm Regulation and Directive (IFR/IFD) are European Union (EU) directives and European Banking Authority (EBA) rules that apply to alternative investments. The EU guidelines that apply to alternative investments set standards for marketing relating to acquiring private capital, remuneration policy, monitoring and reporting risks, and general accountability. The EBA is responsible for applying uniform rules with regard to the supervision of the banks in the EU.

**Agile organization:** the introduction of the amended Pensions Act, which may be preceded or followed by consolidation in the market and a huge volume of legislation and regulations that must also be implemented in the financial sector, may test APG's agility. APG can also invest in the sustainable employability of its staff by continuously encouraging them to develop skills and competencies.

**Benchmark UN Principles for Responsible Investment:** the United Nations supports

an international network of investors, who work together to put the six principles for responsible investment into practice. A framework of reference provides information about the consequences of sustainability for investors.

**BREEAM-certification:** a method for certifying a sustainably built environment.

**Capital market investments / alternative investments:** capital market investments are readily marketable investments, for which an objective price is almost continuously available. This is not the case for alternative investments.

**Carbon emissions:** the carbon dioxide emitted into the atmosphere. The gross emissions stem from the use of fossil energy sources, such as coal and gas. Using renewable energy reduces net emissions. Scope 1 comprises the emissions from the company's own production processes as a result of burning oil, coal, gas (direct emissions). Scope 2 comprises the emissions released to produce the energy that a company purchases (indirect emissions). Scope

3 comprises the emissions throughout the lifecycle of products a company buys, produces and/or sells.

**Carbon footprint:** annual calculation that shows how much carbon and other greenhouse gases are being emitted.

**Client and participant-driven organization:** APG can focus on higher participant satisfaction and customer loyalty, leading to more pension fund clients and participants, a higher volume of invested assets, and higher returns for the pension administrator.

**Compliance risk:** the risk of material financial losses, damage to APG's reputation, and sanctions imposed by regulators as a result of failing to comply with laws or regulations and/or in response to unethical behavior.

**Connectivity matrix:** visual showing the connectivity and interdependency of aspects relevant to long-term value creation. The connectivity model helps to steer the path toward value creation.

**Customer Satisfaction Score (CSAT):** a customer satisfaction score that indicates our customers' level of satisfaction with our services. The score is a compound average of various individual CSAT scores from the main customer missions and channels for participants and employers of the ABP, bpfBOUW, and SPW funds.

**CSRD:** the Corporate Sustainability Reporting Directive is an European regulation designed to provide greater transparency about corporate social responsibility and improve the quality and comparability of the non-financial information in annual reports.

**Digitalization and artificial intelligence:** with the right monitoring and control measures, digitalization in general, and artificial intelligence in particular, can help APG to work more efficiently, make better decisions (including on investments), and improve client experiences.

**Effective control of pension administration:** a lack of control on the part of APG can lead to pensions not being paid correctly, damage to APG's reputation, financial losses,

and loss of confidence among participants and stakeholders.

**Employee engagement survey:** a survey to measure the degree of employee satisfaction with their jobs, and to measure the mental and physical fitness of staff. Alongside engagement, six other topics are measured: mental and physical health, inclusion climate topics, development opportunities, identification with APG, leadership, support and cooperation, and mental safety.

**Energy transition, and climate change and loss of biodiversity:** APG can contribute to the energy transition by organizing asset management around sustainable investment. Moreover, the energy transition can affect the value of certain investments. APG can reduce the carbon emissions from its own business operations and from the investments we manage for our clients. A lot of economic sectors rely on variety in plants, animals, and insects. APG can use the assets it manages on behalf of pension fund clients to limit damage to ecosystems and help to protect and restore nature.

**Excess return (five years) in basis points:** the returns over and above the benchmark (outperformance); the results that we achieve measured over an average five-year period. The basis point indicates the smallest of changes and is a hundredth of a percent.

**Fiduciary model:** model that safeguards the separation of three roles in the investment process the impartial advice given to our customers, the investment of pension capital, and the management of risks.

**Financial investment returns:** APG can focus on higher financial returns so that the pension capital and pension payments to participants are both higher.

**Financial risk:** the risk of an undesirable event that has an impact on the balance sheet and/or profit and loss account of APG as a result of fluctuations in market variables beyond our control or risks of insured losses.

**Wtp:** proposed legislation that would reform the Dutch pension system and be a step toward a future-proof system of pension provision.

**Governance:** the way a company behaves: the way they do their work, who they do it with, and under which conditions.

**ICLAAP:** European guidelines designed to encourage the financial sector to think about capital and liquidity risks in a structured manner, and to measure and control these risks.

**LGBTQIA+:** lesbian, gay, bisexual, transgender, queer, intersexual, asexual people, and people with other gender identities and gender orientations.

#### **Liquid investments/Illiquid**

**investments:** liquid investments are readily marketable investments, for which an objective price is almost continuously available. This is not the case for illiquid investments.

**Maximum pension value:** the most income years for later and high-quality services at a competitive price, whereby we set great store by solidarity between generations, sustainability, and an inclusive society.

**MIFID:** Markets in Financial Instruments Directive. Designed to improve competitiveness

on the European financial markets by creating a single European market for investment services and activities.

**Net promoter score:** an instrument for measuring customer loyalty. The score that we measure for participants is a compound average of various individual NPS scores of the main customer missions for the ABP and bpfBOUW funds. The score that we measure for employers is compiled from the scores from the ABP, bpfBOUW, and SPW funds.

**Operational risk:** the risk of loss caused by external events, failing internal or outsourced processes and IT systems, or inappropriate behavior on the part of employees. Operational risks can have unfortunate consequences for our clients. Managing the risks attached to outsourcing for clients is part of APG's IRM framework.

**Pension administration:** all administration and communication services that APG provides to employers and participants as a pension administration organization on behalf of the commissioning pension funds (in accordance with Article 1 of the Pensions Act on pension administrators).

**Pension administration organization:** If a pension fund is the head, the pension administrator is the hands. The pension funds come up with ideas, and the pension administrators put their ideas into practice. Administrators often do this for several pension funds at once. This makes it cheaper and more efficient. According to the definition used by DNB (the Dutch central bank), APG is a pension administration organization, and a pension fund or pension insurer is a pension provider.

**Pension of the Future:** project set up by APG to ensure a smooth preparation for the transition to the new pension system.

**Public support for the pension system:** broad public support increases the chance of a stable, durable pension system and makes it easier for APG to introduce and communicate changes and innovations. Conversely, a lack of public support can make it more difficult to manage pension administration and make changes in line with changing circumstances because, for example, too much energy is being diverted to giving explanations and dealing with objection procedures.



**Reporting risk:** the risk of inaccuracies appearing in report due to mistakes in the administrative processes or systems.

**Reputation score:** the reputation score provides information about the company's reputation according to the RepTrak reputation survey. The method does not only measure the reputation, but also brand awareness and factors that people looking at APG consider to be important. The report shows the average score for the year.

**Responsible and transparent administration costs:** APG must be able to ensure efficient business operations and cost control, without making concessions regarding the quality of its services. APG must also be transparent about costs, and be able to justify them to participants and other stakeholders.

**Responsible investment:** achieving responsible investment results that not only deliver financial returns but also social returns by paying attention to people, planet, and good governance.

**Return on equity:** net profit after tax divided by total equity (at beginning of the year, after distribution of the previous year's dividend, less intangible assets) expressed as a percentage.

**Risk profile:** the risk profile indicates the level of risk our clients, the pension funds, are allowed to take with their participants' capital. APG and the client set the risk profile together. The basis of a client's risk profile forms an Asset Liability model. This is a calculation model that assumes assets and obligations, and based on the pension fund's preferences, identifies and lists the required returns and the associated acceptable level of risk.

**Social investment returns:** APG's investment policy can take account of ESG aspects, in order to help provide good pensions in a livable world. For example, by trying to ensure that our investments have a positive impact on issues such as human rights, biodiversity, and climate change.

**Stakeholder analysis:** a survey of the most important stakeholders involved with, and with influence over, our organization.

**Strategic risk:** the risk that the strategic goals will not be achieved as a result of changes relating to competitive conditions, political decision-making, 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.

**Transparency and compliance:** APG is expected to be transparent about its investment policy, the costs it incurs, and the results it records. In addition, APG must comply with all relevant legislation and regulations and promote ethical behavior. We also expect the same behavior from the companies in which we invest on behalf of the funds.

**Value creation model:** the effect of the interaction between human capital, the organization, and the customer is referred to as value creation. The value creation model shows the process of creating value as a visual.

## Disclaimer

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

The interviews in these publications reflect the opinions of internal and external experts; they do not necessarily reflect the policy or standpoint of APG.

The photos in the annual report are media photos belonging to Dutch News Agency ANP that mark a number of events featured in the Dutch media in 2023.