APG Group Annual report 2020

Preface

An extraordinary year

With this annual report, we close the books for the year 2020. It was an extraordinary year because of two isolated events: the worldwide COVID-19 pandemic and the pension agreement in the Netherlands, both of which have a major impact on society and APG. Thanks to the pension agreement, we are now on the way to a new pension system that will serve us for some time to come: together, in solidarity and with a focus on a decent old age. In addition to having a major impact on society, the COVID-19 pandemic has also had a major impact on our employees. Health and safety are paramount. At the same time, it became clear how important a robust, agile organization is. The participants of our funds could also count on us during the pandemic. The year turned out to be an ultimate test case, which we passed with flying colors.

Operations were never threatened

Early in the year, warnings about the then unknown COVID-19 reached us from our Hong Kong office. This gave us the opportunity to trial home working even before the first lockdown was announced in the Netherlands in March 2020. Therefore, the switch from an office-centric organization to a remote-working organization went smoothly. Our operations, including paying out pensions, collecting contributions, and investing, were never threatened. Clients hardly noticed that our employees provided support or spoke to them from their homes. In many cases, they still do.

Agreement on a new pension system

The year 2020 was also the year of the long-awaited agreement on the New Pension Contract (NPC), the largest modernization of our pension system in a century which offers two contract versions: the collective solidarity contract and the enhanced premium contract (WVP+). The term NPC in this report refers to both contract versions. The Netherlands now has the best pension system in the world. To keep it that way, the system will be modernized in five years. No later than January 1, 2026, we in the Netherlands will switch to a new pension contract that is more flexible, in which people can make more personal choices and the management of which is more cost-effective. That makes it better suited to the participant and the world of today. This also means that the return is mostly determined by the investment results and the economy.

We are pleased that, after a decade of negotiations, an agreement has been reached between the social partners and the government, and that we have been able to contribute to this with our knowledge and skills. The new system offers prospects while the strengths of the current system, such as mandatory participation, collective savings, and investment, have been retained. Over the coming years, we, together with our funds, will continue to use all of our knowledge and expertise to achieve a trouble-free implementation and to develop a sustainable pension system in the interest of the whole of the Netherlands.

The transition to the NPC will affect the work of almost all the employees within APG in the coming years: from IT, pension administration, asset management, risk management, client contact, and communications to HR. It will change our work in almost every way. Over the coming years, this will demand a lot from us as an organization and from our employees. At the same time, it also offers APG the opportunity to position ourselves as a leading pension administrator in the new system. With our digitalization, participant focus, and pension expertise, we have a solid foundation as market leader to shape the pension administrator market and measure ourselves against other financial parties.

Our strategy to 2025

The transformation to an open, participant-oriented organization, which we started a few years ago, is very important for this. People are placing increasingly higher demands on the services of their pension fund and, therefore, on us as a pension administrator. For example, they want more and real-time insight into their pension. This requires a change in working methods, behavior, and competencies. It also places high demands on IT systems and data, for example in our pension administration.

With all of these major changes in mind, we have refined and concretized our strategy in the past year. *Building your sustainable future together* remains our mission and objective, whereas *Maximizing pension value* continues to be our leading aim. Clear objectives have been formulated to ensure that all our administration and investment activities contribute tangibly to both these pursuits. As a leading pension administrator, we offer the participants of our funds the highest number of income years and quality in our products and services through a sustainable approach. We empower our pension funds by strengthening the bond with their participants in the present and certainly also in the future, when people will have greater freedom of choice. Together with our funds, we help participants make conscious choices about income for today, tomorrow, and beyond. That is how we provide them with a stronger grip on their financial future.

Getting started

In 2020, APG launched programs to get started on the specifics of preparing for the NPC. On the implementation side, this mainly concerns simplifying schemes, setting up a completely new IT landscape, developing digital products and services for participants in our funds, and subjecting pension administration data to a critical review. Clean administrative records are necessary to provide participants with clarity about their accrued pension entitlements when we switch to the NPC. If we come across inaccuracies when reviewing the administrative records, we will correct them. We always do this together with our funds and with a strong focus on the participant. The aim is for these data-correction programs, such as the one for ABP, to be completed by the end of 2022. This is why we are investing heavily in a new working method, further automation and robotization, and why we are deploying more people with varying competencies.

Investment results

As an asset manager, we want to offer a total solution to pension funds by organizing the entire asset management process for them. Digitalization and sustainable choices play an increasingly important role in this.

At the end of 2020, APG managed more than €573 billion in pension assets (2019: €538 billion). This comes with enormous responsibility; how we invest and manage this has a direct impact on participants' wallets. Sustainability is key in our investment choices. The amount of assets under management allows us to make an impact, for example, on the sustainability ambitions of the organizations we invest in on behalf of the pension funds.

The investment results are important for the total pension assets of the funds. In 2020, investment returns were 6.6% (after all costs deducted; 2019: 17%). Our objective is to outperform a market benchmark. As such, APG wants to contribute to achieving more pension value for participants. Over the past 5 years, the average extra return per year was 45 basis points (0.45%; equivalent to €11.6 billion). An extra return of 94 basis points was achieved in 2020. This is over €5.6 billion. All external costs that come with investing are already processed before achieving these extra returns.

Despite the good returns, pension cuts loomed for some participants. In addition, pensions have unfortunately not been indexed for many years. That is one of the reasons for the transition to the NPC - to make it easier for pensions to follow developments in the financial markets.

And finally

The Executive Board would like to thank all employees for their commitment and perseverance in this difficult year. Many have experienced COVID-19 or other consequences of the COVID-19 pandemic themselves or in their immediate environment. Together, we made it through. We proved that our processes are robust, flexible, and agile when it came down to it. We would also like to thank our funds for the trust they place in us. Close collaboration is essential in steering the NPC in the right direction. APG maintains its focus on the core tasks with the client at the center of it all. Now and in the future.

The APG Executive Board:
Gerard van Olphen, Annette Mosman, Ronald Wuijster, and Francine Roelofsen-van Dierendonck

The world of APG

Facts and figures

Average price per participant
66.30 (2020) | 67.30 (2019)

Participants with insight into income for later
1,965,000 (2020) | 1,845,000 (2019)

Participants with insight into pensioen assets
1,015,000 (2020) | 975,000 (2019)

Net result
42 mln (2020) | 53 mln (2019)

Extra return (5 years) in basis points
45 (2020) | 56 (2019)

Return on equity
10.7% (2020) | 7.6% (2019)

Managed in Sustainable Development Investments
91 bn (2020) | 72 bn (2019)

Benchmark UN Principles for Responsible Investment
A+ (2020) | A+ (2019)

CO_2 footprint (metric tons)
8,173 (2020) | 18,352 (2019)

Gender diversity
M65 | F35 (2020) | M65 | F35 (2019)

Number of employees
3,085 (2020) | 2,980 (2019)

Absenteeism
3.6% (2020) | 4.6% (2019)

Employee engagement
7.8 (2020) | 6.6 (2019)

Net promoter score
-1 (2020) | -5 (2019)

Reputation score
72.6 (2020) | 70.7 (2019)

New York

Amsterdam

Heerlen

Hong Kong

Explanation

Clients

Employees

Society

Shareholders

Table of Contents

The original 2020 APG Groep N.V. annual report and the financial statements were drafted in Dutch. This document is an English translation of the original Dutch document. In case of any discrepancies between the English and the Dutch text, the latter will prevail.

Chapter 1

About APG

Who we are

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

This is exactly what APG does day in and day out: making a real difference in terms of income for today, tomorrow, and beyond. We do this for the 4.7 million people who accrue or receive their pension through one of the eight pension funds we work for. They are people who work or have worked for the government or in education (ABP), in construction (bpfBOUW), at public housing associations (SPW), in cleaning (BPF Schoonmaak), in sheltered employment (PWRI), as medical specialists (SPMS), as architects (the Pension Fund for Architectural Firms), and at APG itself (PPF APG).

We administrate all aspects of the pension schemes for these funds. This starts with an adequate pension administration and providing a customer-oriented service. For example, on behalf of the funds, we take care of collecting the pension contributions, paying the pensions, and communicating with participants still accruing their pensions and with those who have finished accruing their pensions or who have already retired.

For four of these pension funds, APG also manages the assets that have accrued through the pension contributions paid by employers and participants. This totals more than €570 billion in assets. That is a major responsibility. After all, the way we handle these assets determines the pensions of millions of people, now and in the future. Our efforts are not solely aimed at achieving a return. Through our investments, we also want to contribute to a sustainable society, to the Netherlands of tomorrow. We want to work on a society in which we share prosperity and well-being sustainably.

To continue making a difference, we must and want to do more. Thanks to a century of experience, starting under the umbrella of ABP and as an independent organization as of 2008, APG understands what pensions are really all about. We use that knowledge and expertise to create progress in terms of wealth, people, and society. We achieve this by contributing to a clear public debate. APG wants to help increase people's understanding of pensions and ensure that the Netherlands and its workforce gets a grip on pensions. However, we also want to facilitate dialog in other areas, such as solidarity between generations, sustainability, diversity, and the climate. After all, what's the use of a good pension if the world around you has become unlivable?

With a workforce of approximately 3,100 employees, APG aims to make a difference for the Netherlands today and tomorrow. They work out of our offices in Heerlen, Amsterdam, Hong Kong, and New York or out of our satellite offices in Brussels, Shanghai, and Beijing.

APG works for eight different funds

ABP

bpfBOUW

Pensioenfonds Architectenbureaus

bedrijfstakpensioenfonds schoonmaak- en glazenwassersbedrijf

SPW Goed voor elkaar

SPMS stichting pensioenfonds medisch specialisten

pwri Pensioenfonds Werk en (re)integratie

apg Personeelspensioenfonds

In 2020

APG looked after the pensions of
4.7 million participants

22,000 employers

APG received
€14.2 billion in client contributions

APG paid out
€14.9 billion in benefits on clients' behalf

APG managed
€573 billion in assets on clients' behalf

APG invested in
5,745 different assets for clients

Our core activities

Fund operations

Fund operations are the core of our services. This is where we carry out the pension administration for the pension funds. For this, we rely on huge, stable IT systems in which the contracts of the 4.7 million participants are stored and through which contributions are collected and pensions paid. The Fund operations unit also provides the annual pension statements.

The client teams at Fund operations are multidisciplinary. This means that teams consist of people with different backgrounds and knowledge, such as actuaries, lawyers, and marketing experts. This is how we help pension funds chart their course. For example, we take extra care to ensure that pension contracts are enforceable; the simpler the contracts and the fewer exceptions, the easier they are to implement. We provide customized solutions to each fund and advise them as comprehensively as possible.

Since APG works on behalf of eight pension funds, we can keep costs down. Innovation and digitalization play an important role: the smarter we work, the lower the costs will be.

Participant and Employer Services

The Participant and Employer Services (DWS) business unit focuses on strengthening, improving, and innovating our services based on the needs of participants and employers. We inform and guide them and communicate with them on behalf of the funds. We set the bar high, as we aim for a “superior customer experience”.

We consider it our responsibility to provide participants with an overview and insight into their pension on behalf of the pension funds that we work for. This enables them to make better decisions about their income for today, tomorrow, and beyond. In our work for the funds, we consider the employers an important channel for communication because they are close to the participants. Through our services, we help employers to comply with their (administrative) obligations and tasks. In addition, we support them in their informative role toward employees.

In recent years, APG has recruited many employees with a background in consumer information to increase customer education. Together with pension specialists, we develop products and services that meet the needs of participants and employers.

Members and employers can contact our Customer Contact Center (CCC) with all their pension questions, via email, telephone, and social media. Every month, we receive an average of 50,000 questions. These questions show enormous variation between them. Basic questions are, for example, about payments or a change to a participant’s personal situation. However, the CCC also receives questions about other issues, such as what the arrival of a new pension system could mean. We answer those questions on behalf of the pension funds that we work for.

Asset Management

Our asset management operation manages the assets on behalf of the pension funds. We invest the pension contributions that are paid in by the participants of ABP, bpfBOUW, SPW, and PPF APG with the view to generate the highest possible return for each fund within the risk profile laid out in the pension fund policies. In doing so, we always ensure that the costs are in reasonable proportion to the quality of the investment.

Sustainability is a consideration in all long-term investment decisions we make on behalf of the funds. We consider human rights, diversity, and the impact on the living environment and climate, among other things. At the same time, we make the investments with the Sustainable Development Goals (SDGs) in mind. APG is one of the most sustainable investors in the world. We have developed specific tools to be able to monitor the market on this point.

We employ approximately 1,000 in-house investment specialists working at our offices in Heerlen, Amsterdam, New York, and Hong Kong. Together, they manage the investment portfolio. In practice, approximately 70% is managed by our own investment teams with the remainder being outsourced to external specialists.

Over the past 25 years, our pension assets have grown by an average of around 7% annually. Simply put, 75% of the amount that is paid out in pensions comes from the return on investments.

Fiduciary model

In asset management, we work according to a fiduciary model which we jointly developed with the pension funds. In this model, we distinguish three independent and equal departments: Fiduciary Management, Portfolio Management, and Risk Management. Our Fiduciary Department is the strategic advisor to the pension funds, ensuring that the organization's clients' interests come first and that our clients' needs and requests are met as much as possible. The Fiduciary tailors its advice for each pension fund. This includes strategic portfolio advice and asset liability management, which identifies risks to the pension funds' balance sheet. The Fiduciary draws up the investment mandates on behalf of the clients and evaluates how these mandates are executed. Based on that evaluation, the Fiduciary makes recommendations to the organization and checks to be sure these are followed up. The Fiduciary also assesses whether an investment mandate should be executed by APG itself and/or whether it should be executed by external managers. For some clients, the Fiduciary has the authority to make these decisions. They are of course still accountable to the client. Portfolio Management executes both the internal and external mandates. This is done through investment funds or tailor-made products.

A key part of our asset management approach is to diversify and manage risks as much as possible. We are always aware that what we do has an impact on peoples' financial futures. The Risk Management department continuously monitors whether the investment process, and the investments themselves, remain within the agreed limits. This way, we ensure that the overall exposure to risk is not greater than what is appropriate for the pension funds and their participants.

When investing, we increasingly use different data sources and “deep” (digital) analyses of companies and projects. We also use artificial intelligence. This allows us to improve our models, manage the risks better and increase returns on investments.

Chapter 2

A changing landscape

Developments in the world (of pensions)

In the world around us, a lot of things happen that have direct and indirect consequences for pensions as well as for the work of APG. The year 2020, the year of COVID-19, is a textbook example of this. While APG does not, of course, have any influence on the pandemic, we must respond to it as quickly as possible. With respect to other developments, especially those in the Dutch pension world, such as the introduction of a new pension system, we can rely on expert input.

APG and COVID-19

The virus completely changed the way we work and interact with each other, including at APG. Almost overnight, we switched from an office-based organization to one in which almost everyone is working from home. First in Hong Kong. and then in the Netherlands and the US. We can be proud of that. At no time have our operations, the payment of pensions, or the collection of contributions been threatened in any way. Investors were able to continue to trade, analysts moved to their kitchen tables to study reports, and boards and advisors continued their discussions online.

We have to take into account that the crisis will last well into 2021, possibly even longer. All this time, APG also has to conform to what we call the “new normal”. We know that we can do it. However, the longer we work from home, the more employees experience problems because of it, although to varying degrees. APG keeps monitoring this closely through periodic surveys, for example, offering help where necessary. It is important for the organization that we maintain close contact with each other and preserve APG’s identity and culture.

Due to the changed situation, APG was not able to achieve all business objectives. The creative process is also under pressure because, in most cases, collaboration is limited to online meetings, email, and telephone.

Yet the crisis offers opportunities as well. Working from home will remain part of everyone’s work week even after the COVID-19 crisis. Working hours are becoming more flexible. Employees can also do work outside of “office hours”. For example, we will be reducing commuting and traveling between the branches, which, in turn, contributes to more environmentally friendly business operations.

COVID-19 and its economic impact

COVID-19 has also had a major impact economically. This in turn, has had an impact on people's lives: many have lost their jobs because their company went out of business in the crisis. Companies in the hospitality industry, for example, were obliged to lock their doors, and the entire tourist sector was shut down for a large part of the year because travel was either impossible or strongly discouraged. The number of unemployed rose sharply. Then, another COVID-19 wave arrived. The ultimate impact of the pandemic on our lives and the economy as a whole will remain unclear for some time to come.

At a macro level, the initial figures made for some uncomfortable reading. Economic activity during the lockdown fell by 25% to 35%, according to figures from the OECD (Organization for Economic Cooperation and Development) and Insee (Institut national de la statistique et des études économiques). In the eurozone alone, the economy contracted by almost 15% in the second quarter compared to the previous year. Less production means lower collective earnings, lower profits. It also means the government is no longer able to balance its budgets.

The downturn on the stock markets was enormous but did not last long. The governments in the US and Europe came up with unprecedented relief programs, central banks like the Fed and the ECB opened the money tap. The financial markets recovered rapidly: at the end of August 2020, the Morgan Stanley Capital International (MSCI) world index closed at a new record high, as if nothing ever happened. However, the companies doing well are mostly American and, more specifically, companies in information technology and logistics. The recovery of other categories, such as commodities, real estate, and European equities, is much slower.

This also has consequences for the pension funds, our clients. APG is an institutional investor on behalf of these funds. It remains important for institutional investors to be entrepreneurial when investing. Direct investments, bypassing the financial markets, are becoming more interesting. The COVID-19 pandemic has also opened other doors, most notably doors to investing in projects aimed at mitigating the crisis. Examples include health care and infrastructure. Never before did the European Union issue so many communal green and social bonds. For example, in October 2020, APG invested €170 million in SURE bonds, which the member states use to protect European jobs.

Although the economic downturn is less severe than feared at the start of the first lockdowns, there is still a lot of doubt. It is unclear whether and when we can return to the "old normal". Pension fund participants, too, are concerned. If the pension funds lose money on investments, this could have consequences for the amount that they receive now or later.

The global uncertainty is fueled by developments that have been around for some time. For example, there is still a trade dispute between the US and China, although this has been pushed to the background somewhat due to the COVID-19 crisis. It is unclear what will happen in this area under the new US President Joe Biden. Brexit is also now a fact. An agreement between the UK and the EU has prevented the two partners from being without any trade deals. The consequences of the new relationship for the economy of Europe (and beyond) are yet to manifest themselves.

The Dutch economy fell into a deep recession in the first half of 2020. A cautious recovery has set in since. According to figures from CBS (Statistics Netherlands), the economy shrank by about 3.8% over the past year. The number of unemployed increased by about 66,000 to over 340,000. As a result, more people are concerned about their current income and the consequences of unemployment for their retirement later.

For now, the revival of the market has somewhat reduced concerns about the level of pensions.

A reduction in pensions in 2021 was in the cards, but this has been shelved now. This did require an adjustment though: the Dutch Minister of Social Affairs and Employment temporarily lowered the mandatory coverage ratio for pension funds from 100% to 90% on account of the "exceptional economic situation".

New Pension Contract (NPC)

A true revolution in the Dutch pension world: at the end of June 2020, the Dutch government, the unions, and employers' organizations reached an agreement on a new pension system. In the new system, the pension entitlement makes way for individual pension assets; the coverage ratio will disappear, and the value of the pensions will fluctuate more, both up and down.

The New Pension Contract (NPC) must take effect no later than January 1, 2026. In principle, compulsory participation in a pension fund for employees remains, as well as the principle of a collective system where pension savings are pooled together. Saving collectively means, among other things, that the contributions can be invested on a large scale. All of the participants will have greater insight into how much they have in their "kitty".

To provide that insight, we need less complicated regulations and a completely different way of administrating. The keyword in all of this is transparency.

The transition to a new system will affect all parts of APG. This will involve new processes and new IT systems and we will have to make (extra) investments in staff development. Our entire pension administration and implementation will be under review. We also have to "clean up the attic". That means getting to grips with all the data we have now, moving away from all the exceptions and cleaning up all systems and data before we make the big switch.

Long-term trends

The NPC is the first response to changes in the short and long term. Even after implementation in 2026, certain developments will continue to affect pensions and our work. The general trend in the Netherlands: we are getting older, there are fewer young people, and we are changing the way we work. Jobs for which people are currently being trained will disappear and new jobs will emerge. Technology takes over tasks. We work longer, change jobs more often, and work from home more often. The livability of Earth is in danger. Measures are needed to combat climate change, such as cleaner forms of energy.

All of these changes affect society as a whole. They also have an impact on pensions and the pension system. That is why APG must continue to think about the Netherlands of tomorrow. We are increasingly participating in the public debate and leading it where necessary.

Diversity and inclusion

The Black Lives Matter movement triggered a broad public debate about discrimination and equality, including in the Netherlands. Although APG explicitly opposes any form of discrimination within and outside the organization, current events have highlighted that we still fall short. Our organization is not yet diverse and inclusive enough. We realize that we can and must go the extra mile when it comes to diversity and inclusion. We are consciously working on this, by, for example, combating implicit bias in recruitment and new candidate selection and by making hiring committees as diverse as possible.

Sustainability

The COVID-19 pandemic has shed new light on the global sustainability debate. Travel and even the daily commute suddenly ceased to be a given. As a result, discussions about things such as flying and driving have gained momentum. Working from home and online meetings have become commonplace and will remain part of the working week for many after the COVID-19 era, including at APG.

The 2020 economic downturn has reinforced the call for sustainable investment. When having to rebuild, why not be green and socially responsible from the start? For example, short-distance air travel is under pressure with the train being favored as a viable solution. APG is, therefore, raising its sustainability ambitions by working toward demonstrably climate-neutral business operations by 2030. However, the elaboration of international climate plans has somewhat escaped attention due to the seriousness and magnitude of the COVID-19 crisis. The climate summit in Glasgow, for example, which was scheduled for November 2020, has been postponed for a year.

Chapter 3

The Netherlands of the future

How we create value

We create value in various ways, side by side with the pension funds and their participants. Together we build good pensions, for now and in the future. However, APG stands for more than just good pensions: we aim for growth across the board, in terms of assets, people, and society. Not only prosperity, but also well-being takes center stage.

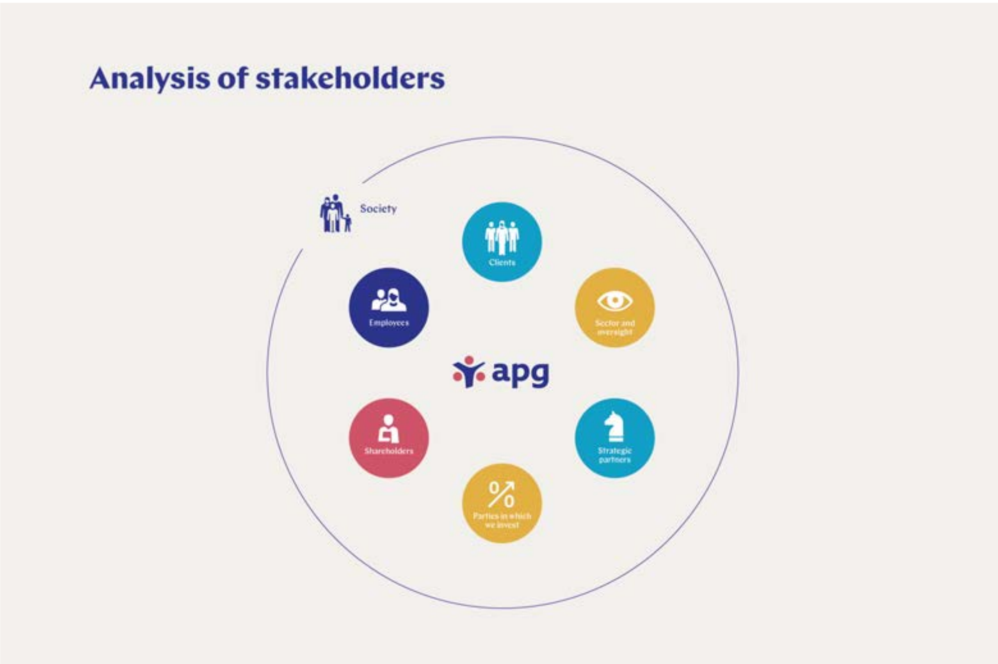
APG is committed to maximizing pension value. We make the difference in three areas: how efficiently we do our work with the highest possible returns, how we strengthen the ties between the pension funds and the participants, and how we can be the best possible guide in the pension world.

The investments we manage for our funds have a major impact on society, both in the Netherlands and far beyond. At the end of 2020, APG managed approximately €570 billion, nearly twice as much as the Dutch government's total annual expenditure. We invest that pension money in companies and projects that yield returns later, but that are also responsible. This way, we work at making a world that will also be livable in the future. Organizations at home and abroad speak highly of the way in which we implement responsible investment and follow our example.

Much of what APG does cannot be directly expressed in money. For example, our specialists share their knowledge and experience, and the whole of society benefits from this. We are committed to the preservation of a good pension system.

The best pension system

The collective pension system, both current and future, contributes to the Dutch economy and helps prevent poverty among the elderly. In October 2020, the current system was ranked as the best in the world for the third year in a row. It again ranked top in the Global Pension Index. The criteria under consideration included adequacy, sustainability, and integrity, among other things.



How we create value

Input

For our clients

Pension administration and communication for over 4.7 million participants and some 22.000 employer members of the pension funds

Over €500 billion assets under management in accordance with a clear long-term investment vision

Executive consultancy

Our employees

Sharing knowledge and many years of pension administration and asset management experience by nearly 3,000 client-minded employees

Innovation and information technology

Using innovation to continuously renew our provision of services

Robust and agile IT, automation, and digitalization

Professional data management

Network and collaboration

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

Active dialogue with our stakeholders to promote our clients' interests

Sustainability

Sustainability aspects integrated into and used to guide our clients' investments

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

Finance

Financially responsible policy and management

Value creation

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

Value

Clients

For pension funds
Controlled pension administration and optimal client service

- Good support and guidance in the transition towards the New Pension Contract
- Expert advice, such as on investment choices, the amount of pension contribution and management advice
- Less complex processes and services
- Innovative solutions

For participants and employers
Provision of support and services in line with changing needs

- A good pension
- Communication that is comprehensible, personal and relevant
- Overview and insight: today, tomorrow and beyond
- Coaching and support

Employees

Attractive employer

Engaged, agile and fit employees

A work environment where everyone can be his or her self

Society

Contribute to the future prosperity and well-being of all

Contribute to a sustainable world via responsible investments

Help build trust in the pension system

Reduced environmental footprint

Social engagement

Shareholders

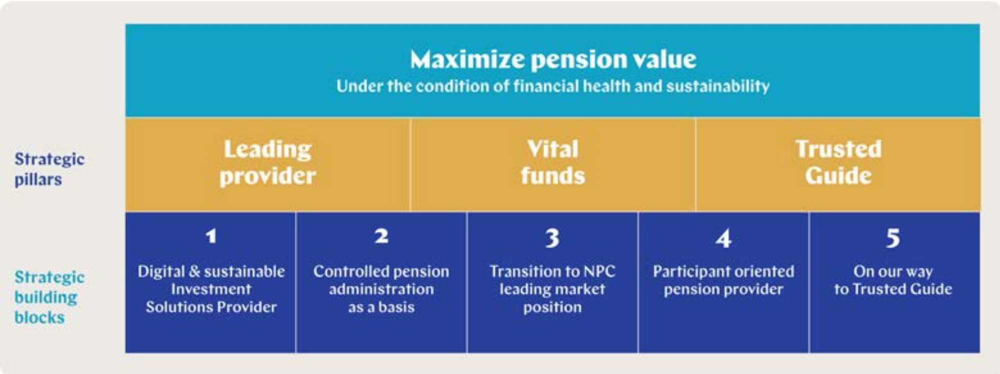
Financially sound organization

Continuity and sustainable stability

Strategy: where we are headed

We first formulated a strategy toward 2025 in the year 2016. That strategy determined our course and put a dot on the horizon. A lot has happened recently. Expectations of participants change, social shifts arise, and the contours of the New Pension Contract are becoming clearer.

We have tested the 2025 strategy against these changes and refined it. Fortunately, that does not lead to a completely new direction: we are continuing on the course that we have taken. We have only fine-tuned a few things and made other things more specific. Our mission and vision remain unchanged. Our strategic goal of maximizing pension value as well as the three strategic pillars with which we want to achieve this goal, will not change either. However, we have formulated five strategic building blocks that determine the concrete implementation of the existing strategy for the coming years. We extensively discussed this concrete strategy with our Supervisory Board and shareholders and it was approved at the beginning of 2021.



Maximizing pension value

Our mission of “Building your sustainable future together” and objective of “Maximizing pension value” continue to form the basis of our 2025 strategy. By maximizing pension value, we want to create the best possible pension for our participants.

How we will continue to do that

As a pension administrator

- we provide the highest number of income years for later;
- we always ensure investments are affordable;
- we deliver our services at a competitive price and we distinguish ourselves through high quality.

As an asset manager

- we aim for the highest 5-year net return, given the risk profile;
- we are global leaders in long-term investments;
- we play a pioneering role in the realization of a sustainable society.

Strategic pillars

Our three strategic pillars also remain unchanged: leading pension administrator, vital funds, and trusted guide.

Leading pension administrator

We offer our participants the highest number of income years and quality in our products and services, sustainably.

1. We are a leading asset manager with a solid position in the international asset management market. We offer the highest possible net return (given the risk profile and Environmental, Social, & Governance (ESG) criteria).
2. We are a leading pension administrator. This is the basis of everything that APG does: the robust implementation of our clients' pension schemes. We are participant-oriented and provide an administrative service of above-average quality, at a competitive price.

Vital funds

For our funds, it is essential to strengthen the bond with their participants. For now and certainly also for the future, when participants will have greater freedom of choice. We want participants to continue to opt for the fund as the obvious choice.

How we intend to support the funds in this

- On behalf of the funds, we offer (even) more participant-oriented services.
- We offer additional propositions, services & products (to the participant, on behalf of the fund). Examples include Clear Overview & Insight, the Personal Pension Pot, the Pension Coach that has been developed for SPW, and other products complementing coaching and guidance.

Trusted guide

Together with our funds, we help participants make conscious choices about income for today, tomorrow, and beyond. This way, participants get a better grip on their financial future. In the coming years, we will experiment with suitable solutions and develop services such as coaching and advice. Here, we seek collaboration with partners in certain areas. Striving to be a trusted guide is a quest that we will also be undertaking in the coming years, together with the funds and employers.

Five building blocks

We address the challenges that we are facing toward 2025 in five strategic building blocks. By doing so, we give concrete substance to the strategic pillars and thereby to the strategic goal: maximizing pension value. The five strategic building blocks are:

1. As a digital and sustainable asset manager, we offer a total solution to pension funds by organizing the entire asset management for them. Asset Management focuses on three themes: Service Investment Solutions, Digitalization, and Responsible Investing.
2. We realize an even more robust pension administration by cleaning up data & outdated IT systems and together with social partners we focus on simplifying schemes. All this is important to ensure a proper transition to the New Pension Contract. We provide an excellent pension administration service with an attractive value-to-cost ratio for our clients. We offer pension services as an integrated solution for administration, communication, and board advice, combined with asset management where possible.
3. We are currently preparing for the New Pension Contract (NPC). The road toward this NPC has clear phases. In the first period, we concentrate on properly understanding the consequences for the contract and guide our client funds and affiliated sector, employers and participants in making choices. After this period, we will concentrate on the technical transition toward the NPC. The transition of our client funds to the NPC will be completed by 2026 at the latest.
4. We transform into a participant-oriented organization. Participants are placing increasingly higher demands on APG's services. These expectations are increased by their customer experience with other financial service providers and other (retail) sectors. We want to measure ourselves with other (financial) parties in the "income for today, tomorrow, and

beyond” market. Participant-oriented means a change in working methods, behavior, and competencies, and this places demands on IT and data.
5. In the coming years, we will be experimenting with suitable solutions and develop services such as coaching and guidance to better shape our role as a trusted guide, together with the funds. In specific areas, we seek collaboration with partners.

The foundation

We need a solid foundation to successfully implement these strategic building blocks.

HR

The role of HR in the 2025 strategy is a highly important one. On the one hand, HR contributes by supporting the business in determining the competencies, such as participant-orientation and digitalization, which are necessary to achieve the 2025 goals (strategic workforce planning). On the other hand, by also helping colleagues in this through continuous development programs for managers and employees. To realize the 2025 strategy, we need people who can work well together and adapt to an ever-changing environment. That is the basis for solving complex problems together. This basis is created in a safe environment with fair employment practices, in which everyone belongs and in which we work together in a result-oriented and pleasant way. That’s what we mean by a Great Place to Work.

IT

We have a solid basis in terms of system landscape and IT infrastructure. Our business agenda and the five building blocks impose increasingly higher demands on data and IT. We, therefore, have to be agile in this area too. This is a precondition for lower costs, but participant-orientation, too, requires attention in this area. Examples include shorter customer-feedback loops, faster implementation of changes, added functionality and continuous improvement of our digital participant and employer propositions.

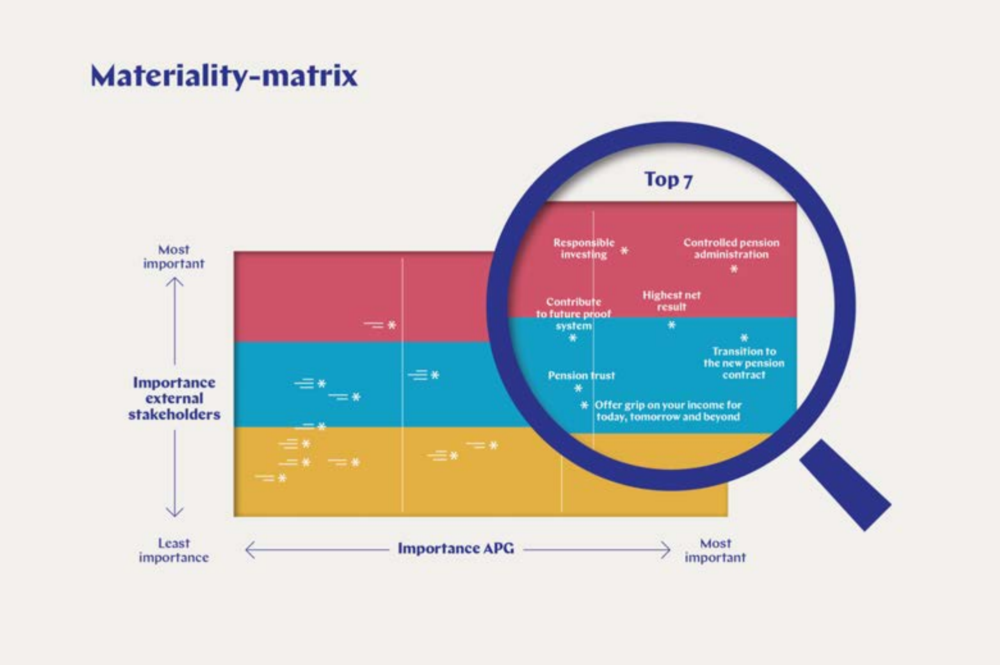
What our stakeholders consider important

First of all, we work for our clients: the pension funds, employers, and participants affiliated to the pension funds. Other important stakeholders are our employees, parties in which we invest, strategic partners, and supervisory authorities. Our value creation model shows how we create value for the individual stakeholders.

We talk to all our stakeholders on a regular basis. We are, therefore, aware of what is important to them. We also conduct a regular and targeted surveys into this. This year, we conducted an even more extensive survey. We asked our stakeholders about what themes mattered to them the most. Their interests and those of society give direction to our strategy, the associated risks and opportunities, and the way we measure our progress. The interdependence is reflected in the connectivity matrix in the appendix headed “About this report”.

The 2020 survey shows that internal and external stakeholders strongly agree on the seven main topics that contribute to our mission: “Building your sustainable future together”, in which the primary goal is: “Maximizing pension value”. Six of these topics are subjects that we already determined last year. The top 7 will be supplemented this year with the new topic of “Transition to the new pension contract”.

The materiality matrix is set out below, followed by an explanation of the seven main topics.



· Controlled pension administration
APG processes pension agreements in processes and systems in a robust and cost-efficient manner, free from errors.

· Responsible investing
A good balance between risk and return is reflected in the pension funds' respective responsible investment policies. In addition to financial returns, this also provides the participants with social returns through attention to people, the environment, and good governance.

· Highest net result
Within the boundaries of the pension funds' investment policies, APG achieves the highest return for the pension funds and their participants, after the deduction of costs. This way, we ensure a good income for now, tomorrow, and beyond.

· Contributing to a future-proof pension system
APG makes its expert contribution to a future-proof pension system.

· Transition to the new pension contract
APG is managing the transition from the old to the new pension contract for and together with the pension funds. Employers and participants will not be inconvenienced in any way.

· Pension trust
APG contributes to increasing society's trust in pensions.

· Offering grip on income for today, tomorrow, and beyond
APG offers the participants support on behalf of the pension funds by providing an overview and insight into their income and by providing coaching and guidance.

A more detailed explanation of the study and the other material themes submitted to the stakeholders can be found in the connectivity matrix in the "About this report" appendix.

Our position in society

Knowledge and skill

In everything we do, we ask ourselves: who or what will benefit from this? We ensure progress with our knowledge and expertise. We actively participate in the public debate about what the Netherlands will look like in the future. On behalf of our funds, but with our own face and voice.

Sustainability

Through our mission, we seek to strike a balance between the needs of the current generation and those of future generations. These needs are economic and social because a good pension is of little use if the world around you is unlivable. Not only do we contribute to future prosperity, but also to future well-being. APG plays an active role in sustainable developments on behalf of the funds, for example with investments in the energy transition. Since this involves substantial investments, the investments that we manage have an impact throughout the world. We use that influence for a sustainable outcome for all. We also look at our own organization within: we set the bar high for ourselves with the ambition to be among the best in class.

Chapter 4

Our results in 2020

Leading pension administrator

In 2020, APG reasserted its position on the map as a responsible and leading pension administrator. Our processes have been improved and investments have become more sustainable. We also give innovation and digitalization plenty of room to develop. And all this while keeping a close eye on the objective: striving for the best possible pension in a livable world.

Robust pension administration

The robustness of our systems and processes became apparent at the start of the COVID-19 crisis: despite the sudden switch to home working, the entire operation continued without a hitch. The collection of contributions and the payment of pensions never stagnated.

Our starting point is: the less we spend on our organization, the more money remains per participant that can actually be put into the pension. There are always differences per fund. They depend on what services the pension funds receive from us, among other things.

In recent years, the emphasis has been on further reducing the price per participant. In line with previous years, the price continued to fall in 2020: €66.30 compared to €67.30 in 2019. This is in fact lower than our target for 2020 (€66.71). This achievement is a further contribution to maximizing pension value. The focus is now more on quality and service as well as on providing above-average service at a competitive price. We are also preparing for the transition to the new pension system.

It is and remains important that we make our organization as "lean" and flexible as possible, with skilled people who can respond and interact smoothly and quickly. In 2020, we continued to introduce so-called client teams: teams of employees with different skill-sets who together carry out certain activities for a client. This allows us to do the work faster and smarter, with fewer people. This means that we have to retrain some permanent employees or organize further training.

Automation continues

Automation helps us keep costs to a minimum and reduce the risk of error. Much of the work we do is roughly the same for all funds. That is why we try to streamline our working methods.

In 2019, we made significant progress in simplifying the pension administration, especially for bpfBOUW. The number of manual calculations in our services to bpfBOUW has fallen sharply thanks to the automation of processes. In 2020, we started the same process for ABP.

To get and keep a grip

APG, together with the pension funds for which APG administers the schemes, wants participants to have a grip on their financial future and maintain this control. Clarity and certainty about their pension do, of course, go hand in hand with this. Participants must be able to trust that the pension they accrue is registered and administrated correctly. Pensioners must also be able to trust that they will receive what they are entitled to.

Accrued pension entitlements will, of course, have to be transferred correctly and completely to the New Pension Contract (NPC). That is why this is the perfect time for an extra thorough check of all data. We carefully check and purge the pension administration system by applying a systematic, structured, and transparent approach. Using the latest data analysis and data linking methods, we test the accuracy of all our data to ensure that participants receive the benefits they are entitled to.

Since it involves data from millions of participants built up over decades and needs to be done before the start of the new pension contract, this is a huge operation. Certainly also because we at the same time are working on the necessary simplifying of pension regulations, building future-proof IT systems, and continuing to ensure that our basic services such as the payment of pensions continue to run optimally. And, of course, also to highly reduce the risk of mistakes, as any mistake made is very inconvenient for the participants involved as well as for employers, funds and APG itself.

Remedial actions

When checking the administration, we sometimes discover inaccuracies that can (still) have consequences for participants. In concrete terms, this means that the amount of their benefits must be adjusted and sometimes this means making supplementary payments. We solve these issues together with the funds and with an eye for the participant's best interest.

ABP is the first fund for which we are inspecting the pension administration so closely. We want to complete the remedial actions identified so far before January 1, 2023. In 2020, we tackled 20 action items. Most of these remedial actions do not (or did not) affect the pensions of the participants but were purely related to data cleaning. Sometimes they did have an impact on participants' pensions. This was the case, for example, with the remedial actions referred to below regarding the concurrent years of service and disability pension.

Since we want to provide participants with clarity as quickly as possible and ensure that the pension administration is as clean as possible before making the switch to the NPC, we are going to speed up the Grip on Data project. That is why in 2021 we are going to invest heavily in a new working method and further automation and robotization, and we are also going to assign more people to this project. We also set up implementation teams, through which we will correct ABP participants' pension entitlements, where necessary. In 2021, we will enter into discussions with other funds about where and to what extent we need to purge their pension administration in order to be ready for the transition to the NPC.

Concurring years of service

One of the remedial actions where upscaling and acceleration is important is “concurrent years of service”. This is an ABP scheme for dual earners who both paid pension contributions (simultaneously) before January 1, 1995. They are entitled to a subsequent supplement to their pension. If the two employees are customers of the same pension fund, this is, in principle, an automated process. However, if they are with different funds, the participant must actively claim.

ABP is the only Dutch pension fund with a supplement for concurrent years of service. Many participants were not aware of this scheme and, therefore, they did not apply for it. In 2019, ABP instructed APG to arrange for the supplement to be applied for among all these people. At the time, it still seemed to concern only a few thousand people. However, in 2020, it became clear that it concerned many more people; approximately 32,500 ABP participants have submitted an application so far.

The issue of supplementing concurrent years of service has received considerable attention in the media. About 27,500 applications have now been reviewed and processed; of these, more than 8,700 participants received a supplement for concurrent years of service. Since many more applications were received than expected, applicants had to wait much longer for a response than they can expect from us. People were rightly disappointment about that. That is why we took action: we have assigned more employees to this project and automated even more processes. We expect to give a definitive answer to all those having applied for a supplement of concurrent years of service by mid-2021.

Disability pension

In 2019, it was discovered that about 16,000 ABP participants were possibly entitled to a disability pension, but they had not yet applied for it. This came to light when the ABP data was compared to the data from the Employee Insurance Agency (the institute that deals with WIA disability benefits). It appeared that many participants and employers were not aware of the scheme.

Since ABP’s basic principle is that every participant receives what they are entitled to, we contacted all the participants involved. This remedial action was completed in August 2020. Ultimately, a total of 8,352 participants were still awarded the pension to which they were entitled.

Tasks transferred

Special defense schemes

For 20 years now, we have been administrating the special defense scheme on behalf of ABP for veterans who have become disabled during missions. The services surrounding the care coordinators will transfer to the Netherlands Veterans Institute, part of the Ministry of Defense, on January 1, 2021. Since these care coordinators work from home within the regions, little will change for them. The administration of the schemes for this vulnerable target group includes examinations by insurance companies' medical advisors, arranging Former Military Personnel Benefits and the coordination of care, including the organization of transport, adapted accommodations, and debt relief.

Sick leave advice for primary education

The Replacement fund and Participation fund were launched in the nineties of the past century to support elementary schools with the compensation schemes for when teachers fell ill or became unemployed. APG also provided support to the funds in realizing a good and safe working environment at schools and in developing staff policies. APG has been the provider of these funds since the start. After over 28 years, this cooperation has now come to an end. VfPf has chosen to take over the tasks for the corporate healthcare (BGZ) itself, starting January 2021, and to have another organization take over the administrative services. The Work & Vitality advisors have therefore transferred to the Replacement fund as of January 1, 2021.

Sustainable and data-driven asset management

The investment policy that we implement for our clients, the pension funds, is aimed at achieving the highest possible return. Sustainability is central to all investment choices.

We invest the contributions paid by pension fund participants and their employers in different ways, such as in real estate, equities, and bonds. Our starting point is investing sustainably and responsibly. In doing so, we only take acceptable risks within policies of our pension funds. We invest in our organization and in knowledge, and IT to further refine and extend our way of investing.

We regard returns as a broader concept than the mere monetary return on investments. Just as pension value is also more than just what pensioners receive in their accounts: the world must remain livable in the long term.

Research shows that sustainable and responsible investment has a neutral or even positive effect on returns because it gives us better insight into the risks of the parties in which we invest.

Sustainable investments are an integral part of our asset management. Our investments stand out in two other ways: we invest for the long term and with a view for the liabilities of the pension funds. The synergy of these three aspects is clearly reflected in the 2020 results.

Assets under management increased

At the end of the financial year, APG was managing assets of over €573 billion, compared to €538 billion at year-end 2019. The investment return is positive, reaching 6.6% in 2020 (2019: 17.0%). Measured in euros, that is more than 36 billion. We aim to manage all assets sustainably. One specific indicator of this policy is the part of our investments that contributes demonstrably to the United Nations Sustainable Development Goals (SDGs). The objective of contributing to these goals with at least €58 billion of investments by 2020 was already surpassed in 2019. At the end of the year, €91 billion of the investments made on behalf of the pension funds (at year-end 2019 this was €72 billion) could be classified as Sustainable Development Investments.

The growth in assets under management was mainly driven by price increases on the financial markets. In the first quarter, the COVID-19 pandemic drove a sharp decline in value of the more risk-bearing investments, such as equities, commodities, and real estate. Markets recovered after a successful intervention by the monetary authorities, because of government support programs, and a decline in the spread of the virus. Ultimately, all asset classes, except commodities, contributed to a positive investment return. Moreover, interest-rate derivatives showed a positive return as interest rates fell again.

It is most relevant to assess our performance as an investor over a longer period. The table shows the annual returns of APG funds after deduction of external management fees and performance fees.

Liquid investments	NAV (mln) EUR)	2020 (1year) *		5 year FGR (ann) *	
		Return (percent)	Extra Return (BPS)	Return (percent)	Extra Return (BPS)
Fixed Income securities					
APG Fixed income credits	70,349	1.3	106	3.4	81
APG Euro plus treasuries	9,252	4.2	-117	2.6	-23
APG Index linked bonds	1,088	3.8	-169	2.8	-29
APG Long duration treasuries	2,515	11.6	5	6.7	1
APG Emerging Markets Debt	17,032	-4.0	58	4.4	5
APG Alternative credits	462	1.5	175	-	-
APG Alternative credits legacy	4,782	3.6	986	-	-
APG China fixed income	75	0.4	-49	-	-
Equities					
APG Developed Markets equity	135,663	9.6	202	10.4	15
APG Emerging Markets equity	45,897	10.7	190	11.7	132
APG Equity minimum volatility	16,783	-4.4	14	6.1	-124
Alternative investments					
APG Strategic real estate ***	33,528	-9.8	-362	4.1	25
APG Hedge funds ** ****	180	2.9	226	4.3	300
APG New hedge funds ** ****	4,546	11.1	1070	-	-
APG Commodities **	24,471	-16.0	545	0.9	180
APG Tactical real estate	9,863	-13.1	218	3.8	101

** All external costs are included in these extra returns.*

*** These two asset classes are 100 percent US Dollar investments. The return figures are, therefore, based on the return in US dollars, instead of euros.*

**** A reliable estimate has been used for the Strategic Real Estate benchmark because the official benchmark is not yet available.*

***** The Hedge Funds benchmark in the table above has been adjusted to JP Morgan 1 month cash (without any mark-up) to provide better insight into the effect of active management. This adjustment has been included in the table above with retroactive effect.*

Illiquid investments	NAV (mln EUR)	IRR Since inception
APG Private Equity pools	26,314	17.3
APG Infrastructure pools	13,887	11.8
APG Opportunity pool	126	0.1

Positive extra returns

As active investors, we aim to achieve a positive long-term result for our clients, which means a return above our benchmark. A benchmark is the standard for the returns an investor can achieve in a market without active management. We often use a market index for this that represents the average returns in a market. By outperforming the benchmark, we contribute to a higher pension value. This means our goal is to outperform the rest of the market.

Over the past five years, we achieved an average extra return of 45 basis points (0.45%), measured over all investments that APG manages for our pension fund clients. An extra return of 94 basis points was achieved in 2020, which is better than average. Measured in euro, this is over 5.6 billion.

We use three sources to achieve extra returns: tactical asset allocation, active liquid and illiquid investing. Tactical asset allocation resulted in 33 basis points. With tactical asset allocation, APG was able to use the falling stock markets in the first quarter of 2020 and was able to add risk when policy makers started large-scale support operations. Liquid investments (highly tradable investments with objective prices available almost continuously) contributed 62 basis points. On the other hand, the contribution from illiquid investments was negative by 1 basis point.

Sources of extra return (in basis points 1/100th of a percent)	**Total 2020**	**5years**
Tactical asset allocation	33	3
Extra return on liquid investments	62	18
Extra return on illiquid investments	-1	24
Total extra return*	**94**	**45**

** As of 2020, the contribution of smart beta has fallen to zero now that the return of the investments is measured against the smart benchmark. The extra return with this strategy over the last active 5-year period (2015 to 2019) was 12 basis points positive.*

APG uses various strategies to outperform the market. We base our investment decisions on a combination of human judgment, quantitative, data-driven analytical models, and macroeconomic or business-specific analyses. This can lead to clear choices within certain asset classes or to diversification across the different asset classes. This combination of approaches offers a good starting point to achieve above-average returns over the longer term.

Overall, in 2020 we achieved extra returns of 94 basis points. This means most investments have performed well. In some areas we had setbacks. The most significant in Treasuries and in Index-Linked Bonds. These mandates are primarily aimed at preserving capital and less on generating extra returns. With this capital preservation in mind, we decided to reduce the absolute risk in 2020 by divesting from Italian government bonds. However, this led to a lagging return compared to the benchmark. In the future, APG plans to discuss how to address this dilemma of contradictory goals with our client pension funds. The absolute return of Treasuries and Index-Linked Bonds was positive in 2020.

Investment costs

When striving for the highest possible return, we of course pay close attention to costs. We incur costs within our pension administration organization as well as in the management of our clients' assets.

Our active investment style does also entail higher internal costs. These costs need to yield as much (extra) return as possible. To check whether this is in fact the case, the integral investment costs of our clients are benchmarked by various external parties each year. This shows that, taking investment style into account, the investment costs of our clients are on average lower than those of comparable pension funds.

Digitalization at Asset Management

Digitalization at Asset Management means making smart and large-scale use of data, workflow automation and digital analytical platforms. This has continued to play an ever more important role in the asset management market. It is a prerequisite for a competitive edge and value creation. Digitalizing asset management is, therefore, one of our strategic pillars for the next five years.

Digitalizing varies from basic automation to use of advanced artificial intelligence. By doing so, we will improve investment decisions, reporting, our flexibility, our cost efficiency, and internal control.

Various digital innovations were introduced or expanded in 2020. Examples include Trade Analytics (an application that advises traders based on artificial intelligence and real-time market data), Datashop (online one-stop shop for internal and external data for all asset management) and Equip (a digital platform for data and analysis for quantitative investments). We also use digitalization to select relevant news from millions of sources and when sharing knowledge between departments. We are building the Digital Academy to further develop digital skills.

Investing in the Netherlands

The assets that APG manages are too large to invest in the Netherlands alone. Putting a much larger portion of our investments in the domestic market would push up prices too much and concentrate risks too much. At the request of our funds, we did create more room for investments in the Netherlands in 2020. This has resulted in, for example, the expansion of investments in infrastructure (maintenance of the Afsluitdijk dam, windmills, roads), real estate (hotels, student accommodation, outlet centers), and Dutch companies. We encourage partnerships between private investors and public investment institutions (such as InvestNL and Groeifonds).

APG is investing €500 million in green Dutch mortgages from Vista. Customers receive a discount on their mortgage interest rate if they buy a home with energy label A. The discount also applies if clients make their home more sustainable at energy label A level. APG was also one of the founders of LIST Amsterdam, a platform for providing loans to Dutch public housing associations. This makes it easier for public housing associations to obtain financing for, among other things, making their housing stock more sustainable.

APG, in collaboration with the Dutch Ministry of Finance, has also worked on the creation of green Dutch government bonds. The return on these bonds is comparable to an “ordinary” Dutch government bonds. This way, the investment delivers a good and stable return, while at the same time contributing to the financing of the energy transition in the Netherlands. In 2020, we organized a webinar with international investors, during which we highlighted the role of green bonds in the European climate ambitions.

About 4% of the assets managed by APG are now invested in the Netherlands.

What we do and do not want to invest in

Our investment portfolio managers assess each possible investment on four criteria: return, risks, costs, and whether the company operates a sustainable and responsible business. With every investment, we look at how the company deals with people and the environment *and* whether it has good governance. This policy is in line with national and international laws and regulations, and complies with the OECD guidelines for multinational companies. We also expect the companies in which we invest to comply with the rules of the UN Global Compact on human and labor rights, the environment, and the fight against corruption.

A new phenomenon: COVID-19 bonds

On March 31, 2020, the Nordic Investment Bank issued the first COVID-19 bond to combat the COVID-19 pandemic and its socio-economic impact. This was followed by the Council of Europe Development Bank, the European Investment Bank, and many others. The proceeds are used, among other things, for scaling up health care, support for small and medium-sized businesses, and a temporary increase in social security expenditure. In October 2020, APG, on behalf of our clients, invested €170 million in social bonds (SURE) issued by the European Union that help Member States avoid job losses in affected sectors.

APG is actively involved in the development of the market for green, social, and sustainable bonds in general and corona bonds in particular. For example, we published a guideline that gives companies insight into which COVID-19-related expenditures qualify as social or sustainable bonds. In total, APG invests more than €1 billion in COVID-19 bonds. The risk and return of these bonds are comparable or even better than those of "ordinary" bonds without a sustainable or social objective.

Companies: leaders, prospects, and laggards

There are approximately 10,000 companies in which APG could invest through shares or bonds. Based on our analysis, we determine whether a company is a "leader" or a "laggard". We only invest in a laggard if we expect to be able to incentivize the company to improve. We call a company that has started an improvement path with us a "prospect". As of 2020, our clients only want to invest in leaders and prospects.

Exerting influence

What is special about this inclusion policy is that we include sustainability and the responsible behavior of companies in every investment decision. We consciously choose not to stay on the sidelines, but to use our influence as a major investor to actively improve companies and sectors. We hold companies directly accountable for their policies (engagement) and vote at thousands of shareholders' meetings each year. On behalf of the pension funds and together with other investors, we for example voted down the remuneration proposals of Dutch companies a total of four times in 2020: at Besi, Wolters Kluwer, Euronext, and SBM Offshore.

For more information, see our Responsible Investment Report.

Responsible Investment Report

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

Investments and climate

Climate change is having an impact on investments. That is why we, together with our clients, pay close attention to the companies we invest in to ensure they reduce carbon emissions and have a strategy in place for the transition to a climate-neutral economy, while also looking at climate risks in our investment portfolio.

In 2020, we conducted an analysis of our government bond portfolio to check how much of it is invested in countries with a high climate risk. This showed that only 0.2% of the government bonds in which we have invested were issued by countries with a high physical climate risk, such as a flood risk. And 1.1% of our government bonds were issued by countries with a high transition risk because, for example, they rely on fossil fuels for part of their revenue. As a general rule, countries with a low credit rating are more vulnerable to climate change. For our real estate portfolio, we have put together a database with information from various sources that allows us to assess risks relating to extreme weather and rising sea levels for tens of thousands of properties.

We identify climate risks and report on them as per the guidelines of the Task Force on Climate-related Financial Disclosures (TCFD). For more details about this, please refer to our Responsible Investment Report.

Carbon footprint of investments

All our clients have goals to reduce the carbon footprint of their investments in equity. APG has signed the Dutch financial industry's Climate Commitment, which requires us to report on the carbon footprint of key parts of the investment portfolio we manage, from the 2020 financial year onwards. This report is included in our Responsible Investment Report.

In it, we determine how much of the carbon emissions produced by the companies in which we invest can be attributed to us. The results of the carbon footprint of our equity investments are detailed in the Responsible Investment Report. All of our asset management clients have carbon footprint reduction targets in place for the equity investments.

APG is one of the driving forces behind the Carbon Risk Real Estate Monitor (CRREM) and the Net Zero Investment Framework (NZIF). For further details, see the Responsible Investment Report.

Putting pressure on large-scale carbon emitters

We use our influence as a major investor to urge companies to pursue carbon reduction. This is something that we do both on our own and in concert with other major investors, united in Climate Action 100+. In April 2020, Shell announced that it intends to reduce its net greenhouse gas emissions to zero by 2050, building on previous agreements with Climate Action 100+. After pressure from APG and other parties, KB Financial Group, South Korea's largest financial services provider, announced that it will stop financing new coal-fired power plants.

Investing in the energy transition

For our clients, we are building a portfolio of companies and projects that contribute to the energy transition in the Netherlands. This allows us to set ourselves apart from other parties in our market because it lets us focus on the longer term, which venture capital and private equity managers cannot do.

On behalf of ABP, we made the first investments in the ABP Energy Transition Fund (ANET) in 2020. ANET was created for investments in companies and projects with growth opportunities that focus on the transition to renewable energy in the Netherlands. We invested €7.5 million in 50 Dutch start-ups and €45 million in “smart heat grids” in four Dutch municipalities.

Contribution to Sustainable Development Goals (SDGs)

On behalf of our clients, we actively seek out investments that contribute to achieving the Sustainable Development Goals (SDGs) defined by the United Nations in 2015 to make a better and more sustainable world.

SDI Asset Owner Platform live

Across the globe, more and more investors want to make the SDGs a factor in their investment decisions. However, due to a lack of data, it used to be difficult to assess whether and to what extent companies contribute to these goals. This prompted APG, AustralianSuper, British Columbia Investment Management Corporation, and PGGM to join forces in 2020 and set up the Sustainable Development Investments Asset Owner Platform (SDI AOP). Using artificial intelligence, this platform verifies to what extent investments contribute to achieving the SDGs. We are partnering with Entis in operating this platform.

Human rights and working conditions

APG wants the companies in which we invest on behalf of our client pension funds to respect the rights of their workers, local residents, and other stakeholders. We assess this based on the United Nations Guiding Principles for Business and Human Rights (UNGP), which stipulate that companies have a responsibility to respect human rights and identify, prevent, and take action on risks of human rights violations wherever they do business.

In 2020, the Dutch pension industry added further substance to the covenant for International Socially Responsible Investment (IMVB by its Dutch initialism). This covenant records agreements on the prevention of abuses at companies in which pension funds invest. For further details, see our Responsible Investment Report.

In 2020, we invested, on behalf of our client pension funds, €42.5 million in a bond that helps fight social and income inequality among Black and Latino communities in the United States. The money raised by this bond, issued by Bank of America, is used to finance affordable housing and projects for socio-economic development.

Recognition

Our funds receive recognition as leaders in the field of sustainable and responsible investing. ABP was named the Netherlands' most sustainable pension fund by the Association of Investors for Sustainable Development (VBDO by its Dutch acronym) for the third consecutive year. BpfBOUW retained its second place. SPW came in first place in the category of funds with invested capital of anywhere between €10 billion and €30 billion.

As manager of the assets of our funds, we are proud to be known worldwide as a leading sustainable investor. This year, organizations such as ShareAction/AODP and Principles for Responsible Investment, again recognized APG as one of the foremost responsible investors. Like last year, APG Asset Management's score topped the average in the annual UN Principles for Responsible Investment benchmark, earning an A+ for strategy and governance. We placed above the median asset managers on 13 of the 17 aspects on which investors were rated. Our aim is to maintain this high level in the coming year.

Vital funds

Client centricity was one of our focus points in 2020: our organizational set-up is geared toward providing optimum services to funds, employers, and participants. Through innovative solutions, we anticipate their needs and wishes to the maximum degree possible.

Gearing the business more to funds' needs

Within our advisory services, we have been working with special teams (clusters) since October 2018 that are fully devoted to one or more funds. Each fund deserves a tailored approach. With the clusters, we are better placed to address special wishes and needs. We concentrate all our knowledge and expertise in these groups. For example, our actuaries, legal experts and employees with in-depth knowledge of consumers work together in these clusters. In this way they have a comprehensive picture of the issues at stake in each specific fund and can give them the best possible advice.

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

Putting clients first

We take the figures as a sign of appreciation for the work we do on behalf of the funds, and as a stimulus to do even better. They confirm that APG is on the right track: we have started focusing even more emphatically on our clients' needs and wishes. We take participants' perspective as much as we can. We respond to their inquiries as quickly as we can, using plain language.

In 2020, we added further specifics to many parts of the customer journey. APG is constantly looking for ways to make everything less complicated. In 2020, for example, we have started to rewrite complex letters using plain language and we provide information by email in convenient doses. More and more things can now be accessed or arranged simply and directly online.

More intensive contact with employers

Employers are important clients too. In 2020, we stepped up our services to them, creating more contact opportunities, such as through online video calls. This is something that we already started doing prior to when home working became the new normal due to the COVID-19 pandemic. Our intention is always to provide customized solutions: we help small employers mainly with the practical services to their employees. Large employers need more assistance with issues such as sustainable employability and sick leave. We support them with resources such as an information library and webinars. In September, October, and November 2020, thousands of employers affiliated with the ABP pension fund joined webinars on the New Pension Contract.

Sector management

In 2020, we reinforced our sector management, interlinking funds, unions, and employers' organizations. Our focus in this respect is on specific pension issues in the various sectors. These are issues that are relevant to the social partners because they determine the content of collective bargaining agreements and the pension scheme. Every quarter, we send them a summary of issues and developments. All social partners can use this information in their decision making and in putting together new schemes.

Innovation

APG innovates on a continuous basis as we keep upgrading and adding to our services. Our GrowthFactory innovation lab has also developed various successful products and services, including the independent online source of reference called Kandoor (see Trusted Guide).

In 2020, the GrowthFactory developed the Next Best Question (NBQ) tool. The NBQ software analyses participants' data when they contact us. Based on personal details, previous contacts, mail and email correspondence, and life events, NBQ instantly produces a top 5 of most likely inquiries, helping the Customer Contact Center agent to get to the point quickly and ask the right questions. And the agent also instantly has all the relevant information available. This ensures that our customers get the best possible service.

Another striking new product developed by the GrowthFactory is the "life certificate" app for ABP. This app lets participants send proof of life to the pension fund with great ease. Many pension funds, including ABP, require a life certificate from their members every year to confirm their entitlement to pension payments. Such a life certificate is normally sent by mail. The app is intended for pensioners who live outside the Netherlands. We expect the majority of these pensioners to start using the app in the long run. It is, in our view, a fine example of how digital solutions can make life easier for clients.

Online pension transfer

Another product of the GrowthFactory is Hyfen. This team of Internet developers focuses on improving pension transfers from one fund to another. At present, this is often still a time-consuming and expensive process, and complex and tedious for participants. Using an online platform, Hyfen interconnects the administrative systems of organizations operating in the pension sector. It enables quick and simple pension transfers. The first service to go live was mijnwaardeoverdracht.nl.

In September 2020, Hyfen spun off into an independent organization. APG will continue to be closely involved as a shareholder and client, while Belgian IT provider The Glue holds a majority stake in the spin-off. Hyfen's independence means that participants and other pension administrators will soon also have access to the service.

Knowledge and expertise

In 2020, APG harnessed its knowledge and expertise of the pension world on a broader scale: for our clients, but also for the rest of society. We consider it a key duty to share our knowledge. It will create value for everyone. We meanwhile have a new website, a Newsroom, and podcasts. Awareness of the APG brand has grown further.

Creating value through our knowledge

Over the past 100 years, APG has amassed a wealth of pension knowledge. We consider it our duty to put this knowledge and experience at the service of society, especially in times like these that are so full of change.

Through our knowledge, we help the Netherlands develop a new perspective on income for today, tomorrow, and beyond. Both in the political domain and in talks with social partners, our input carries great weight. It empowers us to contribute greatly to ensuring a fair, shared, and social pension system. Aside from that, we make sure our voice is heard in the public debate on pensions, and sometimes also take the lead in this debate.

Our knowledge is also used to help participants get a better grip on their pension. We offer them insight into developments and how they impact on their personal situation. Together with the pension funds, we develop online features for this purpose, such as the Clear Overview & Insight feature and the Personal Pension Pot. The number of participants using Clear Overview & Insight grew to 1,965,000 in 2020 (2019: 1,845,000). The number of participants that now have a better idea of their pension entitlements thanks to the Personal Pension Pot also grew, from 975,000 in 2019 to 1,015,000 in 2020.

When it comes to sharing our knowledge and communicating with the outside world, we try to keep it as low-threshold as possible. This is why we revamped our website, using plain language and easy accessibility, ensuring that everyone will find it easy to navigate and find answers. In our online Newsroom, we publish items about the latest developments and possibilities using easy-to-understand language. Moreover, we are also open to voices from outside the organization, such as in our podcasts.

APG in the public debate

National Think Tank

APG always seeks to join the debate on social and societal issues that touch on our field of activity. This is why we (together with the Dutch government ministries of Social Affairs and the Interior, Rabobank, and the City of Amsterdam) were a partner of the National Think Tank in 2020. The theme of this fifteenth edition, which started in August, was “Better prospects for middle-income groups in the Netherlands”. In other words: how to improve well-being and prosperity and increase control for middle-income groups in society, in urban and rural areas. In late 2020, twenty academics came up with possible answers and suggestions.

National Employment Conditions Survey

In 2020, we partnered with Intermediair, the work-life platform for the highly educated, in conducting the National Employment Conditions Survey. The report with the results was published in October 2020. This survey focused on the role that pensions play in employment terms and conditions and fits into our aim of giving employees better insight into and grip on their financial future. One of the outcomes was that, while a pension is indeed a key factor in choosing a new job, many often have no idea what the pension scheme entails exactly. Of all employees and jobseekers, 92% expect the employer to take care of pension accrual.

APG as a source of reference

We are also committed to helping people with practical information. One example is Kandoor, the independent online platform that has been around for years and that lets anyone ask questions about their finances, including their private pension and the AOW state pension. In most cases, the chatbot has the answer for them, and if not, there are experts on hand to provide information, entirely free of charge. In 2020, the number of questions submitted on Kandoor totaled 554,000 (2019: 635,000). Kandoor users are very satisfied with this service, as shown by the NPS of 50 (2019: 50).

The success of Kandoor has not gone unnoticed. We are, for example, teaming up with other parties (including the Dutch Ministry of Defense) to explore how we could use Kandoor to help employees with a broader range of financial issues, such as debt. Furthermore, we are looking into whether we could strike up partnerships within the ecosystem to increase the impact.

GrowthFactory

Over the coming period, we will mainly be using the GrowthFactory to reinforce our role of Trusted Guide, introducing services that help people with coaching and advice. We do that together with our pension funds and employers. We also work with various organizations on partnerships to build an ecosystem.

Geldvinder

One of our new services is Geldvinder, or money finder, which is an online platform that helps people work on their “financial fitness”. This service is currently in the pilot phase and there is an experiment with ABP employers. APG has set up Geldvinder in collaboration with eighteen employers (companies/organizations). Preliminary research going into this project showed that employees have a need for low-threshold financial help. On Geldvinder.nl, employees can gain insight into and get a grip on their finances. After taking a simple financial fitness test, anyone can pick their personal goals, such as early retirement or having some money left over at the end of the month. The app helps them get started on achieving those goals and suggests possible steps to take and how quickly to take them.

Events

We are also a trusted guide to pension fund managers and social partners. For example, we take part in events that allow us to share our knowledge. One of these events was the *Met het Oog op Morgen* event in January 2020. Unfortunately, the Summer Course that is normally held in the summer could not go ahead this year due to the *COVID-19 measures that were in place during the summer months*. We did, however, organize webinars for pension funds and social partners, including one on the New Pension Contract.

Our reputation

Raising awareness of our brand is one of APG's key aspirations and something that we work on in order to increase our impact and build an even more stable reputation. We monitor our reputation and brand awareness to gain greater insight into what society thinks of us and expects from us. We do so using the RepTrak method, which shows that 20% of people in the Netherlands are aware of the APG brand, up 3% on 2019. This puts us above the target figure for 2020 (18%).

Our reputation has improved, rising from 70.7 last year to 72.6 in 2020. This is just above the goal we had set ourselves for this year (72.5). APG's reputation is (even) stronger among people who know us very well. While APG gets high scores on all reputation drivers, the scores are particularly strong on "work environment" (equality, remuneration, and engagement) and "products and services", whereby "work environment", "products and services" also, alongside "performance", happen to be the most impactful reputation drivers.

For 2021, our aim is to at least achieve the same scores.

Sustainability in our operations

With respect to the companies in which we invest, we set strict sustainability and corporate social responsibility requirements. In order to also meet these same strict requirements ourselves, we have taken action in areas such as our premises, travel, and diversity.

Needless to say, APG's main impact materializes through the investments we manage for our clients. That being said, our operations can also make an impact in the area of sustainability. Given that we were lagging behind compared to the organizations in which we invest, we have recalibrated our strategy based on the principle of "we practice what we preach". After all, it is only then that we will we be able to raise the bar for others. It is, furthermore, a way for us to motivate employees to incorporate sustainability into their day-to-day work and decisions.

Our ambitions

We want to work on a future where we sustainably share our prosperity and well-being. Work on realizing this ambition consists of APG business units developing plans and performing activities in the area of the four sustainability pillars of "Industry Captain and Trusted Guide", "International leader in responsible investment", "Sustainable development of the Netherlands", and "We practice what we preach". When it comes to sustainability, we want to be best in class.

Our sustainability in 2020

In 2018, we set our starting point for our organization's move toward sustainability, starting by requiring our own operational performance to at least meet the same requirements as we set the organizations in which we invest. In 2020, it turned out that we still had a lot of work to do in three areas of our operations: premises, travel, and diversity & inclusion. For details of our efforts in the area of diversity & inclusion, please see the "How we work together" chapter.

In 2020, we made a number of specific steps. In late November, our Executive Board approved a CO_2 reduction plan, for example, as we aim to have demonstrably climate-neutral operations by 2030. We get our suppliers involved in our goal. One example is the plan we are working on to make our procurement more sustainable. We are also setting up a Sustainability Board, which will be headed by the CEO. The Sustainability Board prepares the many decisions that will be needed over the coming period in realizing our sustainability ambition. For more details, see the "Governance" section.

	Total 2020	Total 2019**
Scope 1: direct emisions	2,048	3,288
Scope 2: indirect emissions	5,009	11,494
Scope 3: other	1,116	3,570
Total in metric ton*	**8,173**	**18,352**

** Gross CO2- emissions, excluding use of renewable sources. See appendices for more information about the carbon footprint and the scope categories.*

*** Figures 2019 are adjusted. See appandices for explanation.*

Premises

Of our total carbon emissions in 2020, 66% were related to our premises (43% in 2019).

Building work on our new, fully sustainable office building on Basisweg in Amsterdam (Edge West) is under way and will be completed in 2021. This building will have the highest possible BREEAM certification, which reflects the degree of sustainability. Relocating two of our Amsterdam sites to this new building will allow us to considerably reduce the overall carbon emissions of our premises. In Heerlen, work is also ongoing on greening our premises. In a previous year, we made an important step toward sustainability by opting to use mine water for the cooling of our data center in Heerlen.

This same technology can also be used to decarbonize the office building. The decision to switch to this technology and stop using gas to heat and cool this building is still pending. In 2021, we will also enter the BREEAM certification process in Heerlen for the first time and explore supplementary energy efficiency possibilities for our offices in Hong Kong and New York.

Aside from all of that, we are focusing heavily on APG employee well-being and health in all of our buildings. The office building in Amsterdam will be awarded a Platinum certificate for the WELL standard, which relates to employee health and well-being. We previously defined the ambition to also seek WELL Interiors Gold certificate for the interior design of the APG floors in this building. Certification for this standard depends on things such as sufficient green and daylight, good acoustics, healthy workplaces, and stimulation of exercise. Meanwhile, we have realized that to ensure a healthy work environment that is aligned with APG's vision in this respect, we can suffice by adhering to the WELL guidelines for our office buildings in Amsterdam and Heerlen to the maximum degree possible, without seeking certification for these sites. This is also better aligned with APG's critical attitude as an investor toward the proliferation of certifications.

After the COVID-19 crisis, home working will continue to be part of many of our employees' working week. This will, in turn, have consequences for how we use our offices. Our new Amsterdam office was already designed with flexible use of workplaces in mind. In Heerlen, we will vacate a number of floors.

Reuse
We are very careful about what materials we use and what we can reuse. When it comes to our employees' cellphones, for example, we have struck up a partnership with a Dutch social enterprise called Closing the Loop. For each phone that we use, Closing the Loop responsibly collects and recycles one discarded phone from countries that lack formal waste management systems. This partnership marks a practical first step toward a circular economy by collecting valuable materials for reuse.

Travel
Of our total carbon emissions in 2020, 34% was related to travel (57% in 2019). The total figure in 2019 was high. We are going to do everything within our power to reduce carbon emissions from travel: we are making environmentally friendly travel more attractive, cutting the number of flights, and exploring the possibility of flying on biokerosene for those flights that are really necessary.

In early 2020, we joined the Anders Reizen network: we signed the Dutch Business Sustainability Mobility Pledge. Anders Reizen is a coalition of, by now, 60 organizations that have set out to decarbonize their business travel over the period up to 2030 compared to 2016. The member organizations learn from each other's experiences.

In our drive to reduce our emissions from travel, we were "helped" by the COVID-19 crisis. In March 2020, we all switched to home working practically overnight. We saw travel movements fall drastically due to the digital options available. The restrictions led to a considerable drop in travel movements. What we learned from all this was that we have a capacity to respond fast.

The challenge now is to capture our approach to travel in our policy and not to relapse into our old behavior as soon as the COVID-19 crisis has passed. In the (near) future, we want to keep doing roughly half of our work from home.

For more sustainability information, please refer to the appendices.

APG in society
APG takes a visible role in Dutch society in a number of different ways. We believe this is befitting of a socially committed organization like ours. We share our knowledge, for example, at conferences, in the media, and on committees.

We also lend emphatic support to projects that are close to our heart. One example is our partnership with JINC, which is an organization that creates role models for children growing up in a socioeconomically disadvantaged environment. JINC does so by, among other things, introducing students to the labor market in a playful and inspiring way. APG again took part in the De Baas van Morgen initiative this year, which gives a high school student a seat on our Executive Board for a day. We also organized a quick internship for an entire class of prevocational secondary education students to introduce them to APG employees from across the organization.

Every month, APG employees donate money to our charity foundation SWAP. Aside from that, there are co-workers who, at the end of the year, for example, make a one-off donation to this foundation. SWAP supports only sustainability projects in developing countries that are actually up and running, which they do by working together with small charities.

This year, funds went to the refurbishment/expansion of an orphanage in Cambodia, the upgrade of an orphanage in Romania, the building of a residential tent in Mongolia, and the construction of a water supply system for a Himalayan village in Nepal. Due to the COVID-19 crisis, donations were, by way of exception, also sent to emergency aid in countries such as The Gambia, Tanzania, and Romania. SWAP supported these causes through different smaller charities with which the foundation had also worked in the past.

Our financial position

APG's primary goal is to maximize the value of participants' pensions, not to maximize our own profits. Even so, APG ended the year with a fine profit of €42 million (2019: €53 million). This means a return on equity of 10.7% (2019: 7.6%). The effective tax rate in the reporting year was 10.0% (2019: 8.6%). Both our net profit and the return on equity are higher than the social return defined for 2021 of €24 million and 6.1%, respectively. One key reason behind the high profit this year is the impact that the COVID-19 pandemic had on APG's expenditure. Given that virtually everyone worked from home, we saw our spending on travel and accommodations drop considerably, recruitment and selection processes were put on hold, and various other expenses also stayed below the initially expected levels. On the turnover side, however, the global pandemic had little impact on APG due to the fact that we mainly have contracts based on fixed arrangements. Given the one-off nature of this profit hike, a decision was made to pay it out to our shareholders as a dividend.

In our pension administration, the number of participants was up and turnover was down on the previous years, which means a lower price per participant. This also helped us achieve the goal with respect to maximizing pension value. Under operating costs, the implementation costs for our new strategy stand out, as does the start of Grip on Data programs, the New Pension Contract, and investments to make our services even more participant-centric. Aside from that, major steps were made last year in achieving our aim of being the trusted guide and in positioning APG.

In the 2019 financial year, APG defined a new capital and dividend policy. The key principles of the new policy are the following: a return rate of 6.1%, as befitting of a socially minded organization, financial stability, scope for possible strategic investments, and no over-capitalization. The socially required return is based on profits adjusted for costs relating to future developments and equity adjusted for intangible assets.

As a result of this new policy and the sale of Loyalis, APG paid an interim dividend of €235 million to its shareholders in 2019. In addition to this interim dividend, APG distributed a further €90 million to shareholders in early 2020 as a result of a capital reduction. In this way, the over-capitalization resulting from the sale of Loyalis has been given back to the shareholders. Going forward, APG expects more stable but lower profits and, therefore, a lower dividend stream. Besides the one-off capital reduction in early 2020, regular dividend of €83 million was paid to our shareholders based on APG's profits for the 2019 financial year.

Tax policy

APG's tax policy is based on paying tax in accordance with local legislation in all countries where it is active itself or on behalf of clients. APG welcomes international initiatives aimed at achieving more balanced taxation. At present, these are leading to legislation to combat aggressive tax planning.

Transparency, understanding, and trust are important terms on which cooperation with the tax authorities is based. This was laid down in the Horizontal Supervision covenant in 2017. APG sets great store by having an open and honest relationship with tax authorities, meaning among other things that we proactively submit to the tax authorities any tax views that may lead to a dispute. APG maintains ongoing dialog with the tax authorities on the set-up and functioning of the Tax Control Framework, which is a tax quality system of internal and external controls. In 2020, we further improved this framework, for which we are making increasing use of data analysis.

Tax ethics

APG is aware of the position that APG and its clients have in society. We recognize the importance of an open and constructive public debate on tax ethics. In order to enable meaningful debate, transparent communications are required. In this respect, we always keep the legislator's intention in mind.

We are seeing more and more (international) initiatives emerge for greater balance in taxation. Such balance would have to mean that both double taxation and double non-taxation are prevented. Current regulations and generally accepted principles of international tax law must be the guiding principle in our view. In this respect, attention must be paid to the special position of pension funds, which in international affairs are often pointed to as being exempt from tax on their investment results.

Chapter 5

How we work together

APG is going through a period of major changes. We are on the verge of a new pension contract concept that will affect the work of many APG employees. Furthermore, the COVID-19 crisis has forced us to work from home almost all of 2020. After the pandemic, home working will continue to play a role. And we will step up our efforts in the area of our diversity and inclusion policy.

Great place to work

The COVID-19 crisis has shown that we, as an organization, are more flexible than we thought. Our employees showed tremendous commitment, and that during a period when our company was already undergoing several major changes: we are no longer largely a pension administrator, but rather a client-driven company that shares its pension knowledge and puts participants first. We see in that a sustainable future for the participants and ourselves.

The foundation for this sustainable future lies in a safe, healthy, and dynamic environment for our employees. This is only possible if APG pursues responsible employment practices, where employees are appreciated for who they are and what they can do. In short, a great place to work for all of our people. That is what we want to be.

By the end of 2020, our permanent workforce had grown slightly to 3,085 employees (2019: 2,980). We expect this number to stabilize in 2021.

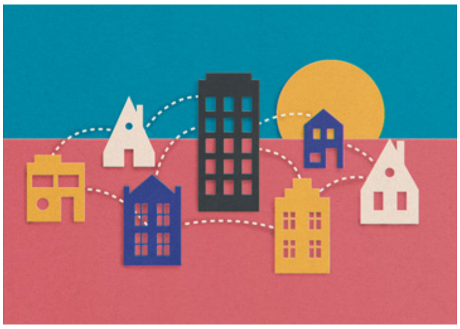
Our work in times of the COVID-19 pandemic

In March 2020, APG was taken by surprise by the COVID-19 outbreak, first at our offices in Asia and later at all of our other offices as well. Within a very short time, we managed to relocate all of our work from the office to employees' homes. Thanks to advice and experiences from our colleagues in Asia, who underwent lockdowns before we did, we were able to organize a test day before the first lockdown. After that day, we were ready to start working from home; our IT was fully set up for it.

Assuming that the pandemic would last for a prolonged period of time, we set a few priorities in our approach to the crisis: employee health and safety, business continuity, contacts with co-workers, and focus on the long term.

In order to support all our employees in their home working practices, we deployed a wide range of facilities: from desk chairs for at home to workshops on management in times of the COVID-19 pandemic and remote collaboration. In the new collective bargaining agreement, we have included an allowance for a home workplace.

With a view to their mental health, employees were also given the opportunity to join mindfulness and yoga sessions. We continue to encourage employees to take vacation leave because we have seen that employees are less inclined to "disconnect" completely when they work from home. There was a drop in the number of vacation leave days taken.



Employee surveys
In late March 2020, we conducted a staff pulse survey to find out how our employees were doing and what they needed or what they would like to see changed. The response rate was high: 76.4%. Our approach to the crisis was rated highly (95% of respondents were very happy to be working at APG) and the level of satisfaction with our leadership during the crisis was high.

A second survey held in May 2020 (response rate of 66.3%) showed the same positive general trend, albeit that a number of employees stated that they were struggling. When the restrictions were eased over the summer, people who had great difficulty working from home were given priority in our selection of employees who could work at the office again.

In October 2020, during the “second wave”, we ran a third survey, which showed that employees on average rated “energized by my work” and their enthusiasm about the future less highly than in previous surveys. And at this stage, too, we looked at who could return to the office because they were having problems working from home. For a number of other employees, this meant that they had to “relocate” from the office to their home workplace again.

Postponed or canceled
We were able to move a lot of things online, but not everything. In some cases, it was better to postpone something or, in the worst-case scenario, cancel it altogether. The Leadership Day, for example, was one of the events we had to cancel, while we conducted other management meetings digitally. Recruitment and selection have also been moved to Microsoft Teams for the time being.

Flexible working in the future
While our corporate culture was already shifting toward more home working, this crisis accelerated this process and prompted us to permanently have employees do part of their work from home. For each team individually, we are exploring what is possible. This, too, will require customization.

Workforce planning

APG's renewed strategy and positioning as well as the imminent new pension system will have an impact on our organization. Work will become more complex and more digital and employees will change jobs quicker and more often. To boost our internal and external labor mobility, we use Strategic Workforce Planning to gain insight into what kind of workforce we need today, tomorrow, and beyond. We assess which skills and capabilities our current employees need to have for us to achieve our goals and what kind of new employees we need to recruit. Except people with knowledge of pensions, people with a client-oriented background or solid IT knowledge are also needed.

Personal development

We focus on our employees' sustainable development, offering all our employees the opportunity to pursue lifelong learning at APG, so that they are always ready for their job of tomorrow and beyond. We do this through our The Making of You program, which we launched in 2018. This personal development program empowers employees to discover their strengths and drives, which boosts their chances at APG or possibly elsewhere in the job market. Since March 2020, we have been running this program online.

The Making of You has triggered a transformation and activated employees. A change in their thinking on their careers was the first successful step. We are now entering the next phase, which will see us embed continuing development into employees' day-to-day activities.

Aside from that, we have to respond to changes to the work. This means that employees will have to take action when certain jobs disappear or we need different skills. For this, The Making of You includes an intensive program that caters to these situations. From the start of this program, 398 employees have gone through the process and 73% of these employees have meanwhile been reassigned to other jobs at APG.

The new collective bargaining agreement for 2021 also includes provisions in this respect. The collective agreement stipulates that we will put continuing development first, disconnecting the performance review from remuneration and basing remuneration on fixed progress that employees can make on the pay scales as they develop. Ongoing dialogue and feedback are the basis.

Leadership

In the transformation that APG is going through, the leadership focus has shifted from managing to connecting. Our managers have to set the example. They encourage our employees to work on their development, but they do certainly not sit still when it comes to their own development. They pursue personal development in our leadership program on an individual level, with other managers - such as through peer reviews - and with their respective teams. Managers need to be able to lead the meetings they convene, create clarity, and implement the strategy. The leadership program is offered both offline and online.

The high rating of our managers in the pulse surveys of March and May 2020 confirm that our efforts for good leadership are bearing fruit.

New employee recruitment

Awareness of APG is growing, as shown by our RepTrak rating. This is important because it helps us in recruiting new employees. In investor circles, we are a household name and enjoy high levels of trust: we are a front-runner in sustainable investment. For that part of our company, we recruit internationally. We are successful in recruiting people for that, precisely because of our social goals and policy.

In order to also reach other potential employees, we have made some changes, such as adding a more personal touch to the wording of our vacancies. Our new recruitment site, werkenbij.apg.nl, went live in 2020, sporting the new and accessible APG corporate identity. With a modern look and stories from APG employees about their work, the idea is to get people excited about APG.

A healthy organization

We want to keep the sick leave rate as low as possible. In the previous financial year, we already managed to push back our sick leave rate considerably, from 5.1% in 2018 to 4.6% by year-end 2019. This downward trend continued in 2020 as the sick leave rate fell to 3.6%. While the rate is on a downward trend, it is still above the benchmark rate of 2.7%.

Since March 2020, we also track current sick leave. After a small increase in sick leave in March, it dropped and remained stable through to the end of 2020. Some of our co-workers who were infected with COVID-19 ended up in intensive care. Luckily, however, no one died of the virus.

It is important that our employees stay fit, especially in times like these. We try to monitor how they are feeling. Acknowledging the risk that people who work from home are more likely to push through than to take a break when they feel unfit, we call on our people to take good care of themselves and talk to their team and manager about anything they come up against. We also encourage employees to take more than just a couple of days of leave every now and again, so as to really disconnect from the home working. In the summer of 2020, we ran a campaign to get employees to disconnect (#ikschakelaf #Iswitchoff), whereby managers in particular were required to set the right example.

Diversity and inclusion

APG strives for diversity and an inclusive culture. This ties in directly with our mission of “building your sustainable future together.” In 2019, employees across APG already developed various initiatives in this context. In that year, the employee engagement survey and diversity figures showed that we still had a lot of work to do. In 2020, we followed up with a policy that is aligned with our ambition of being a great place to work.

In 2020, we formulated our vision and quantifiable ambitions in more specific terms. We want our employees to feel at ease at APG and feel that they can be themselves here; everyone belongs.

We will further capture our ambitions in specific measures and changes, such as incorporating inclusion into how we formulate vacancies, realigning the composition of selection committees, and being aware of this subject in our selection interviews. Diversity and inclusion are also factors in our events and communications. We look closely at what we can do with initiatives and ideas emerging from within the organization and our network of ambassadors. In 2021, we will take stock of such initiatives and ideas. We also have an active women’s network.

Five key points for diversity and inclusion

We want to be a reflection of society: this will enable us to better take our clients’ perspective and understand their needs.

We need diversity in talent and competencies: this will make us more flexible and boost our performance.

We work on a sustainable future: we can do this only with a sustainable profile, with 3,000 unique co-workers.

We want everyone to be able and have the confidence to be themselves. This is a precondition for greater employee engagement.

We create a safe environment where people are not afraid to speak up: this will help us position our company as a self-confident player in the pension world.

Ambitions

Opportunities for the less advantaged

In 2019, we prepared our own form of participation job for ten of our employees with reduced work ability. Outside APG, their job prospects would be poor. For these employees, we included provisions about adapted workplaces in the 2020 collective bargaining agreement, which were subsequently created and meant that these employees could stay with APG.

Diverse talent

APG wants to be an attractive employer for culturally diverse talent. To get a good idea of the current level of cultural diversity, we joined Statistics Netherlands’ Cultural Diversity Barometer.

Misconduct

Setting boundaries when it comes to misconduct is the responsibility of each individual manager and employee, such as drawing the line at insults and mocking or exclusion from group activities.

LGBTI+

We want to increase inclusion and psychological safety within the organization so that APG employees can come to work every day without feeling that they have to hide part of who they are and without being afraid to show who they are.

Age

At APG, we aim for a mix of ages, with a clear mix on teams where different generations work together.

Tips and advice

APG offers employees various ways to pursue inclusion themselves or with their respective teams. Apart from tips, we offer various e-learnings, frequently draw attention to the subject through interviews, articles, and meetings, while also giving employees the opportunity to launch their own network if there is a need to fill. Various teams have already taken the implicit bias training that is available to everyone at APG.

Position of women at APG

Another specific ambition is to appoint more women to certain positions. APG's aim is for senior management to be at least 30% female by the end of 2022. For the management level just below that, the target is 35%, while the target for the whole of the organization is 40%. This latter percentage currently still stands at only 35%.

Pay gap study

In 2019, APG was the Netherlands' first company to close the pay gap between men and women doing the same job by giving 125 women a pay rise. In 2020, we looked into what causes such a pay gap to arise, partly so as to prevent it from happening again. A frequently mentioned reason why pay gaps arise is that women are less persistent than men when it comes to negotiating their pay package. At APG, however, this turned out not to be the case. Our study showed that the pay gap can arise because women are promoted through the pay scales less quickly than men.

APG tops up supplementary birth leave to 100%

Since July 1, 2020, employees whose partner has just given birth can take six weeks of leave. The first five workdays of this leave are paid by the employer. For the remaining five weeks of leave, the Employee Insurance Agency (UWV) pays 70% of the employees' wage under the supplementary birth leave scheme. APG tops this up to 100%.

Satisfied employees

In October 2020, we ran an employee engagement survey that achieved a high response rate of

81% and returned an above-average engagement score of 7.8 out of 10. The survey showed that we are doing particular well on collaboration, the inclusive climate, and employees' pride in working for APG. Slightly lower were our scores on the extent to which people are energized by their work, enthusiasm about APG's future, and the clarity of roles. We are following up on the results in discussions about the results, and then in particular about home working and flexibility, about what is expected from people in their jobs, and on the values and the future of APG. For 2021, our ambition is to at least match the employee engagement score from 2020.

The future way of working

APG is contemplating what the Netherlands of the future will look like. In this same context, we want to team up with unions and employers' organizations to explore what the "way of working of tomorrow" will look like. What role will APG play as an employer in ten years' time? This is important to look into. We also want to have a clear idea of our employees' take on their changing role. The unions have accepted our invitation to join the thought process on this.

Remuneration

We pursue a transparent, controlled, and detailed remuneration policy that reflects APG's long-term vision and strategy. This remuneration policy has to enable us to attract qualified employees with integrity and to retain them in all positions in the organization.

To this end, we take an overall look at a combination of three aspects:
1. Internal ratios;
2. External ratios;
3. Conformity with society.

By the internal ratios perspective, we mean that there must be the right balance between the remuneration of the Executive Board and that of the employees, across the various parts of the organization, but also between men and women, for example. Where there are differences in remuneration, we must be able to explain and justify them. Where we cannot do so, we intervene. With attention for external ratios, we continue to look for the right balance between attracting talent while preventing excessive remuneration that cannot be explained. For this, we make use of specific benchmarks for jobs and organizational units. As an organization in the middle of society, we keep an eye on the standards and norms of the society of which we are part. We take responsibility for the social function that we perform by striking the right balance between fair remuneration and the goal of maximizing pension value.

We have a central remuneration policy in which, because of the direction we want to move in, we put a lot of attention on development and education, in addition to a good salary and a good pension scheme.

To achieve maximum pension value for our pension funds and their participants, APG needs professionals with the right knowledge, experience, and skills. APG strives to retain talent and, at the same time, to attract new talent through a remuneration structure that is aligned with this objective. Needless to say, pay is part of employees' total employment terms and conditions and appreciation.

The collective bargaining agreement effective January 1, 2021, includes a commitment on the part of APG, together with the unions, to further explore the remuneration and job evaluation system for APG during the term of the collective agreement based on the three above perspectives.

We differentiate in remuneration when necessary, primarily in the APG Asset Management domain. When it allows us to offer a distinct proposition to our clients, we consciously choose to make as many of these investments as possible ourselves, rather than outsourcing them to other parties. At present, we make roughly three quarters of the investments ourselves. Our own investment managers know very well how to translate the interests of our pension funds and participants into investment approaches. While it may seem as if this conflicts with the higher salary costs that we have to pay, our costs are actually much lower than they would be if we were to outsource the investments. We have, for example, been running a private equity program for several years now where we select and monitor private equity managers ourselves, and invest directly in real estate and infrastructure instead of making investment through funds that are managed by others. With these developments, we save our clients tens of millions per year in investment costs, meaning that more of the returns go to the participants.

However, when we conclude that outsourcing benefits our participants, we opt for outsourcing. For the remuneration of employees in other countries, we seek to strike a balance between what is acceptable and what is necessary locally to attract and retain good employees. These remuneration packages have a different structure and can be higher than in the Netherlands.

Variable remuneration

The only employees for which a variable remuneration is possible are those APG Asset Management employees that directly influence investments, and Entis employees. The level of the variable remuneration at APG Asset Management depends on the position, and quantitative and qualitative performance. Fifty percent of the variable remuneration depends on non-financial variables. When it comes to awarding variable remuneration, we are very meticulous.

The variable remuneration for a large part of these employees is, depending on how much it is, deferred. Half of it is paid in the year following the performance year and the other half is paid in three equal parts following a re-evaluation of the performance. In other countries, variable remuneration makes up a greater part of the total remuneration package. This has to do with local legislation and the local labor market. In these countries, performance-related remuneration is inherent in the culture. Here, too, we look at the three aspects and conclude that a total remuneration with a larger share of variable remuneration is necessary. We use variable remuneration to steer employee performance and to attract and retain the right employees.

Periodically, we carry out a risk analysis to determine whether our remuneration policy, and in particular variable remuneration, could lead to adverse remuneration incentives despite various controls implemented. Positions that have a material impact on APG Asset Management's risk profile are identified as Identified Staff annually. Our remuneration policy includes governing measures for these positions.

In this past financial year, the total amount of variable remuneration increased. The total amount of variable remuneration awarded in 2020 amounted to €46.7 million (€40.4 million in 2019). Of this total amount, €39.2 million (2019: €34.4 million) related to the foreign subsidiaries. This increase is mainly due to an increase in the number of employees who receive variable remuneration, both abroad and in the Netherlands. Most of this increase is a result of the increase in investments in private markets that has led to an increase in the number of employees, and in addition it is a result of the good 2020 performance.

Over 2020, nine employees (2019: seven) were allocated a total compensation that exceeded €1 million. All of these employees are employed abroad. The number of employees with a total compensation that exceeds € 1 million in any given year is susceptible to developments in foreign exchange rates. Total compensation includes fixed and variable remuneration, as well as other benefits.

Responsibility for the remuneration policy

APG applies laws and regulations as regards controlled remuneration. APG also adheres to the Dutch Corporate Governance Code. Primary responsibility for the remuneration policy lies with the Executive Board. The Supervisory Board oversees implementation of this policy and is advised by the remuneration committee.

The APG Asset Management board is responsible for the implementation of the APG Asset Management remuneration policy. APG Asset Management has its own supervisory board and a remuneration committee. The supervisory board adopts the remuneration policy based on a proposal by the APG Asset Management board. An assessment committee provides support in the field of remuneration policy. On this committee, the HR, Risk & Compliance, and Legal functions work closely together to ensure optimum structuring, supervision, and monitoring.

The internal auditor is not a member of this committee and carries out periodical independent audits of the structuring, implementation, and application of the policy.

Remuneration of the Executive Board

At the proposal of the Supervisory Board, the shareholders' meeting adopts the individual remuneration of the members of the Executive Board. This exception to the Corporate Governance Code is laid down in APG's Articles of Association and derives from the mitigated structure regime that applies to APG. Under this regime, the authority to appoint directors also lies with the shareholders' meeting instead of with the Supervisory Board, albeit that the Supervisory Board does make a proposal. For the remuneration of the Executive Board, too, we look at the same three aspects: internal ratios, external ratios, and societal perspective. The internal ratio between the remuneration of the Chief Executive Officer and that of the average employee is 4.9 (4.8 in 2019). For APG Netherlands alone, this ratio is 6.0 (5.8 in 2019). We periodically test the external ratios based on a carefully constructed external benchmark across comparable organizations. The social perspective is reflected in, among other things, the form of the remuneration. Just like the vast majority of employees, our Executive Board members receive a fixed salary and participate in the pension scheme on the same basis as other employees. Executive Board members are not eligible for variable remuneration.

We apply the same principles to members of the Supervisory Board. They present proposals on their own remuneration to the shareholders' meeting. Their remuneration must incentivize them in the performance of their duties and must be in keeping with their responsibilities.

Page 126 and 127 includes a summary of the remuneration of the Supervisory Board and the Executive Board. For more information, please refer to the remuneration report on the website. This report can be found on https://apg.nl/nl/over-apg/corporate-governance (in Dutch).

Works Council consultations

For our employees, the year was all about changes and challenges in both their work life and their private life. This was the subject of intensive consultations with the Works Council. Employees assimilated the virtually overnight transition to home working forced by the COVID-19 outbreak as best as possible, with understanding for everyone's personal situation. Throughout, the Works Council was briefed proactively on measures taken to guarantee a safe workplace for our employees.

On the recommendation of the Works Council, we explored the possibility of postponing, given the unprecedented circumstances, the proposed changes to the organizational structure and the workforce reductions. According to the Works Council, the situation made it impossible to fully meet the agreements from the current social plan. The Executive Board subsequently gave extra guarantees, so as to ensure that meticulous support for employees would not be jeopardized. This continued to be a sensitive issue in consultations between the Executive Board and the Works Council in 2020.

In the year under review, various requests for advice and requests for consent were processed. The Executive Board had twelve meetings with the Works Councils, while also convening twelve agenda committee meetings with the Works Council's managing committee.
While the Works Council was sympathetic to Gerard van Olphen's decision to resign as Chief Executive Officer, the Works Council regrets his stepping down early.

An issue that received a lot of attention in 2020 was the processing of the request for advice from 2019 on the closing of a Pension Administration department, which affects over 60 employees. It triggered widespread unrest in the workplace and discussion with the management of Pension Administration and the Executive Board. Intensive talks were held on the Works Council's view that employees must be able to keep working at APG as long as their role still exists. The Works Council trusts that this will be the case. Most of these employees left in June 2020. In November, primarily thanks to the Works Council, these employees were asked to come back to help us in going through the pension administration with a fine-tooth comb, as APG saw temporary work there that matched their profile.

A subject that the Executive Board discussed with the Works Council at length is the strategy to prepare APG for future changes. Thanks to these meetings, the Executive Board received the Works Council's input at an early stage, as the Works Council raised a number of focus points. Aside from that, the Works Council issued advice on the redistribution of responsibilities within the Executive Board.
There were two joint meetings of the Executive Board, Works Council, and the Supervisory Board. The Works Council also had several exchanges with Supervisory Board members appointed with enhanced right of recommendation and several talks with the Supervisory Board chairman. These exchanges were mutually appreciated. In 2020, the Works Council exercised its enhanced right to recommend by nominating José Meijer for appointment to the Supervisory Board. The Works Council looks forward to a pleasant working relationship.

Collaboration with the Works Council was set in an open and constructively critical atmosphere. The Executive Board would like to thank the Works Council and employees for their valuable efforts, their great expertise, and their commitment over the past year.

Chapter 6

Our look to the future

General

In 2020, APG put a defined strategy for 2025 on paper. The next five years will be about achieving the goals from this strategy. One key goal is for us to become an even more emphatically participant-driven organization. This is, in our view, crucial if we want to stay successful after the implementation of the New Pension Contract (NPC). A lot of time and effort is being dedicated to the NPC, which will have major consequences for our organization and systems. In addition, the COVID-19 pandemic will continue to have a major impact on our work in 2021. It is impossible to determine at this point how long we, as an organization, will experience the effects of this situation. In addition, we lack a clear picture of the broader impact on the economy and the industries in which our funds operate once this acute health crisis is behind us.

Challenges

A tremendous job: the new pension system

Given that it is now a fact that the Dutch pension system will be overhauled, and we will have a new pension system by January 1, 2026, we started preparing for it in earnest in 2020. Thus far, there is no clarity as to the specifics of the new system. The underlying legislation, for example, is still uncertain. Although the Dutch general elections in March 2021 may also add an unexpected twist, we expect the outcome of the Dutch pension agreement to stand. What we do know at this point is that the compulsory nature and collective investing will also be features of the new system. Other than that, we will switch to defined contribution, whereby the premium contribution is more or less fixed and the pension depends on the pension funds' investment results.

In 2020, we started preparations for a seamless "transfer" of all participants from the old to the new pension system. We will continue with these preparations over the coming years; they will have to be completed by 2026. In terms of technology, we are also facing a tremendous job, as we will be switching (partly) to new IT systems. It is also our duty to make sure that the Dutch working population is ready for the NPC, such as by supporting our funds in briefing their participants and employers on the upcoming changes. We also have to do all that while our normal operations continue.

We also see opportunities in the introduction of the NPC. This is the ideal moment to further improve our client focus through things such as good, timely, and people-focused provision of information about the NPC and the pensions of the future. The new system will put more of the uncertainty and risks on the participant's plate, which means they are going to need adequate guidance and support. This is also an opportunity to eliminate complex pension schemes and to contribute to what we expect to be a further consolidating pension market.

Total asset management solution

APG heavily depends on its Asset Management operations for its turnover and profit. The combination of fiduciary management and administration in one asset management domain is one of APG's key strengths.

As an asset manager, we operate in an international market. Our approach is known as the Service Investment Solutions model. While the core of this model is that we offer a total solution, behind the scenes we outsource parts of our pension administration operations to parties with better performance in this area. Aside from that, scale is a key factor and digitalization essential in the fast-changing asset management market to secure permanent extra returns for our clients. We realize that there is a need to up the pace of digitalization across the entire value chain.

High service demands

Participants have increasingly high expectations of their pension funds and the services we provide on their behalf. Their experiences with commercial service providers in the financial and other sectors serve as reference material in this respect.

Over the past few years, APG has taken steps to become a more participant-driven organization. The challenge we face in the years to come is to scale up and accelerate this development in order to be able to compete with parties in the market for income for today, tomorrow, and beyond. It will require great effort to change the way employees think and behave. The transition affects working methods, processes, and systems.

Coaching and advice

Over the coming years, it will continue to be APG's ambition to, step by step and in partnership with funds, support participants in getting a grip on their financial future. We also consider this to be in the public interest. One challenge in this respect is that, while we are seeing that many people could do with financial coaching and advice, they do not seek such help. For most people, the focus is on income in the here and now. There is a real chance that the NPC will be the trigger that activates people because it puts more of the responsibility on the participants. The expectation is that people will want to be able to get more insight into and more regular updates on the income they will have beyond the here and now. In any case, there is a need for such insight.

People and transition in uncertain times

We live in an age of many (major) changes that people have to get used to. Continuous change, agility, and flexibility are essential, but there is also a human aspect to change. Changes such as the transition to the NPC, further digitalization, and the COVID-19 crisis can lead to insecurity amongst our employees.

APG will strive to guide its employees through all the changes that lie ahead of us and provide additional education where possible, but also to prepare them for a future away from APG (if necessary). This will require genuine interest and commitment from APG, managers, and employees. Every individual stakeholder will have to take charge of their personal convictions, attitude, and behavior so that changes are turned into ambitions.

The world after the NPC

What the world will look like after the NPC, is still very unsure. We expect the pension world to continue to move for a while. For example, we think the consolidation in the pension world, in the best interest of participants, will continue. This goes for pension funds, but perhaps also for administrators. In addition, we expect new administrators to enter the market and some current administrators to possibly exit the market. This may lead to different propositions; some administrators will focus on the provision of basic services for low prices, whereas other administrators will focus on the provision of more extensive services. In this market it will be up to the pension funds to assess which proposition best suits the pension fund and its participants.

Chapter 7

How we run our organization

Corporate Governance

We want to be a trusted guide and a reliable partner for our clients and other stakeholders. In order to fulfill that role, we need good, modern corporate governance. With this in mind, we aim for a governance structure that complies with all of the relevant laws and regulations and that meets our stakeholders' needs, while also being aligned with APG Group NV's business operations.

Corporate Governance Code

APG complies with Dutch laws and regulations, the directives of supervisory authorities, and internal guidelines. Aside from that, APG adheres to the principles and best practices specified in the Dutch Corporate Governance Code (hereinafter referred to as the "Code"). Seeing as APG is not a listed company, we are not under an obligation to do so. However, given our role and responsibility as a pension administration organization, we have opted to voluntarily apply the Code. APG adheres to the Code almost in its entirety. Where in certain sections of this annual report certain principles and best practices from the Code are not applied, we explain the reasons why. This information is also available under "Compliance with the Corporate Governance Code" on our website.

Executive Board

The members of the Executive Board are jointly responsible for the day-to-day running of the organization, the strategy, results - including short-term and long-term value creation for clients - and for APG's sustainability performance. The Executive Board is also responsible for compliance with all relevant laws and regulations, risk management, and the financing of the company. The Executive Board is answerable to the Supervisory Board.

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

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

The Executive Board is also supported by sub-boards that each have their own focus area. In 2020, these were the following:

- the Portfolio Board, which deals with the use of scarce resources for change initiatives at APG that contribute to achieving the strategic goals;
- the IT Board, which focuses on ensuring a controlled, safe, flexible, and future-proof IT landscape;
- the Data Board, which focuses on data management.

Diversity

At year-end 2020, the Executive Board was made up of two women and two men, meeting the target ratio from the relevant Dutch gender balance legislation that stipulates that boards have to be at least 30% female.

Composition

On July 1, 2020, Wim Henk Steenpoorte stepped down as Executive Board member and holder of the Fund operations portfolio.

In September 2020, our CEO Gerard van Olphen announced his retirement as of May 1, 2021. He will be stepping down as CEO and chairman of the Executive Board as of March 1, 2021, and as member of the board as of April 1, 2021.

As of March 1, 2021, Annette Mosman has been appointed CEO of APG and chairman of the Executive Board.

Sustainability governance

We want to work on a future where we sustainably share our prosperity and well-being. Work on realizing this ambition consists of APG business units developing plans and performing activities in the area of the four sustainability pillars of “Industry Captain and Trusted Guide”, “International leader in responsible investment”, “Sustainable development of the Netherlands”, and “We practice what we preach”.

In late 2020, a decision was made to create a Sustainability Board. This board is to become the APG body that prepares decisions and policy in the area of sustainability. The Sustainability Board will comprise business unit managers and staff directors who, from their respective roles, give substance to each of the four sustainability pillars. The Sustainability Board will meet at least twice a year under the chairmanship of the portfolio holder on the Executive Board. The Sustainability Board will receive advice from work streams with representatives from business units and staff departments. The Sustainability Office will support the Sustainability Board, the work streams, and the business units, while also steering and stimulating the required developments. Intended decisions and policy will, if necessary, be submitted to the Executive Board for approval.

Sustainability performance progress and development are tracked and managed through the regular planning, control, and reporting cycle. The Sustainability Board will on a periodical basis discuss the KPI reports on APG’s sustainability performance. In line with the Corporate Governance Code, the Executive Board is responsible for the social aspects of business that are relevant to APG. The Executive Board renders account on this to the Supervisory Board and the General Meeting of Shareholders. In 2020, the governance and organization of sustainability efforts detailed above were adopted, and a Group Sustainability Officer was appointed.

Supervisory Board

The Supervisory Board oversees the policy and work of the Executive Board and assists it with advice. The Supervisory Board focuses on the company’s interests and long-term value creation. The Supervisory Board mainly concerns itself with the group’s overarching interests and focuses on the attainment of objectives, relations with shareholders, internal risk management and control systems, financial reporting, corporate governance, personnel developments, the effective and efficient conduct of the business, APG’s reputation, the culture of the Executive and Supervisory Boards and the performance of their functions. The Supervisory Board also oversees the implementation of APG’s general remuneration policy.

The Board submits proposals to the shareholders on the remuneration policy for the Executive Board and its implementation. In so doing, it takes account of the principles of a controlled remuneration policy as laid down in legal and regulatory provisions. Remuneration is ultimately adopted by the General Meeting of Shareholders.

The Supervisory Board also plays a key role in the appointment and removal of Executive and

Supervisory Board members. The formal authority to appoint and remove lies with the shareholders, but the Supervisory Board draws up the profile for the position, carries out the selection process, and prepares the appointments.

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

Diversity

At year-end 2020, the Supervisory Board was made up of two women and four men (33%/66%), meeting the target ratio from the relevant Dutch gender balance legislation that stipulates that boards have to be at least 30% female.

Composition

On September 5, 2020, José Meijer was appointed as a new member of the Supervisory Board. She replaces Edith Snoeij, who stepped down from the Supervisory Board as of April 1, 2020. In 2020, a decision was also made to reappoint Dick van Well to a second four-year term. On May 15, 2021, Sarah Russell will be appointed to the Supervisory Board, replacing Maes van Lanschot and holding a Supervisory Board membership for both APG and APG Asset Management NV.

Shareholders

APG Group N.V. has two shareholders: Stichting Pensioenfonds ABP (92.16%) and Stichting SFB (7.84%). During the financial year, the Supervisory Board regularly consulted with the shareholders, among other things on appointments and reappointments of members of the Executive and Supervisory Boards, shareholder relationships, and adoption of APG's 2025 strategy.

Integrity, Core Values, and Code of Conduct

In the Corporate Governance Code, long-term value creation is the central requirement for both the Executive Board and the Supervisory Board. At APG, we believe that long-term value creation is possible only when strategic goals are attained with integrity, which is why APG champions integrity in its operations. In defining our strategy, we have, therefore, formulated Core Values specifying what all APG employees should stand for and what kind of behavior that requires. We regularly raise awareness of the Core Values, such as by organizing Executive Board meetings with managers and employees.

Besides that, we have a Code of Conduct that helps APG employees be professional, ethical, and transparent in their actions. We draw attention to the Code of Conduct through publications on the intranet and information provided to employees and new recruits. Awareness of the Code of Conduct is also raised by asking employees to sign a compliance statement every year, which is basically a confirmation that they have complied with the Code of Conduct over the past year. Compliance with the Code of Conduct is, furthermore, monitored by checking, as and when they arise, private investment transactions, outside activities, invitations, and gifts against the rules in the Code of Conduct. Our Code of Conduct and compliance statement are available on our website.

Whistleblower Channel

Finally, we believe it is important for every suspicion of misconduct to be reported. Misconduct poses a threat to APG's integrity and reputation and that of its employees. This is why we have a Whistleblower Channel that allows all employees to anonymously report misconduct and irregularities, or suspicions to that effect.

When misconduct or a suspicion of misconduct is reported through this channel, the Chief Executive Officer and the Chief Compliance Officer are immediately notified of the potential misconduct or irregularity by the responsible reporting officer at APG. If the report relates to the Chief Executive Officer, the chairman of the Supervisory Board and the Chief Compliance Officer will be notified.

This whistleblower scheme is available at all units of APG-affiliated companies in the Netherlands and abroad. Both the Whistleblower Channel and the rules of procedure for the Executive Board provide for the Executive Board to notify the chairman of the Supervisory Board of reports of actual or suspected material misconduct. The rules of procedure for the Executive Board and those for the Supervisory Board state that an employee can report the matter to the chairman of the Supervisory Board if the misconduct or irregularity concerns a member of the Executive Board.

External supervision

De Nederlandsche Bank (DNB, Dutch central bank) is looking at the possibility of bringing pension administrators under its supervision (according to the law, DNB is responsible for supervising pension funds but not pension administrators). We are currently conferring with DNB on possible forms for this supervision. Pension funds rely heavily on pension administrators for the administration of pensions and for asset management. Such a change to supervisory practices will ultimately require an amendment to Dutch pension legislation. Although we are in favor of that, we have not reached that stage yet.

APG Asset Management NV (APG AM) manages assets for its clients. APG AM does this both on a group basis by managing investment schemes and on an individual basis by managing so-called “segregated accounts”. APG AM has been accredited for these activities by AFM (Dutch Authority for Financial Markets) and falls under AFM’s supervision based on the Alternative Investment Fund Managers Directive (AIFMD) and the Markets in Financial Instruments Directive (MiFID). At the same time, DNB exercises prudential oversight of APG AM, in respect of both its collective asset management and its asset management on an individual discretionary basis. When it comes to solvency requirements, APG AM follows the Internal Capital Adequacy Assessments Process (ICAAP).

Stichting Pensioenfonds ABP, which is both a shareholder and a client of APG, is a pension fund that comes under DNB’s supervision, as do the other pension funds that are clients of ours. The focus of this supervision is, among other things, on the outsourcing of pension administration services to APG.

Risk management

APG Group operates within the framework of its strategy which recognizes both opportunities and risks. We connect the main risks and opportunities to the value we want to create for our stakeholders. We identify and manage risks with a holistic approach, whereby we factor in both financial and social value.

APG Integrated Risk management

APG Integrated Risk management (AIR) consists of risk management governance and policy, risk appetite, the risk management process (supported by the risk & control framework), and risk reporting.

Risk governance and policy

The roles and responsibilities for managing and controlling risks are based on the generally accepted "three lines" model. The risk committees of the business units and of the Executive Board as well as the Supervisory Board's Audit and Risk Committee see to it that overall integrated responsibility for risk management is assured.

In 2020, further steps were taken to further devolve risk management activities to the business units. This will be followed up in 2021 by the creation of frameworks in the Risk & Compliance policy system. These are the frameworks within which APG aims to control its risks. These frameworks provide direction for the business units and departments to, within their scope of responsibility, incorporate risk management into their regular operations.

Such frameworks have been created for the risk taxonomy. The risk taxonomy comprises five risk categories. Each of these categories contains the main risks associated with APG's activities and that are in line with the regulations set by supervisory authorities. This is common practice in the pension industry. The risk taxonomy is updated every year.

However, the basis of sound and effective risk management within the organization lies, above all, in the promotion of a culture in which weighing up opportunities and risks on the basis of our risk appetite forms a part of our daily work at all levels of the organization.

Risk appetite

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

The Executive Board defines strategic risk appetite for seven elements that are affected by risks: continuity, reputation, relationships, solvency, integrity, services, and customer satisfaction. Aside from that, risk appetite has also been defined for each risk from the risk taxonomy separately. This is the so-called tactical risk appetite. In 2020, the risk appetite was reviewed and brought into line with APG's strategy and risk profile.

Risk management process

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

The risk & control framework helps us make sure that we stick to our desired risk profile: we do not take unnecessary or unwanted risks. It also gives us insight into the effectiveness of our critical control measures. As and when necessary, we take appropriate measures.

Risk reporting

We monitor risks in five risk categories on a continuous basis: strategic risk, operational risk, reporting risk, compliance risk, and financial risk. Every year, APG updates the set of key risks within these risk categories. Key risks ensue from external developments and APG's strategy and operations. Each quarter, we report on the current risk profile to APG's risk committee and the Supervisory Board's Audit and Risk Committee.

As part of the operational risk control process, a framework has been developed that contributes to APG being demonstrably "in control", both internally (corporate) and externally (on behalf of the pension funds). APG makes standard reports on this in line with ISAE 3402 and 3000A. Reports are compiled with regards to the pension administration and asset management processes. These reports have a multiclient set-up.

Over the whole of 2020, APG's risk exposure remained within the established tolerance limits. In a number of areas, there were heightened risks.

In the following, we will go into the most significant risks that occurred in 2020, broken down by the most important stakeholder groups.

General

The COVID-19 pandemic did not jeopardize operations directly, as primary processes could go on uninterrupted through remote working. That said, the pandemic did bring several new risks to the surface. APG has weighed the impact of these risks and put together a risk analysis that was updated throughout the year. This risk analysis applies to the company as a whole. It was adopted by the Executive Board and shared with the Supervisory Board. Throughout the year, we also liaised with the pension funds and supervisory authorities on the developments and risks that we identified.

We identified the following risks in relation to the COVID-19 pandemic:

- **Stakeholders:**
  The risk of reduced organizational overview and supervision as employees work from home, resulting in reduced internal control. This situation was monitored continuously. There is no reason to suppose that internal control has diminished or that APG and its funds have been exposed to a heightened risk in this area.
- **Strategy implementation:**
  The risk of the COVID-19 crisis causing operations to slump to such a degree that implementation of the strategy would stagnate. Strategic initiatives are subjected to close monitoring. Implementation of the business plans and, with that, implementation of the strategy has stagnated only to a very limited degree so far. A prolonged crisis situation may have an adverse effect on strategy implementation.
- **Employees:**
  From the start of the crisis, sick leave among APG employees has shown a downward trend. That being said, APG is fully aware of the adverse effects that the current situation has on employees, such as due to the reduction of social cohesion or loneliness among employees working remotely. Aside from that, it is important to ensure that new hires are inducted into the APG culture, at least to such an extent that they are made aware of the standards and strategic (core) values that APG stands for.

Risk management, clients

The pension agreement that the Dutch government has signed with the social partners is a milestone for the pension industry. It also comes with a level of uncertainty for pension administration organizations such as APG.

The choices that pension funds make in fleshing out the specifics of the New Pension Contract are decisive for APG's future. Pension funds will, for example, have to make choices in how to incorporate their old agreements into the new system and which forms of contracts they will offer. And then there is also the public debate to factor in: the elections and the approach adopted by political parties may still affect the progress of the NPC and the associated definitive pension legislation. These are things that still have to gain shape in 2021, but which will undoubtedly impact on APG's resources, processes, systems, and employees.

Our client pension funds' demand for ad hoc analyses is increasing due to the turbulent global economy, behavior of the various financial markets, and current developments in the Dutch pension sector. Our clients want properly substantiated advice to be able to make carefully weighed decisions. The requirements of prudential and conduct supervision have also become stricter in recent years in areas such as possible conflicts of interest and the duty of care. Demand for ad hoc analyses comes on top of the standard services provided to pension funds. We are sometimes unable to meet this demand, partly because of the COVID-19 pandemic and partly because we are struggling to fill vacancies. As a result, the people and departments conducting these analyses are under greater pressure, which opens up the risk of the quality of the analyses not being up to par. If APG fails to adequately respond to the increasingly dynamic environment and higher expectations and stricter requirements of its clients, clients may become dissatisfied, which may have consequences for services. This is a risk that we control through careful monitoring and by frequently liaising with clients.

In the future, participants will expect to have greater insight into their pension accrual. In order to tap into their changing needs, we are getting our organization ready to be able to coach and advise participants in a targeted manner. For this to be possible, we need our participants' basic details to be up to date in our systems. The risk of a backlog in changes is that data quality is not up to APG's standards, which may affect participants' pension payments. We have implemented various controls to make sure this does not happen. We are improving the quality of data, the data governance, and the associated risk management, and we are going for process digitalization using means such as straight-through processing.

With the new pension system approaching, we are once again and together with the pension funds thoroughly going over all of the details in our pension administration in a structured manner. Whenever we find inaccuracies, we correct them immediately. We have set up the Grip on Data program for this purpose. For ABP, we drew up an improvement plan in 2020. This included formulating correction interventions, some of which were already completed in 2020.

To make sure the foundations for realization of future strategic ambitions are in order, we persevered with the development of mature data management in 2020. The governance was set up further, including by appointing data owners. In addition, we made a data management roadmap for each business unit, charting the required maturity levels for data quality and governance. This roadmap also specifies what each business unit will have to deliver to make that happen. In 2021, the business units will get to work on implementing this roadmap.

Our internal controls need to be in good working order, meaning that there is transparency on how our primary processes run and which control and management measures are incorporated into these processes. APG has already detected room for improvement here, as also confirmed by the Dutch central bank (DNB) after an audit in 2019. APG is currently in the process of improving this transparency with the help of an external party. This project is expected to continue for much of 2021.

In 2020, an incident occurred with regards to the so-called PRINS parameter tool. The PRINS system handles and checks participants' data provided by employers, which is needed for correct pension accrual in the policy administration systems (including LifeTime and GPS). A protocol to guarantee the quality of the data entered (the four-eyes principle) was not followed correctly during a specific period of time, which could have resulted in incorrectly entered premium percentages. This could, in turn, have resulted in incorrect premium collection at employers. After the incident, it turned out that the data entered was correct; the incident did not have any impact on pension funds, employers, and participants. A complete check of all financial parameters in PRINS and BNU conducted for the whole of 2020 did not identify any new risks. We also took steps to ensure that this will not happen again. The incident did result in a qualification of the auditor's opinion with regards to parameter management as specified in the ISAE 3402 report on the GPS and LifeTime pension administration systems. The other ISAE 3402 and 3000 reports did not give reason for qualifications by the auditor.

Since January 13, 2019, pension funds are under a legal obligation to report to DNB the outsourcing of any activities to a third party. This duty to report applies to outsourcing and subcontracting of any work that is part of or ensues from the conducting of its business or the support of its essential business processes. This is partly why pension funds and the supervisory authority have increased their focus on APG's control over its outsourcing. Seeing as we do not want service continuity, integrity, and quality to be undermined by issues surrounding outsourced activities, we manage our outsourcing very closely.

APG processes personal data on a large scale for clients and as an employer. We attach great value to the lawful, appropriate, and transparent processing and protection of personal data. The risk is that our compliance with privacy laws and regulations, and then the General Data Protection Regulation in particular, is insufficiently demonstrable. APG is in the process of completing previously identified GDPR-related improvement points, for which we used e-learning and ran the “It’s in your hands” campaign. Our intention is to raise APG employees’ awareness of privacy, security, and compliance.

Cybersecurity must also be mentioned in this context. This is a permanent focus point for APG. Developments in this area are going extremely rapidly, as (new) threats emerge all the time, which results in a high inherent risk. The thing for APG is to keep drawing attention to this issue; raising awareness of cybersecurity risks will help strengthen the weakest link (humans).

Risk management, employees

In 2020, and more than ever before, we realized the necessity of being a flexible organization. The upcoming new pension systems also requires this of us. Over the coming years, APG will need to be able to anticipate and respond to those developments within and outside the company. We need to be able to create the required capacity, skills, and dynamics in our workforce.

Moreover, scarcity in the labor market puts pressure on the available capacity, particularly in emerging roles such as data management, but also in specific IT functions, risk management, and compliance. The risk of the workforce composition not being in line with APG's strategy continued to exist in this financial year. Strategic Workforce Planning (SWP) provides insight into developments, thus contributing to our ability to control this risk.

SWP also helps us in being able to implement our strategy and created the targeted value for our stakeholders. However, we do realize that the long lead time of SWP also constitutes a heightened risk: it is put lower on the list of priorities and leads to poor embedding in existing business plans. We are seeing that the business units are struggling to adequately predict the right competencies they need. Therefore, the new strategic roadmap includes a critical success factor specifically for SWP.

We do not know at this point what the long-term impact of remote working will be on our employees’ well-being. We realize that issues such as poor social cohesion, new hire induction, loneliness, and a potential increase in sick leave may play a major role. One possible long-term effect could be that employees experience a slump when they return to a normal situation, such as when physical or mental problems manifest themselves only when they struggle to come out of “always on” mode. APG needs to be prepared for this. We have taken an active approach to this by conducting periodical checks among employees and ensuring that managers have this potential issue top of mind.

Risk management, society

From the point of view of risk management, the control of political risk and publicity risk is of great importance to APG. The public debate in this area will be driven largely by the specifics of the NPC. However, the debate is also about the pension cutbacks that may be required at some pension funds that have fallen below the coverage ratio required by law. If funds do indeed proceed to cut pensions, society’s trust in the pension sector may sustain a serious hit. In the run-up to the general elections, political parties also weighed in on the subject of pensions.

The publicity risk is controlled in various ways. As an active shareholder, APG has, for example, specifically voted against the remuneration policy of a Dutch company on four occasions. And APG and a number of global investors have set up the Sustainable Development Investments Asset Owner Platform (SDT AOP). Both initiatives lend color to APG’s social commitment ambitions; they are receiving positive press coverage.

There is a chance of a reputational risk arising if we, as a prominent financial institution, were to use different standards for ourselves than we do for the companies in which we invest. This year, we formulated and adopted a sustainability policy, appointed a CSR manager, and set up a sustainability board. Seeing as all of this was done in the fourth quarter, we did not make the kind of progress that we had planned in 2020. Our ambition is to further shape the sustainability policy in 2021.

Risk management, shareholders

APG aims to be a financially sound organization for its shareholders. It is only then that we can ensure the continuity of the pension administration and implement the strategy. APG endeavors to have sufficient equity available with which to carry out strategic initiatives and absorb any financial or other damage or loss deriving from the risks identified. APG strives to obtain a socially responsible return of 6.1% on this equity, based on the returns achieved by comparable socially oriented undertakings, such as Eneco, NS, Schiphol, and Tennet.

APG has a positive solvency position. The COVID-19 pandemic did not have any adverse effects on APG. The risk of pension funds finding themselves in a difficult position because, for example, pension premiums were not paid or paid late did not or barely manifest itself. This means that it has not impacted services or the financial result.

APG has taken decisive steps in 2020 to turn the strategic plan for 2021-2025 into actual strategic initiatives. In order to be able to actually implement these strategic initiatives within the intended time span, we have put together a Strategic Implementation Plan. This plan will help us set priorities in managing the separate initiatives within the strategic pillars, but also across these pillars. Given the limited means and the major strain that these initiatives put on the available capacity, it is essential that they have the right focus.

Financial reporting risks

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

In Control Statement

As the Executive Board of APG Groep N.V., we are responsible for the design and implementation and operating effectiveness of the internal risk management and control systems. The internal risk management and control systems are intended to manage the strategic, financial, operational, compliance, and financial reporting risks associated with realizing APG's objectives. In the section titled Risk management hereinabove, we have provided the details of our main risks, 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 assurance that the financial reporting contains no material misstatements or that the system of internal control can fully prevent all errors, incidents of fraud or non-compliance with the relevant legislation and regulations.

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

Improvements have been made to the internal risk management and control systems.

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

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

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

Members of the Executive Board and Supervisory Board

Members of the Executive Board and Supervisory Board

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

Gerard's portfolio contains: Policy, Strategy & Change, Corporate Communications, Public Affairs, Group Internal Audit, and General Counsel/Corporate affairs. Gerard has occupied various managerial positions in the financial sector. Before joining APG, Gerard was chairman of the Executive Board of insurance company Vivat Verzekeringen.

Gerard will step down as CEO and chairman of the Executive Board as of March 1, 2021, and retire from the Executive Board altogether as of April 1, 2021.

Most significant (other) positions:
- Supervisory Board member, Hartstichting
- Supervisory Board member, Netspar
- Supervisory Board member, a.s.r.
- Chairman, Climate Council's financial task force

Nationality: Dutch
First appointment: March 9, 2016
Second appointment: March 9, 2020

Annette Mosman (female, 1967) is the Executive Board member responsible for Finance, Risk management, and Data (CFRO and CDO). She draws inspiration from working with a team of professional, enthusiastic colleagues on creating pension value for the participants of our pension funds. Making a real difference for the groups of employees that serve our society daily is what motivates her. Therefore, she tries to go the extra mile every day!

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

As of March 1, 2021, Annette has been appointed CEO and chairman of the board. She succeeds Gerard van Olphen.

Most significant (other) positions:

- Board member and treasurer, NOC*NSF Association
- Supervisory Board and Audit Committee member, Jeroen Bosch Hospital Foundation
- Supervisory Board member, Chairman of the Audit Committee and Investment Committee, Dutch Cancer Society KWF
- Board member, TBI Foundation
- Supervisory Board member, Ajax NV

Nationality: Dutch
First appointment: February 6, 2018

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

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

Most significant (other) positions:

- Vice-Chairman, Dufas
- Executive Board member, FCLTGlobal

Nationality: Dutch
First appointment: March 6, 2018

Francine Roelofsen - van Dierendonck (female, 1976) is a member of the Executive Board. In 2020, her portfolio changed as a result of the announced resignation of the CEO. Until October 2020, her portfolio was made up of Participant and Employer Services (DWS), Strategy & Change, and Corporate Communications. From October onwards, Francine has been responsible for Participant and Employer Services (DWS) and Fund operations (FB). Her ultimate drive is one that all APG employees have in common: “Pensions are about people, life, and living together. We make a difference so that we, our parents, and our children have a good income today, tomorrow, and beyond.”

Francine is responsible for Fund operations, Pension Administration and Management, Business Improvement & Change (BIC), as well as Marketing and Communication, Product Development and Innovation. Francine has extensive experience leading major and complex operations, with expertise in (digital) transformations gained at various consumer-oriented organizations. Before joining APG, she was general manager of the Xenos retail chain.

Most significant (other) positions:
- Supervisory Board member, Royal HaskoningDHV

Nationality: Dutch
First appointment: November 1, 2018

Members of the Supervisory Board

Pieter Jongstra (Chairman) (male, 1956)

Most significant (other) positions:

- Board member and treasurer, Ondersteuning Nederlandse Bachvereniging Foundation
- Supervisory Board member, Mazars Group
- Supervisory Board member, CZ

Nationality: Dutch
First appointment: February 4, 2015
Second appointment: February 4, 2019
Term of appointment: 4 years

Dick van Well (Vice-Chairman) (male, 1948)

Most significant (other) positions:

- Supervisory Board member, Dura Vermeer Groep N.V.
- Supervisory Board member, Avenue Beheer B.V.
- Advisory board member, LSI Projectinvestment N.V.
- Independent Chairman, Stichting Administratiekantoor PPF Participatie Fonds
- Board member, Nationaal Programma Rotterdam Zuid
- Chairman of the Supervisory Board, Kikx Holding B.V.
- Director, Stichting Continuïteit Feyenoord
- Supervisory Board member and Chairman of the Selection, Remuneration and Appointment Committee, Stedin Netbeheer B.V. (until February 12, 2021)

Nationality: Dutch
First appointment: November 14, 2016
Second appointment: November 14, 2020
Term of appointment: 4 years

Roger van Boxtel (male, 1954)

Most significant (other) positions:

- CEO, NS Group N.V. (until September 30, 2020)
- Chairman of the Supervisory Board, Museum De Fundatie
- Chairman, Amsterdam Sinfonietta
- Member, Algemene Ledenvergadering Ajax
- Chairman, JC Bloem Prize (until January 1, 2021)
- Chairman, Klankbordgroep Werk aan Uitvoering voor MR (until January 1, 2021)

Nationality: Dutch
First appointment: July 16, 2015
Second appointment: July 16, 2019
Term of appointment: 4 years

Claudia Zuiderwijk (female, 1962)

Most significant (other) positions:

- Managing Director, Amsterdam Public Transport Company GVB (as of October 1, 2020)
- Supervisory Board member, KPN N.V.
- Ambassador, NEMO Science Museum Center, Amsterdam

Nationality: Dutch
First appointment: July 27, 2015
Second appointment: July 27, 2019
Term of appointment: 4 years

José Meijer (female, 1955)

Most significant (other) positions:
- (Interim) Chairman, Pensioenfederatie (board member until June 2020)
- Member, FNV pensioenteam
- Chairwoman, Stichting Zelfregulering Pensioenfondsen
- Board member, Algemene Centrale van Overheidspersoneel (until September 30, 2020)
- Committee on Workers' Capital, worldwide network for union pension fund trustees, chair of the Trustee Leadership
- Chairman Partij van de Arbeid in Weert (political party)

Nationality: Dutch
First appointment: September 5, 2020
Term of appointment: 4 years

Maes van Lanschot (male, 1952)

Most significant (other) positions:

- Chief Financial Officer, TropIQ Health Sciences B.V.
- Managing Director, Landgoed Zwijnsbergen B.V.
- Supervisory Board member, APG Asset Management N.V.

Nationality: Dutch
First appointment: May 15, 2013
Second appointment: May 15, 2017
Term of appointment: 4 years

Heerlen, March 2, 2021

The Executive Board:

Annette Mosman, Chairman

Gerard van Olphen

Francine Roelofsen - van Dierendonck

Ronald Wuijster

Chapter 8

Supervisory Board Report

In 2020, despite the impact of the COVID-19 pandemic, APG has made major strides in implementing the strategy aimed at maximizing pension value. Building your sustainable future together is the mission that gives direction to this strategy. In 2020, circumstances added an extra dimension to this mission. Due to the impact of the COVID-19 pandemic, the concept of "together" became an important theme in society in many ways. Securing an income for today, tomorrow, and beyond plays a key role in this respect, as does ensuring a livable world for generations to come. APG aims for maximum impact in building trust in the Netherlands' unique collective pension system.

The Supervisory Board was appointed by APG's shareholders (ABP and SFB) to safeguard the organization's continuity. The Supervisory Board does this by, among other things, supervising and advising the Executive Board, and liaising regularly with the Works Council. Furthermore, the Supervisory Board employs the members of the Executive Board. Although the Supervisory Board is further removed from day-to-day operations, the members and the Board as a whole are highly involved, and the Board has regular contacts with various APG departments and employees.

Important focal points this financial year

Developments in the pension sector

APG is preparing itself for the overhaul of the pension system, which the Dutch government has branded the New Pension Contract (NPC). The NPC will mean a drastic change to the pension system for all participants and requires APG's full focus on making changes to the configuration of its systems and processes. These kinds of major changes to pension administration operations are highly complex. The fundamental change at the heart of it all is the switch from defined benefit (DB) to defined contribution in the Dutch pension system. APG finds itself on the eve of a series of exceptionally drastic changes that will put great demands on our capacity for change and require our full attention and meticulousness in providing our pension services to all participants.

Luckily, APG can rely on the extensive knowledge and skills that are available across its organization to address this complex change process. APG's knowledge was also tapped in creating the NPC. Additionally, APG has offered its knowledge on relevant aspects concerning the feasibility of the NPC. The so-called "incorporation," collectively transferring participants from the old to the new system, is a key part of this. The Supervisory Board is very pleased with how APG has been able to play a meaningful role in the NPC process so far.

The Supervisory Board is both support and advisor to APG's Executive Board. In this capacity as a sounding board, the Supervisory Board keeps a close eye on further developments with the NPC and is actively involved in discussions and decisions on how APG will handle the impact of the coming changes.

Controlled pension administration

APG sets great store by ensuring controlled pension administration. To make that happen, APG is currently in the process of proactively getting all participant and employer data in order in its systems. This is especially important given the upcoming NPC. Pension administrators have to navigate a complex system of regulations and exceptions to these regulations. In the past, errors were made in this respect, which was very unfortunate for the participants, employers, and funds that were affected, as well as for APG itself. In the current system, these past errors could still be addressed and solved. In the NPC, however, that will be impossible and any past errors will have to be solved before we can migrate our existing pension administration operations to the new system and incorporate participants into it. In the best interest of participants, APG wants to start with a clean slate. To get ready for the upcoming NPC, APG has split the great purge of past errors into three parts called “Clear water”, “Clear path”, and “Clear horizon”. “Clear water” sees to it that all records are completely error-free for migration to the NPC. The “Clear path” part of the project is all about ensuring a controlled and systematic implementation of the NPC and adequate support for pension funds. “Clear horizon” represents the course that APG is taking.

Migrating from the current system to the NPC is not without risk. Data will have to be incorporated all in one go because the old system cannot be kept up and running alongside the new NPC system, not even for a certain period of time. IT plays a crucial support role for the NPC, as controlled pension administration hinges on well-functioning systems. APG will have to decide whether to develop such support itself, procure it, or organize it in partnership with a third party. The Supervisory Board will keep a close eye on these risks and the associated decision making.

The Supervisory Board is all too aware of the fact that the NPC will bring a series of changes and, therefore, have major impact on current certainties with respect to all participants’ pensions. Knowing that, the Supervisory Board will closely monitor any developments in the area of controlled and reliable pension administration and any measures taken by APG in this respect on an ongoing basis.

Implementation of the current strategy and 2025 strategy

Every quarter at the Supervisory Board meeting, APG reports on its performance. In 2020, performance was on schedule despite the COVID-19-related measures that were taken. The Supervisory Board focused specifically on adoption of the business plan for 2021 and the associated financial specifics.

From the start of the 2025 strategic process, the Executive Board actively kept the Supervisory Board informed of progress on formulating the strategy. APG’s vision and long-term goals from the current strategy (2018) were concretized and subsequently captured in a strategic roadmap for 2021-2025. In so doing, APG kept its eye on the higher goal: “In 2025, APG is the go-to expert for financial advice.” In 2020, the foundations were laid for a keener focus in and a recalibration of the strategy for 2025 in light of the imminent NPC. In this context, it is important to the Supervisory Board that the 2025 strategy be clear to all employees and that all employees buy into it. To boost employee commitment to the 2025 strategy, it needs to be made clear what the strategy means for APG as an organization and for individual employees. This means conveying the specifics of the conduct and actions that go with the new strategy. In 2021, the Executive Board will have to put further effort into this.

The Supervisory Board also looked closely at various stakeholders’ position in the 2025 strategy.

The Supervisory Board signed off on the core 2025 strategy document in December 2020. APG’s positioning and reputation as part of the 2025 strategy were regularly addressed at Supervisory Board meetings.

Over the past year, the Supervisory Board has been able to ascertain that APG is an adaptive company that knows how to handle drastic changes, such as the COVID-19 and the NPC. The Supervisory Board is confident that APG will manage to overcome both these challenges.

The impact of the COVID-19 pandemic on APG

The Supervisory Board is proud of the agility that APG has shown as an organization since the outbreak of the COVID-19 pandemic. Operational continuity and pension administration were never threatened, as all pensions were paid as usual and on time. APG employees have also settled into remote working.

The Supervisory Board also focused its attention on the impact that the COVID-19 situation had on the development of investments and on the value of participants' pensions.

Aside from that, the Executive Board and the Supervisory Board kept a close eye on employee well-being throughout the entire COVID-19 period. This included a special focus on employees at our offices in New York and Hong Kong, as the situation there was particularly alarming due to the rapid rise in the number of COVID-19 cases.

Over the first few months after the outbreak, the Executive Board liaised with the Supervisory Board on an ongoing basis through update calls alongside the regular meetings.

The Supervisory Board itself is also tracking the relevant risks throughout the pandemic. A special COVID-19 risk analysis prepared for the Board showed that the risks were under control. Over the coming period, the Supervisory Board will also start focusing on the pandemic's impact in terms of permanent changes for participants, employers, funds, and APG's own operations.

Sustainability as a key strategy component

Sustainability is a particularly important strategic theme for APG, which the Supervisory Board fully endorses. The Supervisory Board finds it immensely important that sustainability considerations become part of APG's DNA, emphasizing the importance of the tone at the top in conveying this.

As a provider of asset management services, APG uses its influence with the companies in which it invests to, on behalf of pension funds, urge them to pursue sustainable operations and incorporate sustainability into their strategy. The Supervisory Board has stressed with the Executive Board that APG must pursue the same sustainability goals for its own operations. The Supervisory Board is pleased that the goal set in 2018 to meet at least the same requirements that we set for our investments was achieved in 2020. APG has also made up significant ground in the areas of sustainable premises and diversity & inclusion, and plans have been made to decarbonize its workforces' commute.

The Supervisory Board concludes that while APG has undeniably made progress in the area of sustainability, there is still a lot of work left to do. APG has set itself the goal of being a fully climate-neutral operation by 2030. The Supervisory Board endorses APG's plans to further decarbonize its operations and will keep closely monitoring progress made in the area of sustainability.

Governance

Governance structure

In a changing pension landscape, the Supervisory Board and the shareholders must keep their mutual lines of communication open to address the implications of the changes and to shape them in the existing shareholder relationship. To this end, we discuss various possible scenarios for the future that focus on topics such as a sharper focus in our strategy and increasing scale.

In 2021, such talks will continue. APG and the Supervisory Board will, together with ABP and SFB, keep doing their utmost to ensure good governance and optimum fulfillment thereof.

Executive Board composition and performance

From January 2020 to the end of June 2020, the Executive Board had five members:

- Gerard van Olphen, CEO
- Annette Mosman, CFRO
- Ronald Wuijster, member responsible for Asset Management
- Francine Roelofsen-van Dierendonck, member responsible for DWS
- Wim Henk Steenpoorte, member responsible for Fund operations

The Supervisory Board reappointed Gerard van Olphen to the position of CEO as of March 9, 2020. On September 7, 2020, the Supervisory Board announced that Gerard van Olphen had chosen to resign his position in the spring of 2021.

On July 1, 2020, Wim Henk Steenpoorte stepped down from the Executive Board. Francine Roelofsen-van Dierendonck took over his portfolio (Fund operations). As of the same date, Wim Henk Steenpoorte was put in charge of implementing the NPC at APG.

The Supervisory Board prioritized finding a suitable successor to Gerard van Olphen. A good candidate was found in Annette Mosman, who has been appointed as chairman of the board as of March 1, 2021. The Supervisory Board will focus on senior management structure, including finding a suitable candidate for the position of CFRO, that has become vacant due to the appointment of Annette Mosman.

Organization of the Supervisory Board

Supervisory Board composition and (re)appointments

On January 1, 2020, the Supervisory Board was made up of six members.

Jaap van Manen stepped down as the Chairman of the Supervisory Board as of January 1, 2020. After initially taking over the chairmanship on an interim basis, Pieter Jongstra was appointed permanent Chairman of the Supervisory Board on January 24, 2020. Edith Snoeij's second term as a Supervisory Board member ended as of April 2020. Her departure meant that the Supervisory Board membership was reduced to five. On September 5, 2020, José Meijer was appointed to the Supervisory Board to fill the vacancy created by Edith Snoeij's departure. From that moment onwards, the Supervisory Board was made up of six members again. Dick van Well was appointed Vice-Chairman of the Supervisory Board as of January 1, 2020. In November 2020, Dick van Well's membership of the Supervisory Board was renewed.

Due to the ending of the second term, Maes van Lanschot will step down from the Supervisory Board as May 15, 2021. In the spring of 2020, the Selection Committee started its search for a successor with the same profile as Maes van Lanschot (institutional asset management). A good candidate has been found in Sarah Russell. She will succeed Maes van Lanschot as of May 15, 2021 as the member with the institutional asset management profile in both the APG Group Supervisory Board and the APG Asset Management Supervisory Board.

Meetings

The Supervisory Board convened ten formal meetings last year. In most cases, all members of both the Supervisory and the Executive Board were present at those meetings. The meetings were held in Heerlen, Amsterdam, and, due to the COVID-19 restrictions, also online on Microsoft Teams.

Please find below a table with the attendance rate of each Supervisory Board member for Supervisory Board and various committee meetings.

Besides the regular meetings, the Supervisory Board also got together for additional deliberations on specific topics a total of fifteen times. On each of these occasions, the Executive Board members also joined the meeting.

	Supervisory Board	Audit- en Risk Committee	Remuneration and Selection Committee	Governance Committee
Maes van Lanschot	10/10	6/6	n/a	n/a
Edith Snoeij (until April 2020)	4/4	n/a	1/1	0/0
Pieter Jongstra	10/10	6/6	n/a	1/1
Claudia Zuiderwijk	9/10	5/6	4/4	n/a
Roger van Boxtel	9/10	n/a	2/2	0/1
Dick van Well	10/10	n/a	6/6	n/a
José Meijer	4/4	n/a	3/3	n/a

Committees
Over the period from January through to June 2020, the Supervisory Board had three committees: the Audit and Risk Committee, the Remuneration and Selection Committee, and the Governance Committee. Given that it had been set up as a temporary Supervisory Board committee, the Governance Committee was discontinued as of June 2020. Subjects handled by the Governance Committee were subsequently passed on to the Supervisory Board, the Audit and Risk Committee, or the Remuneration and Selection Committee. The committees share their findings with the full Supervisory Board at every meeting.

Audit and Risk Committee
As of January 1, 2020, Claudia van Zuiderwijk took over from Pieter Jongstra as the Chair of the Audit and Risk Committee. In addition to the Chair, the committee includes Pieter Jongstra and Maes van Lanschot. Besides the regular subjects, such as quarterly reporting on Finance, Risk, and Audit, the committee also addressed the following subjects in 2020: IT and data management, business planning and framework development, and controlled pension administration.

KPMG attended all meetings in 2020. They have been able to provide input or additional information on all topics on the agenda. The key focus being the annual report, accountancy statement, and management letter.

Remuneration and Selection Committee
From January to June 2020, the Remuneration and Selection Committee was made up of Edith Snoeij (chairman), Dick van Well, and Claudia Zuiderwijk. As of June 2020, Dick van Well took over the gavel from Edith Snoeij. José Meijer and Roger van Boxtel joined the committee from the Supervisory Board as of October 1, 2020. Claudia Zuiderwijk stepped down from the committee as of September 1, 2020.

In 2020, the Remuneration and Selection Committee addressed not only the regular subjects at its meetings but also the following subjects: the successions of Edith Snoeij, Maes van Lanschot, Gerard van Olphen and Wim Henk Steenpoorte, Dick van Well's reappointment, the remuneration policy for senior management and how the remuneration policy relates to APG, the new collective bargaining agreement, the results of the employee engagement survey, the results of the staff pulse survey after the lockdown (which allowed employees to share their thoughts on and experiences with home working, share how they are doing, and how they perceive APG), and diversity & inclusion.

Relationship with the Works Council
Up to April 2020, the Supervisory Board delegated Edith Snoeij and Roger van Boxtel to liaise with the Works Council on a regular basis. José Meijer took over this role from Edith Snoeij in September. In February and June 2020, the Supervisory Board attended a consultative meeting of the Works Council.

Talks between the Supervisory Board and the Works Council focused on things such as how the Executive Board has handled the follow-up to the pension administration reorganization, the strategy, other requests for advice, and more regular updates.

Quality assurance

Permanent education

The permanent education session of September 22, 2020, dealt at length with the implications of the NPC and the 2025 strategy.

Self-assessment

In January 2020, the Supervisory Board discussed the self-assessment performed in 2019. The self-assessment focused on things such as the Supervisory Board's role as a sounding board and sparring partner to the (members of the) Executive Board. Aside from that, the details of effective chairmanship and teaming (making teams, mutual relations, and group process) were also evaluated. The Supervisory Board followed up on the results of the assessment on the points mentioned above.

Independence of Supervisory Board members

The Articles of Association and the Supervisory Board's rules of procedure contain stipulations about the independence of its members. The Supervisory Board is composed in such a way that its members can operate critically and independently vis-à-vis one another, the Executive Board and any other particular interest. With the exception of José Meijer, all the current members of the Supervisory Board are completely independent as defined in the Dutch Corporate Governance Code. Up to her appointment to APG's Supervisory Board, José Meijer was a director at ABP, one of APG's two shareholders. There were no reports of any conflicts of interest in 2020.

2020 annual report and financial statements

The Supervisory Board approves the 2020 annual report of the Executive Board, the 2020 financial statements, and accepts the audit certificate. We propose that the shareholders adopt this report and the financial statements and approve the proposed dividend.

A word of thanks

The Supervisory Board would like to thank Gerard van Olphen for his leadership and the tremendous commitment he has shown as APG's CEO over the past years. He headed up an intensive process that has woven participants' interests into every fiber of the organization. He also helped shape the new 2025 strategy.

The Supervisory Board also owes a debt of gratitude to Wim Henk Steenpoorte for his efforts and contribution as director since March 2017, especially in the areas of Fund operations, IT, Facility Services, and Workspace.

In addition, the Supervisory Board thanks Edith Snoeij for the eight years that she was one of us and contributed greatly to APG's development with her expertise and dedication.

Finally, the Supervisory Board would like to thank all APG employees for their commitment over the past year, during which most of the work had to be done from home. Thanks to the enthusiasm and the dedication of the employees, the strategy can really take shape and be executed. The board is very grateful for that.

Heerlen, March 2, 2021

The Supervisory Board:

Pieter Jongstra, Chairman

Dick van Well, Vice-Chairman

Roger van Boxtel

Maes van Lanschot

José Meijer

Claudia Zuiderwijk

Chapter 9

Financial Statements

Preface

In front of you lies the financial statements of the APG Group, in which we account for 2020 in accordance with legislation and regulations.

Consolidated financial statements

Consolidated balance sheet at December 31, 2020

before profit appropriation, in thousands of euros]

	31-12-2020	31-12-2019
ASSETS		
Non-Current Assets		
Intangible assets (1)	160,546	206,185
Property, plant and equipment (2)	22,744	22,466
Financial non-current assets (3)	48,656	45,115
	231,946	**273,766**
Current assets		
Receivables and prepayments (4)	304,233	311,737
Cash & cash equivalents (5)	491,684	592,453
	795,917	**904,190**
TOTAL ASSETS	**1,027,863**	**1,177,956**
LIABILITIES AND EQUITY		
Equity (6)		
Equity (6)	631,317	764,020
	496	511
	631,813	**764,531**
Provisions		
Deferred taxes (7)	-	1,832
Other Provisions (8)	79,651	82,933
	79,651	**84,765**
Non-current liabilities (9)	**10,911**	**10,911**
Current liabilities and accruals (10)	**305,488**	**317,749**
TOTAL LIABILITIES & EQUITY	**1,027,863**	**1,177,956**

Consolidated profit & loss account for 2020

In thousands of euros

	2020	2019
Net turnover		
Management fees (11)	741,066	712,655
Other operating income (12)	21,897	23,305
Insurance premiums (13)	-	94,493
Investment results (14)	-	113,816
Total operating income	**762,963**	**944,269**
Costs of outsourced work and other external costs (15)	107,438	105,222
Personnel costs (16)	424,429	414,038
Change in provision for insurance liabilities (17)	-	80,241
Benefit payments (18)	-	82,584
Amortization and depreciation of non-current assets (19)	54,852	55,629
Other operating expenses (20)	126,260	128,228
Total operating expenses	**712,979**	**865,942**
Operating profit	**49,984**	**78,327**
Interest and similar income (21)	**1,672**	**2,924**
Interest and similar expenses (22)	**4,378**	**6,349**
Result before taxes	**47,278**	**74,902**
Taxes (23)	-4,717	-6,405
Share of profit/(loss) of associates (24)	-738	-15,070
Result after taxes	**41,823**	**53,427**
Non-controlling interests	-1	-22
Net result	**41,822**	**53,405**

Pro forma: Consolidated profit & loss account 2020

(group result 2020 exclusive Loyalis)

	2020	2019
Net turnover		
Management fees (11)	741,066	712,655
Other operating income (12)	21,897	22,798
Total operating income	**762,963**	**735,453**
Costs of outsourced work and other external costs (15)	107,438	98,810
Personnel costs (16)	424,429	407,535
Amortization and depreciation of non-current assets (19)	54,852	55,629
Other operating expenses (20)	126,260	119,751
Total operating expenses	**712,979**	**681,725**
Operating profit	**49,984**	**53,728**
Interest and similar income (21)	**1,672**	**2,924**
Interest and similar expenses (22)	**4,378**	**6,311**
Result before taxes	**47,278**	**50,341**
Taxes (23)	-4,717	-7,458
Share of profit/(loss) of associates (24)	-738	-501
Result after taxes	**41,823**	**42,382**
Non-controlling interests	-1	-22
Net result	**41,822**	**42,360**

Consolidated cashflow statement for 2020

in thousands of euros

	2020	2019
OPENING BALANCE OF CASH		
Operating profit	49,983	78,326
Adjustments for:		
- Amortization and depreciation of non-current assets (19)	54,852	55,629
- Transaction result Hyfen	-1,454	
- Foreign exchange differences	-1,549	
- Net investments for trading purposes	-	40,628
- Changes in working capital:		
- Increase in receivables, prepaid expenses, accrued income, etc. (4)	7,496	-26,755
- Increase in receivables from reinsurance	-	-69,139
- Increase in current liabilities and accruals, corrected for corporate income tax (10)	-9,766	17,977
- Change in insurance liabilities	-	153,895
- Change in other provisions (8)	-1,540	16,674
Cash flow from business transactions	**98,022**	**267,235**
Interest received	613	2,924
Interest paid	-3,991	-6,349
Dividend received	-	-
Corporate tax received	-	303
Corporate income tax paid	-9,014	-18,096
CASH FLOW FROM OPERATING ACTIVITIES	**85,630**	**246,017**
CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES		
Investments in non-current assets	-9,885	-10,873
Dinvestments in non-current assets	-	407
Disbursements in respect of capital contributions to non-consolidated investees	-	-300
Sale of interest in Loyalis	-	436,180
Cash & cash equivalents of Loyalis at April 30	-	-169,238
Cash & cash equivalents of liquidated Loyalis entities	-	1,905
Acquisition of interest in participations	-600	
Redemption of loans	1,457	
Purchase of securities	-1,874	
Sale of securities	924	
Capital contribution in participation	-300	
CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES	**-10,278**	**258,081**
CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES		
Dividend paid to shareholders	-83,000	-350,208
Dividend paid to minority interests	-	-29,792
Pre-financing corporate income tax on the sale of Loyalis	-	9,803
Capital reduction paid to share holders	-90,000	
CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES	**-173,000**	**-370,197**
Net cash flow	**-97,648**	**133,901**
Price and translation differences on cash & cash equivalents	-3,121	42
CHANGE IN CASH & CASH EQUIVALENTS	**-100,769**	**133,943**
Opening balance, cash & cash equivalents (7)	592,453	458,510
Closing balance, cash & cash equivalents (7)	491,684	592,453
CHANGE IN CASH & CASH EQUIVALENTS	**-100,769**	**133,943**

Basis of preparation and accounting policies

Introduction

Activities

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

Group relationships

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

APG Groep NV is a company with a two-tier board structure and holds three wholly-owned subsidiaries: APG DWS en Fondsenbedrijf NV and APG Asset Management NV. APG Group also has a direct holding of 76% in Entis Holding BV. APG Group has a number of indirect equity interests. The complete structure is shown in the list of equity interests. This list is included as part of the notes to the company financial statements on page 118.

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

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

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

Going concern

These financial statements have been prepared on a going-concern basis. From a business economic perspective, the Covid-19 risks for the APG organization are small because the service to customers can be fully continued. Moreover, the credit risk of the most important customers is relatively limited and there are often price agreements that are independent of developments in the financial markets.

General

The financial statements relate tot the year 2020, ending on December 31, the date of the balance sheet, and have been prepared on the basis of financial reporting principles generally accepted in the Netherlands and the statutory provisions concerning financial statements contained in Title 9, Book 2 of the Dutch Civil Code. Article 2:402 of the Dutch Civil Code was applied for the format of the company profit and loss account. Consequently, in the company-only profit and loss account only the share in profit/(loss) of investees and other results after deduction of taxes are shown as individual items. These financial statements have been prepared on a going concern basis.
All amounts in the financial statements are shown in thousands of euros, APG's functional currency, unless stated otherwise.

Comparison with the previous year
There have been no changes in the accounting principles with respect to the previous year. For the sake of insight and comparative figures the accounting policies for the insurance activities will be enforced this financial year. To provide insight into the structural effects of sales on the figures of APG Groep NV, in addition to the financial statements 2020, a pro forma consolidated profit and loss account is attached (2019 figures excluding Loyalis and the incidental effects as a result of the sale of Loyalis).

Estimates
Making accounting estimates is unavoidable when preparing the financial statements. If there is a change in an estimate, this is mentioned in the note to the section of the heading in the financial statements concerned.

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

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

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

Recognition
An asset or liability is recognized on the balance sheet from the time when contractual rights or liabilities arise with regard to that instrument. An asset is recognized in the balance sheet when it is probable that the future economic benefits of the asset will flow to the company and the amount of the asset can be measured reliably. A liability is recognized in the balance sheet when it is probable that an outflow of resources will result from its settlement and the amount thereof can be measured reliably.

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

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

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

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

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

Financial instruments
Financial instruments include investments in equities and bonds, trade and other receivables, cash, loans and other financing liabilities, derivative financial instruments and trade and other payables.

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

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

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

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

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

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

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

Hedge accounting

When using cost price hedge accounting, the first valuation and the basis for recognizing the hedge instrument on the balance sheet and determining its result depends on the hedged position. If the hedged position is recognized on the balance sheet at cost price, the derivative is also carried at cost price.
If derivative instruments expire or are sold, the cumulative profit or loss until that point, which had not yet been recognized in the profit and loss account, will be included on the balance sheet as an accrued item until the hedged transactions take place. If the transactions are no longer expected to take place at all, the cumulative profit or loss will be transferred to the profit and loss account.

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

Risk paragraph

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

Liquidity risk

APG Groep monitors the liquidity position by means of successive liquidity budgets. Management sees to it that the organization always has sufficient liquidity available to be able to meet its commitments. This is also taken into account of the liquidity requirements imposed by regulators. Temporary surpluses of liquid assets are placed short-term in the money market, applying the risk-limiting conditions, such that any risk to the principal at the end of the placement period is completely excluded by the counterparty.

Credit/counterparty risk

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

Concentration risk
In the interests of risk diversification, a maximum of 20% of the total liquidity portfolio is held within one party. In 2020 the maximum of 20% has been exceeded slightly, with 20,7% for ABN en 20,4% for ING.
APG Group runs a concentration risk if it is dependent on the provision of services of one client. APG Group has a concentration risk given the relative importance of the largest client. This risk is mitigated by giving substance to the strategic partnership in continuous dialogue with the biggest client and by means of active stakeholder management.

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

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

Price risk
APG Group has no direct investments, and therefore the price risk was zero at year-end 2020.

Basis of valuation of assets and liabilities

General

The figures of 2019 have been reshuffled for comparison reasons. These are further breakdowns within the category of current assets and current liabilities.

Non-current assets

Intangible assets (1)

Intangible assets are valued at acquisition or manufacturing cost, net of straight-line amortization. The amortization term is based on the expected useful life. At each balance sheet date an assessment is carried out to determine whether there is any indication that an asset may be subject to a particular reduction in value. If there are indications that the recoverable amount (the greater of value in use and realizable value) is less than the carrying amount, an impairment is recognized in profit and loss and explained in the notes.
Reversals of earlier impairment losses are also recognized in profit and loss. Impairment losses on goodwill are not reversed in subsequent periods.

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

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

Property, plant and equipment (2)

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

Financial non-current assets (3)

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

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

Deferred tax assets, including receivables arising from tax loss carryforwards, are recognized in the balance sheet to the extent that it is likely that there will be future taxable profits against which temporary differences and tax loss carryforwards can be offset. The calculation takes account of tax rates applicable in future years to the extent that these have already been enacted. Recognition is at nominal value. If the deferred tax asset is of a short-term nature, it is included under receivables, prepayments, and accrued income.
At each balance sheet date an assessment is carried out to determine whether there is any indication that an asset may be subject to a particular reduction in value. If there are indications that the recoverable value of a financial non-current asset is lower than the carrying amount and likely to remain so, a special impairment is recognized and explained in the notes.

Current assets

Receivables and prepayments (4)
Receivables and prepayments are initially recognized at their fair value. They are subsequently valued at amortized cost. This value usually corresponds to the nominal value after deduction of any provision for non-recoverability.

Cash & cash equivalents (5)
Cash & cash equivalents are measured at nominal value.

Group equity (6)

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

Provisions

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

Deferred taxes (7)
The provision for deferred taxes covers the deferred tax liabilities resulting from (temporary) differences between accounting and tax assets. The calculation takes into account rates that apply for coming years, if these have already been established. Deferred tax is measured at nominal value. If the deferred tax liability is of a short-term nature, it is included under payables.

Other provisions (8)
Personnel-related provisions
Personnel-related provisions, including the restructuring provision, are valued at nominal value. The provision for long-service awards, are stated at the present value of the expected payments during the employment relationship. The calculation of the provision takes into account, among

other things, expected salary increases and the likelihood of the employee's remaining with the employer. The discount rate used is based on the year-end interest rate for investment-grade Dutch corporate bonds, taking into account the remaining duration of the provisions.

Reorganisation provision
The reorganisation provision is nominated at face value.

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

Non-current liabilities (9)
Non-current liabilities are initially recognized at fair value. They are subsequently valued at amortized cost. This value usually corresponds to the nominal value.

Current liabilities and accruals (10)
Current liabilities and accruals are initially recognized at fair value. They are subsequently valued at amortized cost. This value usually corresponds to the nominal value.

Principles for determining results

General

Items in the profit and loss account are largely a function of the valuation principles used in the balance sheet for investments and the provision for insurance liabilities. Both realized and unrealized results are accounted for directly in profit and loss.
Income, expenses, and benefit payments are allocated to the period to which they relate.

Net turnover

Management fees (11)

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 (12)

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

Insurance premiums (13)

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

Investment results (14)

Investment income comprises dividends from marketable securities and interest from fixed income securities for the financial year, changes in the fair value of investments and derivatives, and realized capital gains and losses on the sale of investments and derivatives.
Dividends on investments in marketable securities are treated as gains on ex-dividend date.
Interest income is recognized in the period to which it relates.
Changes in value concern the difference between on the one hand the year-end carrying amount or the sale proceeds if sold during the year and on the other hand the carrying amount at the end of the previous year or the acquisition price if acquired during the year.

Operating expenses

Personnel costs (16)

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

Change in provision for insurance liabilities (17)

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

Benefit payments (18)
Benefit payments are allocated to the period to which they relate.

Amortization and depreciation of non-current assets (19)
Amortization and depreciation is recognized from first use onwards in proportion to the expected useful life and taking into account any residual value, using the straight-line method.

Other operating expenses (20)
Operating expenses are allocated to the period to which they relate.

Interest and similar income (21)
Interest and similar income is allocated to the reporting year, taking into account the effective interest rate of the relevant assets where necessary. Interest income includes income from checking accounts and deposits, insofar as this is not considered part of investment income.

Interest and similar expenses (22)
Interest and similar expenses are allocated to the reporting year, taking into account the effective interest rate of the relevant liabilities where necessary.

Taxes (23)
Taxes on profit are calculated on the result before taxes in the profit and loss account taking account of any available tax loss carryforwards (insofar as these are not included as part of deferred tax assets) and tax-exempt profit components, and after adding back any non-deductible costs. Temporary differences resulting from differences between accounting and tax valuation are expressed in (the development of) the deferred tax liability or asset.
In addition, changes in deferred tax assets and liabilities arising from changes in the applicable tax rates are taken into account.

Share of profit/(loss) of associates (24)
The result from investees is determined based on the change in the net asset value.

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

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

Notes to the consolidated balance sheet

Non-current assets

Intangible assets (1)

Intangible assets include goodwill calculated upon the acquisition of business activities and equity interests, and the value of the client contracts and insurance portfolio identified with this acquisition. This item also includes purchased software.

Movement in these items was as follows.

	Goodwill	Client Contracts	Software	Total 2020	Total 2019
Opening balance	101,534	99,687	4,964	206,185	251,832
Investments	-	-	931	931	1,550
Divestments	-	-	-	-	-
Amortization	-12,438	-31,480	-2,652	-46,570	-47,197
Closing balance	**89,096**	**68,207**	**3,243**	**160,546**	**206,185**
Cumulative acquisition value	249,306	488,325	27,926	765,557	774,283
Cumulative amortization and				-	-
impairment	-160,210	-420,118	-24,683	-605,011	-568,098
Carrying amount	**89,096**	**68,207**	**3,243**	**160,546**	**206,185**
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 2020, €89.1 million (2019: €101.5 million) has a remaining useful life of approximately seven years. Of the client contracts recognized at year-end 2020, €68.2 million (2019: €99.7 million) has a remaining economic life of approximately two years.

At year-end 2020, the management had no indication that these assets were subject to any particular impairment.

Software includes intangible assets that have already been fully amortized but are still in use. There are no intangible assets with limited ownership rights and no intangible assets have been provided as security for debts. Nor are there any liabilities in respect of the acquisition of intangible assets.

Property, plant and equipment (2)

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

Movement in these items was as follows.

	Furniture and fittings	ICT	Other	Total 2020	Total 2019
Opening balance	7,194	11,098	4,174	22,466	21,948
Investments	4,013	4,302	768	9,083	9,324
Divestments	-	-	-	-	-408
Depreciation	-1,547	-5,620	-1,115	-8,282	-8,432
Currency impact	-142	-67	-314	-523	34
Closing balance	**9,518**	**9,713**	**3,513**	**22,744**	**22,466**
Cumulative acquisition value	33,277	36,754	8,817	78,848	71,357
Cumulative depreciation and impairment					
Carrying amount	-23,759	-27,041	-5,304	-56,104	-48,891
	9,518	**9,713**	**3,513**	**22,744**	**22,466**
Depreciation percentage	<20%	20-25%	10%		

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

Financial non-current assets (3)

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

The list of investees not included in the consolidation is included as part of the notes to the company financial statements on page 141.

Movement in these items was as follows.

	Deferred taxes	Loans	Equity interests	Other	Total 2020	Total 2019
Opening balance	33,610	4,519	1,223	5,763	45,115	128,612
Other changes: Loyalis	-	-	-	-	-	-8,132
Deconsolidation of Loyalis	-	-	-	-	-	-73,317
Acquisitions and advances / allocations	2,411	6	2,355	1,874	6,646	3,640
Sales and repayments	-	-1,463	-	-928	-2,391	-1,680
Share of profit/(loss) of associates	-	-	-735	-	-735	-783
Changes in value	-	-	-	1,029	1,029	1,218
Other changes	-29	-30	-	-	-59	-4,312
Currency impact	-293	-	-	-656	-949	-131
Closing balance	**35,699**	**3,032**	**2,843**	**7,082**	**48,656**	**45,115**

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

The deferred taxation mainly relates to temporary differences between the accounting and tax valuation of the goodwill arising as a result of the statutory unbundling of pension funds and administrators in 2008 (and agreed on with the tax authorities). € 4 million will be realized in 2021. A deferred tax asset or liability is recognized for any temporary differences in value at balance sheet date. In the case of a deferred tax asset, this asset will be included to the extent that when the valuation differences to which the deferred tax asset relates reverse, the associated tax loss can be expected to be offset by taxable profits within the applicable time limits.

Current assets

	31-12-2020	31-12-2019
Receivables, prepayments, and accrued income (4)		
Debtors	14,125	22,232
Related party receivables	196,060	191,531
Amounts pending invoicing	3,925	1,294
Taxes and social security contributions	216	10,874
Corporate income tax	45,231	45,429
Cash collateral related to derivatives	5,282	-
Prepaid expenses	38,425	39,023
Other receivables, prepaid expenses, accrued income, etc.	969	1,354
Total	**304,233**	**311,737**

Related party receivables relate mainly to asset management services provided to mutual investment funds by APG Group. The mutual investment funds are collective investment schemes to which assets are contributed by several clients with common investment goals and management is performed by APG Group. In short-term receivables, an amount of €4.8 million has a term of more than one year. The value of the cash collateral of € 5.3 mln arose as a result of exchange rate movements of USD and HKD versus the Euro.

There were no amounts with a remaining maturity of more than one year included in these receivables at the end of either 2020 or 2019. No security has been provided and no interest was received on the receivables.

	31-12-2020	31-12-2019
Cash & cash equivalents (5)		
Checking account balances with banks	321,684	377,453
Deposits	170,000	215,000
Total	**491,684**	**592,453**

An amount of €8.0 million (2019: €7.2 million) of cash & cash equivalents is not freely available due to long-term obligations towards personnel.

No other forms of security have been provided, nor have any supplementary terms and conditions been entered into. Given the nature of the deposits (short-term), the interest rate risk is very low. The deposits have been placed with creditworthy financial institutions. As a result, the credit risk is limited.

Group equity (6)

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

Capital and dividend policy

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

Movements in group equity

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

		2020		**2019**
Opening balance		764,531		1,090,283
Group result after taxes	41,822		53,405	
Translation differences, foreign associate	-1,525		332	
Overall result		40,297		53,737
Dividend distributed in cash	-173,000		-380,000	
	-15		511	
Total direct changes relative to shareholders		-173,015		-379,489
Closing balance		**631,813**		**764,531**

Provisions

Deferred tax (7)

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

	2020	2019
Opening balance	1,832	1,700
Allocation	-	132
Release	-1,795	-
Used	-37	-
Closing balance	**-**	**1,832**

Other provisions (8)

Movement in other provisions was as follows.

	Personnel-related provisions	Provision for reorganization	Other provision	Total 2020	Total 2019
Opening balance	37,386	43,097	2,450	82,933	75,832
Withdrawals, Loyalis	-	-	-	-	-457
Deconsolidation of Loyalis	-	-	-	-	-10,087
Allocations	12,062	13,810	-	25,872	31,344
Withdrawals	-6,770	-12,887	-	-19,657	-11,167
Release	-1,400	-8,050	-	-9,450	-3,045
Currency impact	-1,700		-43	-1,743	513
Other changes	1,696	-	-	1,696	-
Closing balance	**41,274**	**35,970**	**2,407**	**79,651**	**82,933**

Of the total amount €19.9 million (2019: €32.1 million) has an expected remaining term of more than five years. €11,7 million is expected to be settled in 2021 (2019: €10.9 million).

Personnel-related provisions

This provision was created for liabilities following long-term personnel remunerations (long-service awards, bonus plan) and a provision for a mortgage facility for former employees.

Provision for reorganization

This provision was created to cover the costs of reorganizations related to voluntary departure schemes facilitated by the employer and redundancy analogous to the various stages of the change programs within the group. In 2020 there was an allocation of €13.8 million (2019: €16.5 million). This reorganization provision is created when a detailed plan of the reorganization is formalized and this has been announced to those affected.
Withdrawals from the provision take place when the relevant expenses related to voluntary

departure or redundancy occur. In 2020 it transpired that the total expected disbursements for reorganization were lower than originally estimated, resulting in a release of €8.1 million (2019: €1.9 million).

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

Non-current liabilities (9)

	31-12-2020	31-12-2019
Opening balance	10,911	10,911
Drawn	-	-
Repayments	-	-
Total	**10,911**	**10,911**

Of the non-current liabilities, an amount of zero relates to financing by related parties (2019: zero). An amount of €10.9 million has a remaining term to maturity of more than five years (2019: €10.9 million). The interest rate is 7,25% p.a. (2019: 7.25% p.a.). No security has been provided. The fair value of the non-current liabilities is €25.6 million (2019: €24.9 million).

Current liabilities and accruals (10)

	31-12-2020	31-12-2019
Amounts received in advance	-	2,612
Amounts invoiced in advance	13,518	13,017
Accounts payable	2,109	990
Vacation pay and vacation days	26,348	22,466
Other personnel-related liabilities	39,985	37,463
Taxes and social security premiums	26,121	31,678
Corporate income tax	449	730
Related party liabilities	153,409	165,239
Payables	10,595	12,501
Invoices not yet received	25,019	22,608
Pension liabilities	1,275	1,297
Derivative liabilities	-	129
Rent reduction for office building	6,555	6,633
Other liabilities	105	386
Total	**305,488**	**317,749**

Liabilities relating to derivatives concern cash collateral received in cover of the settlement risk of FX forwards. These were concluded to finance the future costs of the activities of the foreign investees.

Current liabilities and accruals include an amount of €6.6 million (2019: €6.6 million) falling due after more than one year.

Off-balance sheet liabilities and assets

At balance sheet date, liabilities under current rental agreements in an amount of €202.2 million were outstanding (2019: €157.6 million), of which €21.3 million was due within one year (2019: €22.0 million), €86.5 million at between one and five years (2019: €65.3 million) and €94.4 million at more than five years (2019: €70.3 million). Rental costs of €20.5 million were recognized in the reporting year (2019: €19.3 million).

In 2015, APG Group entered into long-term contracts with two parties for the purchase of professional services. This ensues from the founding of the Brightlands Smart Services Campus in cooperation with Maastricht University and the Province of Limburg. Minimum purchasing volumes were agreed in the contracts. December 31, 2020 this minimum purchase obligation amounts € 4.7 million, which must be purchased in the next 5 years.

Liabilities in respect of long-term car leases total €7.8 million (2019: €7.1 million), of which €3.1 million due within one year of the end of the financial year (2019: €2.7 million) and €4.7 million at between one and five years (2019: €4.4 million). There are no liabilities due beyond five years. In the reporting year €3.7 million of leasing costs inclusive fuel costs were recognized (2019: €4.1 million). The leasing liability is detemined exclusive the fuel advance.

Liabilities in respect of maintenance and other contracts amounted to €32.5 million (2019: €27.4 million) of which €11.8 million (2019: €10.0 million) due within one year of the end of the financial year and €20.7 million (2019: €17.4 million) due at between one and five years. There are no liabilities due beyond five years.

At the end of the reporting year the group assumed investment commitments in respect of data processing equipment and software for €10.7 million (2019: € 4.1 million).
In 2018, APG Group entered into a long-term contract for the purchase of professional services, ensuing from the sale of Inovita B.V. Liabilities in connection with this contract amounted to €1.6 million (2019: €2.9 million), of which €1.0 million (2019: €1.3 million) due within one year of the end of the financial year and €0.6 million (2019: €1.6 million) at between one and five years. After 5 years this is zero. Minimum purchasing volumes were agreed in the contract. If the actual purchase volumes realized are lower than the minimum volume applicable at that time, APG Group is required to pay 30% of the difference.

As a result of the sale of the insurance business there is no question of future commitments in private equity and infrastructure.
Liabilities in respect of derivatives contracted to hedge the financing of foreign subsidiaries amounted at balance sheet date to €126.6 million (2019: €121.3 million). The fair value of these derivatives at balance sheet date amounted to a negative €4.7 million (2019: €0.5 million positive). The liabilities have a term of less than one year. The contract conditions include the exchange of collateral to hedge the settlement risk.

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

With regard to the performance results from investments made under old mandates at a former associate, there is an entitlement to payments yet to be received (carried interest notes; 2020: €0.1 million, 2019: €0.1 million). The amount of the future payments to be received is uncertain.

Notes to the consolidated profit and loss account

Net turnover

	Total 2020	Total 2019
Management fees (11)		
Asset management	521,667	492,907
Pension administration	219,399	219,748
Total	**741,066**	**712,655**

Other operating income (11)
This consists of realized income other than that arising directly from the administration contracts with pension funds and asset management for third parties.

Segmented information on net turnover

	Total 2020	Total 2019
Net turnover		
Asset management	522,796	494,975
Pension administration	240,820	225,920
Insurance business	-	208,816
Support businesses	91,911	112,529
APG Group company only	57,197	56,074
Eliminations	-149,761	-154,045
Total	**762,963**	**944,269**

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

Operating expenses

Costs of outsourced work and other external costs (15)

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

	Total 2020	Total 2019
Personnel costs (16)		
Wages and salaries	319,478	299,324
Pension charges	34,042	28,389
Social charges	31,146	31,585
Other personnel costs	39,763	54,740
Total	**424,429**	**414,038**

Employee pension scheme

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

Specific schemes apply for most employees abroad.

Number of employees

In 2020 the group employed an average of 3,013 people (2019: 2,940), divided into the following segments.

	Total 2020	Total 2019
Management and staff	433	346
APG DWS en Fondsenbedrijf NV	1,335	1,317
APG Asset Management	919	835
APG Servicepartners	81	91
Supporting units	245	351
Total	**3,013**	**2,940**

In 2020 an average of 228 employees worked abroad (2019: 194). These employees are all employed by APG Asset Management.

Remuneration of Supervisory and Executive Board members (in euros)
The remuneration of Supervisory Board and Executive Board members is determined by the General Meeting of Shareholders.

	Fixed fee	Commision fee	Employer charges and taxes	Total 2020	Total 2019
Supervisory Board					
Jaap van Manen*	-	-	-	-	56,759
Pieter Jongstra	48,211	9,238	12,064	69,513	63,065
Edith Snoeij**	10,539	4,207	3,097	17,843	53,605
Maes van Lanschot	32,183	13,131	9,516	54,830	53,493
Roger van Boxtel	32,106	3,961	7,574	43,641	44,146
Claudia Zuiderwijk	32,184	11,896	9,257	53,337	50,452
Dick van Well	37,448	7,094	9,354	53,896	44,146
José Meijer***	10,632	1,772		12,404	-

** = until January 1, 2020*

*** = until April 27, 2020*

**** = as from September 5, 2020*

Based on EU and national case law and based on the facts and circumstances one of the members of the Supervisory Board does not qualify as an entrepreneur for the VAT regulations. For that reason, no VAT is charged regarding this member.

Wim Henk Steenpoorte has stepped down as a member of the Board of Directors for the portfolio of the APG Fund Company as of June 30, 2020. The APG Fondsenbedrijf portfolio has since then become part of the portfolio of Francine van Dierendonck. As of 1 July, Wim Henk Steenpoorte will be responsible as director for the program that maps the implementation of the New Pension Contract (NPC) at APG.

The Supervisory Board of APG Group announced that on September 7, 2020 Gerard van Olphen will step down as CEO of APG. In addition to private reasons for this decision, he sees the new strategy that has been developed as a natural moment to turn around to make way for a successor. Gerard van Olphen will remain as chairman until 1 March 2021 as a statutory director until 1 April 2021. From April 2021 to June 2021, he will make use of his employment conditions obtained leave rights.

	Direct salaries	Compensation for reduction in pensionaccrual	Personal charges	Pension charges	Total 2020	Total 2019
Executive Board						
Gerard van Olphen	538,481	74,420	12,751	21,997	647,649	613,315
Wim Henk Steenpoorte*	214,251	27,794	6,376	10,473	258,894	494,219
Annette Mosman	430,785	55,588	12,751	20,946	520,070	494,219
Ronald Wuijster	631,712	84,693	9,891	22,569	748,865	682,649
Francine Roelofsen - van Dierendonck	430,785	55,588	12,751	20,946	520,070	482,180

** = until July 1, 2020*

The column 'direct salaries' contains the fixed annual salary, the vacation allowance, and the year-end bonus. The column 'compensation for reduction in pension accrual' stems from a generic scheme at APG Group whereby the reduction in the employer pension contribution due to the capping of pension accrual (2020: €110,111 | 2019: €107,953) accrues to the employee. The column 'personnel charges' contains the employer's charges; the column 'pension charges' contains the charges for pension contributions.

The above table does not include compensation relating to mobility and vitality (2020: €98,349 | 2019: €132,404). The mobility and vitality allowances are both part of the Collective Labor Agreement, whereby with regard to mobility a choice can be made between a reimbursement whether a lease car and the vitality allowance contribute to an active and healthy lifestyle. In addition to the amounts included in the table above, the salary costs during Gerard van Olphen's three-month leave period, prior to his departure in 2021, amounting to € 157,843, as required by the reporting rules, already charged in full to the result for 2020 and included in the leave reservation on the balance sheet.

All remuneration was unchanged except for the increase as per the collective labor agreement (CAO) which amounted to 1.5% for all APG Group employees in 2020 (2.0% as from April 1st 2020). In addition, in 2020, the conditional increase of Ronald Wuijster announced in the 2019 annual report, which could be granted halfway through his term, was effected. His new pay level remains with that below the market benchmark and 5% below the level of its predecessor. There are no early retirement schemes for members of the Executive Board.

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

Amortization and depreciation of non-current assets (19)	Total 2020	Total 2019
Amortization of intangible assets	46,570	47,197
Depreciation of property, plant and equipment	8,282	8,432
Total	**54,852**	**55,629**

Other operating expenses (20)	Total 2020	Total 2019
Accommodation costs	30,867	34,394
Automation costs	84,888	81,886
Other	10,505	11,948
Total	**126,260**	**128,228**

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

Interest and similar income (21)

Interest income mainly relates to the realized income from payment discount corporate tax amounting to € 0.5 million.

Interest and similar expenses (22)

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

Taxes (23)

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

	Total 2020	Total 2019
Result before taxes	47,278	74,902
Tax charges based on the Dutch tax rate	-11,819	-18,726
Tax effect from:		
- Different applicable tax rates in foreign countries	677	724
- Non-deductible expenses en non-taxable income	154	-230
Adjustment prior years	1,890	2,779
Impact from sale Loyalis	-	6,381
Revaluation deferred tax assets due to change in tax rate	4,381	2,667
Total	**-4,717**	**-6,405**
Effective tax rate	**10.0%**	**8.6%**

The effective tax rate deviates by 15.0 percentage points from the applicable tax rate of 25.0%, The low effective tax rate in 2020 is caused in the first place by the fact that the corporate tax rate will be maintained at 25% and as a result, deferred tax assets are valued at 25% at the end of 2020. Secondly, there was a positive effect from previous years, notably related to the release of a deferred tax liability.

Share of profit/(loss) of associates (24)

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

Notes to the consolidates cash flow statement

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

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

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

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

Events after the reporting period

There have been no events after the reporting period.

Other notes

Related parties transactions

Transactions with related parties are conducted on market terms and conditions.
Some of the office buildings are leased from Stichting Pensioenfonds ABP under market conditions. The total contract term is 12 years and 8 months, commencing January 1, 2008. The costs amounted to €6.5 million in the reporting year (2019: €6,3 million) and will amount to €6.5 million for 2021. The future liabilities arising from this contractual relationship are included under the lease obligations entered into as included in the category of off-balance sheet liabilities.

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

Independent auditor's fees

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

in € millions	Total 2020	Total 2019
Audit of the financial statements	0.8	0.8
Other audit assignments (including work in relation to ISAE 3402)	2.3	2.2
Tax advisory services	-	-
Other non-audit services	-	-
Total	**3.1**	**3.0**

The auditor's fees for the audit of the financial statements are the costs that are attributable to the financial year.
The other audit assignments include €1.5 million (2019: €1.4 million) for audit-related work on reports to clients of APG Group in the context of the services provided by APG Group.

Company financial statements

Company balance sheet at December 31, 2020 (before appropriation of profit)

In thousands of euros

	31-12-2020	31-12-2019
ASSETS		
Non-Current Assets		
Intangible assets (1)	2,387	-
Property, plant and equipment (2)	16,640	824
Financial non-current assets (3)	487,357	512,464
	506,384	**513,288**
Current assets		
Receivables and prepayments (4)	176,375	163,134
Cash & cash equivalents (5)	207,006	314,110
	383,381	**477,244**
TOTAL ASSETS	**889,765**	**990,532**
LIABILITIES AND EQUITY		
Equity (6)		
Paid-up and called-up share capital	352,649	705,297
Share premium	234,900	174
Legal reserves	1,946	3,471
Other reserves	-	1,673
Undistributed result for the financial year	41,822	53,405
	631,317	**764,020**
Provisions (7) (8)	**24,990**	**18,794**
Non-current liabilities (9)	**13,411**	**13,411**
Current liabilities and accruals (10)	**220,047**	**194,307**
TOTAL LIABILITIES & EQUITY	**889,765**	**990,532**

Company profit and loss account for 2020

In thousands of euros

	2020	2019
Share of profit/(loss) of associates after tax	53,790	66,484
Gain/(loss) on sale of Loyalis	-	-14,107
Other results after tax	-11,968	1,028
Result after taxes	**41,822**	**53,405**

Basis of valuation and determination of results

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

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

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

Notes to the company financial statements

In thousands of euros

Non-current assets

Intangible fixed assets (1)

The intangible fixed assets relate to purchased software

	Software	Total 2020	Total 2019
Opening balance	-	-	-
	3,543	3,543	
Investments	630	630	-
Divestments	-	-	-
Amortization	-1,786	-1,786	-
Closing balance	**2,387**	**2,387**	**-**
Cumulative acquisition value	11,397	11,397	-
Cumulative amortization and		-	-
impairment	-9,010	-9,010	-
Carrying amount	**2,387**	**2,387**	**-**
Amortization percentage	20-25%		

Property, plant and equipment (2)

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

Movement in these items was as follows.

	Furniture and fittings	ICT	Total 2020	Total 2019
Opening balance	824	-	824	818
	4,826	10,103	14,929	-
Investments	3,715	3,560	7,275	6
Divestments		-	-	-
Amortization	-1,330	-5,058	-6,388	-
Changes in value				-
Closing balance	**8,035**	**8,605**	**16,640**	**824**
Cumulative acquisition value	31,072	32,949	64,021	824
Cumulative amortization and impairment			-	
	-23,037	-24,344	-47,381	-
Carrying amount	**8,035**	**8,605**	**16,640**	**824**
Amortization percentage	<20%	20-25%		

No security has been provided.

Financial non-current assets (3)
Financial non-current assets concern equity interests in associates, active deferred taxation and loans granted.
Movement in these items was as follows.

	Deferred taxes	Loans	Equity interests	Total 2020	Total 2019
Opening balance	6,487	4,504	501,473	512,464	989,902
Effect herstructurering	785	-	-10,807	-10,022	-
Investments	-	6	30,255	30,261	7,054
Divestments	-	-1,463	-	-1,463	-443,690
Result for the financial year	-	-	53,790	53,790	66,484
Dividend distributed	-	-	-95,867	-95,867	-103,239
Other changes	-280	-15	-1,511	-1,806	-4,047
Closing balance	**6,992**	**3,032**	**477,333**	**487,357**	**512,464**

The closing balance includes an active deferred tax asset of €7.0 million (2019: €6.5 million) and a loan granted of €3.0 million (2019: €4.6 million).
The divestment concerns the sale of Loyalis. An explanation is given hereafter:

Current assets

	31-12-2020	31-12-2019
Receivables and prepayments (4)		
Receivables from group companies	81,921	97,793
Related party receivables	20,322	-
Debtors	84	1,101
Taxes and social security contributions	216	3,389
Corporate income tax	44,055	43,076
Cash collateral related to derivatives	5,282	-
Other receivables, prepaid expenses, accrued income, etc.	24,495	17,775
Total	**176,375**	**163,134**

The receivables, prepayments, and accrued income predominantly consist of receivables on group companies and prepaid amounts. In the receivables an amount of € 4.1 million has a term of more than one year.
No security has been provided and no interest was received on the receivables.

	31-12-2020	31-12-2019
Cash & cash equivalents (5)		
Bank balances in current account	127,006	189,110
Deposits	80,000	125,000
Total	**207,006**	**314,110**

None of the cash & cash equivalents were unavailable at year-end 2020 or 2019.

Equity (6)

	31-12-2020	31-12-2019
Paid-up and called-up share capital	352,649	705,297
Share premium	234,900	174
Legal reserves	1,946	3,471
Other reserves	-	1,673
Undistributed result	41,822	53,405
Total group equity	**631,317**	**764,020**

	Paid up and called-up share capital	Share premium	Legal reserves	Other reserves	Undistributed result
Opening balance	705,297	174	3,471	1,673	53,405
Movements resulting from appropriation of profit	-	-	-	53,405	-53,405
Movement in legal reserves	-	-	-1,525	-	-
	-352,648	352,648	-	-	-
	-	-90,000	-	-	-
Dividend paid	-	-27,922	-	-55,078	-
Result for the financial year	-	-	-	-	41,822
Other changes	-		-		-
Closing balance	**352,649**	**234,900**	**1,946**	**-**	**41,822**

Paid-up and called-up share capital
In 2020, a reduction in the issued capital took place, with the nominal value has been reduced from € 1 per share to € 0.50 per share and the paid-up and called-up capital has been reduced by € 352,648 thousand in favor of the share premium. It deposited and called-up capital, after reduction of the nominal value, concerns the issued capital at incorporation, consisting of 650,000,000 ordinary shares with a nominal value of € 0.50 and 55,297,170 ordinary shares of € 0.50 were issued in 2011 upon the acquisition of the minority interests in APG Rechtenbeheer NV (formerly APG Algemene Pensioen Groep NV) and Loyalis NV.

Share premium
The share premium paid upon incorporation, as well as the share premium paid as a result of capital contributions and withdrawals, the contribution of a subsidiary at fair value as well as share premium from the conversion of loans from shareholders into equity capital in the context of the recapitalization of APG Group, were included as share contribution in previous years. In 2020, share premium was increased by € 352.6 million due to the reduction of the

paid-up and issued capital. As a result of it in 2019 adopted capital policy and the sale of Loyalis, APG made a share premium payment of € 90 million in 2020 in addition to the dividend of € 83 million, of which € 55 million is regular dividend and € 28 million repayment of share premium.

Legal and other reserves
The legal and other reserves include direct changes in equity related to the development of the legal reserve for currency translation differences of € 1.5 million. The reserve for currency translation differences amounted to € 1.9 million at year-end 2020 (2019: € 3.5 million) and is included in respect of the foreign participating interests.

Undistributed result for the financial year
This comprises the result for the year under review.

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

Proposed appropriation of profit
In accordance with the policy adopted, a proposal will be submitted to the General Meeting of Shareholders that a dividend in the amount of €74.0 million be distributed: €41.8 million from the net result and the remaining amount of €32.2 million from freely distributable reserves.

Provisions (7,8)

	Taxes	Personnel-related provisions	Provision for reorganization	Total 2020	Total 2019
Opening balance	-	2,821	15,973	18,794	19,976
	1,795	1,931	4,877	8,603	
Allocations	-	871	6,594	7,465	3,229
Withdrawals	-	-961	-4,657	-5,618	-3,560
Release	-1,795	-330	-2,536	-4,661	-851
Other changes	-	407	-	407	-
Closing balance	**-**	**4,739**	**20,251**	**24,990**	**18,794**

Of the total amount, € 7.4 million (2019: €9.0 million) is expected to have a term of more than five years. € 4.8 million is expected to be settled in 2020 (2019: €2.6 million).

Non-current liabilities (9)

	31-12-2020	31-12-2019
Opening balance	13,411	10,911
Advances	-	2,500
Repayments	-	-
Total	**13,411**	**13,411**

Of the closing balance, an amount of € 2.5 million relates to financing by related parties (2019: € 2.5 million). € 10.9 million of the closing balance has a longer term to maturity than five years (2019: €13.4 million). The interest rate is 7.25% per year (2019: 7.25% per year) No security has been provided. The fair value of the long-term liabilities to third parties amounts to € 25.6 million (2019:€24.9 million).

Current liabilities and accruals (10)

	31-12-2020	31-12-2019
Accounts payable	659	11
Liabilities to group companies	201,453	184,664
Related party liabilities	179	-
Taxes and social security premiums	4,134	5,012
Pension liabilities	421	204
Holiday pay and -days	6,499	2,929
Other liabilities	6,702	1,487
Total	**220,047**	**194,307**

With regard to the debts to group companies, there are no interest obligations nor securities. € 1.5 million of the current liabilities has a term of more than 1 year (2019: €1.8 million).

Off-balance sheet liabilities and assets

At balance sheet date, liabilities under current rental agreements in an amount of €158.6 million were outstanding (2019: €0.0 million), of which €16.5 million was due within one year (2019: €0.0 million), €70.0 million at between one and five years (2019: €0.0 million) and €72.1 million at more than five years (2019: €0.0 million). Rental costs of €14.7 million were recognized in the reporting year (2019: €0.0 million).

In 2015, APG Group entered into long-term contracts with two parties for the purchase of professional services. This ensues from the founding of the Brightlands Smart Services Campus in cooperation with Maastricht University and the Province of Limburg. Minimum purchasing volumes were agreed in the contracts. December 31, 2020 this minimum purchase obligation amounts € 4.7 million, which must be purchased in the next 5 years.

Liabilities in respect of long-term car leases total €7.8 million (2019: €7.1 million), of which €3.1 million due within one year of the end of the financial year (2019: €2.7 million) and €4.7 million at between one and five years (2019: €4.4 million). There are no liabilities due beyond five years. In the reporting year €3.7 million of leasing costs inclusive fuel costs were recognized (2019: €4.1 million). The leasing liability is detemined exclusive the fuel advance.

Liabilities in respect of maintenance and other contracts amounted to €18.6 million (2019: €0.0 million) of which €6.9 million (2019: €0.0 million) due within one year of the end of the financial year and €11.7 million (2019: €0.0 million) due at between one and five years. There are no liabilities due beyond five years.

At the end of the reporting year the group assumed investment commitments in respect of data processing equipment and software for €10.7 million (2019: € 0.0 million).

In 2018, APG Group entered into a long-term contract for the purchase of professional services, ensuing from the sale of Inovita B.V. Liabilities in connection with this contract amounted to €1.6 million (2019: €2.9 million), of which €1.0 million (2019: €1.3 million) due within one year of the end of the financial year and €0.6 million (2019: €1.6 million) at between one and five years. Minimum purchasing volumes were agreed in the contract. If the actual purchase volumes realized are lower than the minimum volume applicable at that time, APG Group is required to pay 30% of the difference.

As a result of the sale of the insurance business there is no question of future commitments in private equity and infrastructure. Liabilities in respect of derivatives contracted to hedge the financing of foreign subsidiaries amounted at balance sheet date to €126.6 million (2019: €121.3 million). The fair value of these derivatives at balance sheet date amounted to a negative €4.7 million (2019: €0.5 million positive). The liabilities have a term of less than one year. The contract conditions include the exchange of collateral to hedge the settlement risk.

* Due to the legal merger of APG Diensten BV with APG Groep NV as of January 1, 2020, the obligations for rent, maintenance and investments are as of December 31, 2020 included. The comparative figures have not been adjusted.

Related party transactions
APG Group passes on costs to its subsidiaries APG Asset Management and APG DWS en Fondsenbedrijf. No profit is made on these transactions since these entities belong to the same tax group. The total amount passed on by APG Group in the year was € 145.2 million.

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

Liability of a tax group
There are tax groups in APG Group, specifically for corporate income tax and VAT. Within a tax group, the individual companies bear joint and several liability for each other's tax liabilities. Taxes are attributed to each company according to each company's share in the total tax as if the companies were independently liable for the tax. This means that each subsidiary will reimburse the parent company for its share in the tax owed in proportion to each party's taxable profit before the application of the loss set-off rules as stipulated in the Corporation Tax Act.

Number of employees

In 2020 APG Groep NV employed an average of 433 people (2019: 346), all in the Netherlands. The increase is mainly due to the legal merger of APG Diensten BV with APG Groep NV in 2020.

Directors' remuneration

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

List of equity interests

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

Equity interests included in the consolidation	
APG DWS en Fondsenbedrijf NV	Heerlen
APG Service Partners BV	Heerlen
APG Asset Management NV	Amsterdam
APG Asset Management US Inc	Delaware
APG Investments Asia Ltd	Hong Kong
APG Business Information Consultancy (Shanghai) Co Ltd	Shanghai
APG Trading BV	Amsterdam
Entis Holding BV	Amsterdam
Entis BV	Utrecht
Equity interests not included in the consolidation	
Campus Heerlen Huisvesting BV (equity interest 50%)	Maastricht
Campus Management & Development BV (equity interest 33%)	Maastricht
Hyfen BV (equity interest 41,81%)	Amsterdam
Vive Group BV (equity interest 3,52%)	Amsterdam
Design Authority BV (equity interest 25%)	Amsterdam

Heerlen, March 2 2021

Supervisory Board
Pieter Jongstra, chairman
Dick van Well, vice-chairman
Roger van Boxtel
Maes van Lanschot
José Meijer
Claudia Zuiderwijk

Executive Board
Annette Mosman, chairman
Gerard van Olphen
Francine Roelofsen - van Dierendonck
Ronald Wuijster

Chapter 10

Other information

Statutory appropriation of profits

Profit appropriation takes place in accordance with Article 36 of the Articles of Association. This article stipulates that APG Group NV can distribute profit only if its equity exceeds the paid-up and called-up portion of its capital plus the reserves that must be maintained pursuant to law.

Independent auditor's report

Independent auditor's report

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

Report on the audit of the financial statements 2020 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 2020 and of its result for the twelve months then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the financial statements 2020 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 2020;

2 the consolidated and company profit and loss account for 2020;

3 the consolidated cashflow statement for 2020; and

4 the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

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

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

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

Audit approach

Summary

Materiality
— Materiality of EUR 7 million
— 0.9% of the management fees

Group audit
— 99% of total assets
— 99% of management fees

Key audit matters
— Accurate recognition of revenue from management fees
— Reliability and continuity of the electronic data processing

Opinion
Unqualified

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 7.0 million (2019: EUR 7.5 million). The materiality is determined with reference to revenue from management fees (0.9%). We consider revenue from management fees as the most appropriate benchmark because of the nature of the Company's activities (pension fund administration services, asset management services and other advisory services) and due to the fact that this is a stable indicator of the size of the Company. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of EUR 350 thousand (2019: EUR 375 thousand) which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

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

Our group audit mainly focused on components that are significant due to their size and nature, being APG Groep N.V., APG Asset Management N.V., APG DWS en Fondsenbedrijf N.V. and APG Service Partners B.V. For components APG Groep N.V., APG DWS en Fondsenbedrijf

N.V. and APG Service Partners B.V. we have performed the audit procedures ourselves. We have used a KPMG component auditor for the audit of APG Asset Management N.V. We have sent group audit instructions to the component auditor to communicate the focus areas for the audit, including the relevant risks of material misstatement and the information to be reported by the component auditor. We have discussed the reports issued by the component auditor. Furthermore, we have reviewed the audit file of the component auditor.

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

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

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

Our focus on the risk of fraud and non-compliance with laws and regulations

Our objectives

The objectives of our audit with respect to fraud and non-compliance with laws and regulations are:

With respect to fraud:

- to identify and assess the risks of material misstatement of the financial statements due to fraud;
- to obtain sufficient and appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate audit responses; and
- to respond appropriately to fraud or suspected fraud identified during the audit.

With respect to non-compliance with laws and regulations:

- to identify and assess the risk of material misstatement of the financial statements due to non-compliance with laws and regulations; and
- to obtain a high (but not absolute) level of assurance that the financial statements, taken as a whole, are free from material misstatement, whether due to fraud or error when considering the applicable legal and regulatory framework.

The primary responsibility for the prevention and detection of fraud and non-compliance with laws and regulations lies with the Executive Board, with oversight by the Supervisory Board.

Our risk assessment

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We, together with our forensics specialists, evaluated the fraud risk factors to consider whether those factors indicated a risk of material misstatement due to fraud.

In addition, we performed procedures to obtain an understanding of the legal and regulatory frameworks that are applicable to the Company and we inquired the Executive Board and the Supervisory Board as to whether the entity is in compliance with such laws and regulations and inspected correspondence, if any, with relevant licensing and regulatory authorities.

The potential effect of the identified laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements, including tax and financial reporting (including related company legislation). We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items and therefore no additional audit response is necessary.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have an indirect material effect on amounts recognized or disclosures provided in the financial statements, or both, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an indirect effect:

- Regulatory (oversight) legislation, including the ‘Wet op het financieel toezicht’ (Financial Supervision Act, ‘Wft’), MiFID II, AIFMD and CRR; and
- the General Data Privacy regulation (GDPR).

In accordance with the auditing standard we evaluated the following fraud and non-compliance risk that is relevant to our audit: management override of controls (a presumed risk).

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

We communicated the identified risks of fraud and non-compliance with laws and regulations throughout our team and remained alert to any indications of fraud and/or non-compliance throughout the audit.

In all of our audits, we address the risk of management override of internal controls, including evaluating whether there was evidence of bias by management that may represent a risk of material misstatement due to fraud.

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

Our response

We performed the following audit procedures (not limited) to respond to the assessed risks:

- We evaluated the design and of internal controls that mitigate fraud risks. In case of internal control deficiencies, where we considered there would be opportunity for fraud, we performed supplemental detailed risk-based testing.
- We performed data analysis of high-risk journal entries and evaluated key estimates and judgements for bias by the Company, including retrospective reviews of prior year's estimates. Where we identified instances of unexpected journal entries or other risks through our data analysis, we performed additional audit procedures to address each identified risk. These procedures also included reconciliations of transactions to source information.
- We assessed matters reported in the (Company's) incident/whistleblowing register and through the Company's complaints process and the results of management's investigation of such matters.
- We incorporated elements of unpredictability in our audit.
- We considered the outcome of our other audit procedures and evaluated whether any findings or misstatements were indicative of fraud or non-compliance. If so, we re-evaluated our assessment of relevant risks and its resulting impact on our audit procedures.
- We obtained audit evidence regarding compliance with the provisions of those laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements. To this effect we have inquired multiple times with the Compliance Officer and inspected the reports of the Group Risk & Compliance department of APG. We have also inspected the communication with the relevant supervisory authorities.
- We considered the effect of actual, suspected or identified risk of non-compliance as part of our procedures on the related financial statement items.

We note that our audit is based on the procedures described in line with applicable auditing standards. In addition to the requirements of the auditing standards we have performed the following additional procedures:

- Procedures over the effectiveness of soft controls (behavior and culture) within the Company.
- Procedures pertaining to cyber security (IT environment of the Company).

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

We note that our audit is not primarily designed to detect fraud and non-compliance with laws and regulations and that management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to error or fraud, including compliance with laws and regulations.

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

Our key audit matters

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

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

Compared to last year the key audit matter with respect to the accounting treatment of the sale of Loyalis N.V. in the financial statements is not included, as this specifically related to the moment of the sale of Loyalis N.V. in 2019. Furthermore, compared to last year the key audit matters with respect to the accurate recognition of revenue from management fees and the rreliability and continuity of the electronic data processing have been added.

Accurate recognition of revenue from management fees

Description

APG recognizes revenue from management fees (‘management fees’) from its pension administration services, asset management services and other advisory services it performs for its clients. The management fees amount to EUR 756 million for the financial year 2020 (2019: EUR 713 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.

Our response

Among other procedures, we have performed the following procedures:

- In relation to the fixed management fees, we have performed specific item testing, whereby we have reconciled the recognized management fees with the underlying contracts. For these contracts we have evaluated the authenticity.
- In relation to the variable management fees stemming from asset management services, we have recalculated the recognized management fees based on the contractual agreements and other source documentation. The variable management fees are partly based on the assets under management. We have reconciled the assets under management with the investment administration of APG. For the other variable management fees, we performed specific item testing, whereby we have reconciled the management fees with the underlying source documentation and we have determined the accuracy of the prices and services rendered.

— Based on source documentation, we have determined the accuracy of the disclosures regarding the management fees in the financial statements.

Our observation

Based on the procedures performed, we have determined that the management fees have been 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 continuous operating of the IT infrastructure and the protection of data of pension funds and their participants. The reliability and continuity of the electronic data processing is therefore a key audit matter.

Our response

We have evaluated the reliability and continuity of the electronic data processing as part of our financial statements audit, for which we have included IT auditors in our audit team. Our procedures, among other things, consisted of:

— the evaluation of the internal controls regarding changes to the IT infrastructure and IT applications (change management);

— the evaluation of the internal controls regarding logical access to systems and key data;

— the inspection of the procedures performed by APG, mainly relating to the general IT controls (including cyber security) and IT application controls, and determining the impact of these procedures on our audit; and

— the inspection of the information included in the service organization control reports (SOC reports) which are prepared by the components of APG for their clients.

Our observation

Based on our procedures with respect to the audit of the financial statements of APG Groep N.V., we did not identify significant findings related to the reliability and continuity of the electronic data processing. In our management letter we have reported our findings for further improvement regarding the IT environment.

Report on the other information included in the annual report

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

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

— is consistent with the financial statements and does not contain material misstatements; and

— contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

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

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

The 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.

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 APG Groep N.V. either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Executive Board should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

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

Our responsibilities for the audit of the financial statements

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

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

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

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

Amstelveen, 2 March 2021

KPMG Accountants N.V.

N.C. Paping RA

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

KPMG

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 other things:

— identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;

— evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Board;

— concluding on the appropriateness of the Executive Board's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern;

— evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and

— evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Glossary

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

CO_2 footprint: Greenhouse gas emissions.

Compliance risk: The risk of material financial losses, damage to the reputation of APG and sanctions from supervisors as a result of non-compliance with laws and regulations and/or unethical conduct.

Connectivity matrix: Diagrammatic overview of the way aspects relevant to long-term value creation depend on one another.

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

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

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

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

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

MiFID: Markets in Financial Instruments Directive, which aims to improve competition in the European financial markets by creating a single European market for investment services and activities.

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

Pension administrator: If a pension fund is the head, a pension administrator is the hands. Everything is thought out in the pension fund and carried out by a pension administrator. An administrator often does this for several pension funds at the same time. This makes it cheaper and more efficient.

Pension administration: All administration and communication services that APG provides as an administrator on behalf of its client pension funds to employers and participants in accordance with Article 1, pension administrators, of the Pension Act.

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

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

Analysis of stakeholders: Overview of the most significant stakeholders.

Strategic risk: The risk that strategic objectives will not be attained as a result of changes in the competitive situation, political decisions, stakeholders, reputation and/or business climate or the organization's ability to adapt to these changes.

Sustainable Development Goals (SDGs): Global goals for sustainable development, formulated by the United Nations.

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

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

Chapter 11

Appendices

About this report

In this annual report, APG's Executive Board renders account on the company's financial and non-financial performance over the course of the 2020 financial year, which ran from January 1 to December 31, both inclusive.

APG Group (APG) reports in an integrated manner on its vision on long-term value creation and the associated strategy and plans. The annual report was prepared in accordance with the rules on annual reporting in the Netherlands. Furthermore, the IR framework of the International Integrated Reporting Council was implemented in full in the past financial year, and this annual report is based on the GRI guidelines (core option) of the Global Reporting Initiative.

The GRI content index and other sustainability information are presented in the appendices.

APG Asset Management NV publishes a separate Responsible Investment Report detailing our clients' sustainable investment policies.

Value creation model

The way in which we create value for our stakeholders and society through our core activities is detailed in our value creation model. The IR framework of the International Integrated Reporting Council was the starting point for preparing this model.

The value creation model is tailored to APG, geared toward our why: "Building your sustainable society together." For APG, pensions are about people, life, and living together. We want to make a difference so that we, our parents, and our children have a good income for today, tomorrow, and beyond.

What we need in order to create value starts with the activities that we carry out for our clients, i.e. the pension funds we serve. Our clients have entrusted us with their pension administration and communications. We manage their assets and deriving from this we give them advice. Our employees, many of whom are highly specialized, are an important resource in all of this. In view of the high degree of automation, innovation, and information technology are important sources of value creation. As a knowledge business, our networks and partnerships are important for us. Furthermore, as an organization that is firmly rooted in society, we are dedicated to sustainability, underpinned by predictable finances.

At the center of our value creation model, through our core activities, we place the connection with the mission, the strategy, our core qualities, and our core values. Subsequently, we describe the value we create. In doing so, we refer to the stakeholders that are relevant to us. The most significant indicators for measuring the value that we create and making management decisions based on it are described in the Chapter headed "APG at a glance".

Best-efforts obligations under the Dutch Climate Agreement

The Greenhouse Gas Protocol (GHG protocol) and the recommendations of the Task Force on Climate-related Financial Disclosures (TFCD) are part of our integrated reporting. Through our external reporting, we are transparent on how we fulfill the best-efforts obligation that rests on the financial industry in helping to achieve the targets from the Dutch Climate Agreement. For more details, please refer to the "Sustainable and digital asset management" section on page xx and the Responsible Investment Report.

Integrated management

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

Connectivity matrix

Strategic context	Strategic ambition	Strategic opportunities & risks	Opportunity	Risk	Performance indicators
	Working together to build your sustainable future				
Analysis of and dialogue with stakeholders					
Analysis of internal and external Significant issues					
Clients • Lowest costs • Highest net returns • Superior customer experience • Grip on income for today tomorrow and beyond • Innovation • Digital security and privacy • Controlled pension administration • Centre of expertise in the field of pension insights* • Transition to the new pension contract*	• Maximize pension value A Leading provider B Vital funds C Trusted guide	• Change pension system	•	•	• Average price per participant • Extra returns (5 years) in basis points • Net promoter Score • Participants with insight into pension assets • Participants with insight into income for later
		• Increasing digitalisation	•	•	
		• Changing needs in services	•	•	
		• Effect of corona pandemic to services		•	
		• Robust administration processes	•	•	
		• Improve data quality, privacy and security	•	•	
		• Speed of technological developments	•	•	
Employees • Meaningful employer • Engaged employees	• Great Place to work	• Flexibility of employees	•	•	• Number of employees • Employee engagement • Absenteeism • Gender diversity
		• Great attention to integrity and conduct		•	
		• Personal development	•	•	
		• Work in socially relevant context	•		
		• Effect COVID-19 on employees		•	
Society • Faith in pension • Contribution to a futureproof system • Collaboration in the pension sector • Responsible investments • Sustainable business management • Contribution to social initiatives • Working Netherlands and employers* • Contribute to energy transition*	• Sustainability	• Faith in pension sector at a low ebb		•	• Reputation score • Benchmark UN PRI • Sustainable Development Investments • CO_2 footprint own business management
		• Increasing importance of responsible investments	•		
		• Sustainable management	•	•	
		• Sharing knowledge and expertise	•		
Shareholders • Financially sound organization	• Return appropriate to a social business	• Strong solvency and liquidity	•		• Net result • Return on equity
		• Guarantee continuity of administration		•	
		• Changing market conditions	•	•	
		• Available change capacity		•	
		• Effect of corona pandemic on shareholders		•	

Value creation model

* Themes that have been added in 2020 to the recalibrated strategy

Scope
The Executive Board renders account on the core activities carried out by APG both in the Netherlands and through its foreign subsidiaries. APG has offices in Heerlen and Amsterdam and other establishments in New York and Hong Kong as well as satellite offices in Brussels, Shanghai, and Beijing.

Stakeholder analysis
The target group of this annual report includes our circle of most important stakeholders. Last year, we conducted a stakeholder analysis to assess who is part of this circle. These are stakeholders that can directly influence our strategy and core activities. Like in 2019, we include among them our clients (pension funds and the member employers and participants), our employees, and our shareholders. Around this inner circle, we see as stakeholders the sector to which the regulators and supervisory authorities belong, our strategic partners, and the companies in which we invest.

Within the sector, we fulfill an important social role because we are the Netherlands' largest pension administrator and asset manager. We proactively share our knowledge.

Material topics
In the 2019 annual report, APG announced that it would be including a materiality matrix in the 2020 annual report. In the 2020 financial year, we performed an extensive survey among the main external and internal stakeholder groups. Through in-depth interviews and a questionnaire, we took stock of what topics matter to stakeholders. The results were plotted in the materiality matrix that was adopted by the Executive Board.

The year 2020 was a "natural" moment for a new survey, as we seized the opportunity to include the results of our tightened strategy in the survey. The materiality survey is one of the ways in which we can make sure that the strategy, policy, and reporting are closely aligned with our stakeholders' expectations, requirements, and preferences. Furthermore, the matrix lets us show in which areas APG can (potentially) make the greatest impact and in which areas APG can create the greatest value for stakeholders and society.

We commissioned the external research firm Motivaction to run this extensive materiality survey among our main external and internal stakeholder groups, which included over 600 stakeholders. They were sent a questionnaire that had them rate the importance of 20 topics. Next, we held a select number of in-depth interviews to ask respondents to elaborate on their answers. The results were plotted in the materiality matrix that was adopted by the Executive Board.

The results of the survey give us valuable insights into how our most important stakeholders perceive us and what they expect from us. As it turns out, we are on the same page as our stakeholders when it comes to APG's impact. Among the seven topics that stakeholders rated as "the most important", there is a not entirely surprising new entrant: "Transition to the new pension contract."

One striking result from the survey is that some stakeholders - not least the participants of the pension funds - find certain topics less important than we do. Further analysis showed that this concerns mainly topics that stakeholders take as a matter of fact or topics that were launched in the strategy recalibration and that still require further detailing.

The materiality matrix with the seven most important topics has been included in the chapter entitled "The Netherlands of the future." The aforementioned connectivity matrix lists all of the topics covered in the survey.

Reporting process

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

Data collection is based on the regular reporting process within APG. The integrity and reliability of the data are guaranteed, both for financial and non-financial data, by integrating risk management both into the primary processes and into the reporting process. This is how we make sure that the right information is fed into the reporting process. During the business plan cycle, key performance indicators for the main strategic topics were determined, based on which management interventions are made through performance reporting. This was discussed through the performance dialog that is organized across all levels of the organization. The Supervisory Board's Audit and Risk Committee is actively involved in reviewing the texts of the report. The Executive Board establishes the final content.

Scope and level of assurance of the external auditor

APG asked its external auditor, KPMG, to review and audit the external reporting. The level of assurance provided is indicated below.

- KPMG audited the (consolidated) financial statements for 2020, as included on page xx-xx of the Annual Report. On March 2, 2021, KPMG issued an unqualified independent auditor's report on these (consolidated) financial statements. This independent auditor's report is included under Chapter 10 "Other information".
- The non-financial information is not subject to audit procedures by KPMG, other than the procedures described in the paragraph "Report on the other information included in the annual report" in their independent auditor's report in Chapter 10. APG is currently working towards the independent auditor providing assurance on the non-financial information included in the annual report as of the financial year 2021. Steps to be taken are currently discussed with KPMG.

How we keep in contact with our stakeholders

Clients

Within the stakeholder group of Clients, we differentiate between three groups: the eight pension funds we work for and their directors (and their administrative office), the employers affiliated with the funds, and the participants who are saving up for their retirement through these funds.

APG maintains close contacts with the pension funds, both formally and informally. We engage with them on the aforementioned material topics on an ongoing basis as well as on other issues that are relevant to the pension funds in the implementation of their policies, such as supervisory matters and international developments. Through client teams and in other ways, we combine our knowledge to share information with the pension funds.

We have daily contacts with employers affiliated with these pension funds, including through visits, video calls, by phone, and by email. We help them use a pension scheme in the employment terms they offer their employees and as a supplementary feature in their staff policy.

With the participants who are saving up for their retirement through the funds, we maintain daily contacts by phone, email, and chat through our Customer Contact Center. After every contact, we ask the customer to rate the experience. We also regularly conduct surveys and studies. We review our offering through customer arenas and customer validations, for example, based on which we then make improvements.

Sector and supervision

APG regularly liaises with the supervisory authorities, the Dutch central bank (DNB) and the Netherlands Authority for the Financial Markets (AFM), through both formal and informal contacts. We have quarterly meetings with DNB involving, on an alternate basis, a member or members of the Executive Board and a member or members of the Financial Supervision Committee. Aside from that, we have meetings and conduct interviews as part of investigations by DNB. Our talks with DNB are focused on such subjects as translating the material topics to operations and the impact it has on the pension funds, based on current supervision requirements. Where necessary, we team up with the pension funds in dealings with supervisory authorities and brief each other on what was discussed.

On behalf of our clients, APG takes part in various sections of the Federation of Dutch Pension Fund, the umbrella organization of which nearly all Dutch pension funds are a member. We also partner with our industry peers on an ad hoc basis to address overarching topics.

Through DUFAS, the Dutch asset management industry association, we contribute to raising awareness of the social relevance of investing. Aside from that, we actively put our knowledge at the service of pursuits such as the development of industry standards.

We also have regular meetings with the social partners, which are made up of unions, employers' organizations, and umbrella organizations. At these meetings, we discuss a wide range of topics focused mainly on the situation in the Netherlands, including ways to increase pension awareness, the relationship between the group pension scheme and employment terms in the industry, and employees' sustainable employability.

We also hold regular talks with various government ministries. With the Dutch Ministry of

Social Affairs and Employment, for example, we regularly engage on pensions in general and the New Pension Contract in particular. With the Ministry of Finance, we discuss government policy on pensions and the greening of the financial industry. We also maintain contacts with the Ministry of Economic Affairs and Climate Policy.

APG maintains structural contacts with most of the Netherlands' research institutes, ranging from broadly scoped organizations, such as CPB Netherlands Bureau for Economic Policy Analysis, to more pension-oriented institutes, such as Netspar. These contacts are with research groups and advisory and supervisory councils and also include informal contacts at policy officer level. Topics discussed include calculation of the financial implications of the pension agreement, the pension for self-employed professionals, and insight into the behavior of participants.

Shareholders
Our shareholders are Stichting Pensioenfonds ABP (92.16% of shares) and Stichting SFB (7.84% of shares). Besides the Annual General Meeting of Shareholders, there are six-monthly meetings to discuss remuneration, governance, strategy, dividend, and the annual report. There are also quarterly meetings with shareholders to discuss current developments.

Strategic partners
APG has entered into long-term partnerships with several parties. With all of these parties, we have bilateral business meetings. What is discussed at these meetings depends on the nature of the partnership.

Employees
Besides the regular contacts at board meetings, we also engage with directors through the periodical strategic dialog and performance dialog. These dialogs are mainly used to address strategic topics and discuss progress made on implementing the strategy.

With our employees, we maintain consultations through work and team meetings as well as through their regular contacts with their respective managers. We organize town hall meetings to brief employees on important developments at APG. Employees are furthermore kept up to date on the latest news through news items, blogs, and vlogs on our intranet.

There are also regular consultations with the Works Council. And there are consultative meetings attended by the Works Council and (a member of) the Executive Board. Twice a year, there is a general meeting on the current state of affairs at APG, which is also attended by the Supervisory Board. The subjects covered are requests for advice and requests for consent. Employee development and well-being as well as the strategy, are also on the agenda for such meetings. Talks about employment terms and conditions are held with the unions.

Parties in which we invest
Through our portfolio managers, we maintain ongoing dialog with the parties in which we invest. For further details about this, please refer to our Responsible Investment Report.

GRI content index

INDICATOR	DESCRIPTION	CROSS-REFERENCE/FULFILLMENT/EXPLANATION
GENERAL DISCLOSURES		
Organizational profile		
GRI 102-02	Name of the organization	APG Groep N.V.
GRI 102-02	Primary activities, brands, products, and/or services	Annual Report – Accounting policies pp. 109-113
GRI 102-03	Location of headquarters	Annual Report – Accounting policies pp. 109-113
GRI 102-04	Number of countries where the organization operates	Annual Report – Scope p. 174
GRI 102-05	Ownership structure and legal form	Annual Report – Accounting Policies pp. 109-113
GRI 102-06	Markets served	Annual Report – Who we are p. 10-14
GRI 102-07	Scale of the reporting organizations	Annual Report – APG at a glance pp. 5; Who we are pp. 10-14
GRI 102-08	Composition of the workforce	Annual Report – Other personnel information pp. 185
GRI 102-09	Description of the supply chain	Annual Report – Financial Statements (Costs of outsourced work and other external costs) pp. 131;
GRI 102-10	Significant changes during the period under review	None
GRI 102-11	Explanation of application of the precautionary principle by the reporting organization	Annual Report – Risk Management p. 73-79
GRI 102-12	Externally developed economic, environmental, and social charters, principles endorsed by the organization	Annual Report – Investments and climate pp. 39-40; Contributing to Sustainable Development Goals (SDGs) pp. 40-41; About this report pp.172-175; APG's human rights policy https://apg.nl/nl/over-apg/corporate-governance/
GRI 102-13	Memberships of associations (industry associations) and domestic and international interest groups	APG is, either as APG Group or through its subsidiaries, affiliated with a wide range of associations and interest groups. Examples include the Dutch Fund and Asset Management Association, Global Real Estate Sustainability Benchmark, Vereniging van Institutionele Beleggers in Vastgoed, Nederland, Eumedion, Climate Action 100+, Council of Institutional Investors, and the Investor Leadership Network.
Strategy		
GR 102-14	Statement from the organization's senior decision maker on the relevance of sustainable development to the organization and its strategy.	Annual Report – Preface pp. 2-4
GRI 102-15	Disclosures on key impacts, risks, and opportunities.	Annual Report – Developments in the world (of pensions) pp. 16-19
Ethics and integrity		
GRI 102-16	Disclosure on the organization's values,	Annual Report – Integrity, Core Values, and Code of Conduct pp. 71
Governance		
GRI 102-18	The organization's governance structure	Annual Report – Corporate Governance pp. 69-72
Stakeholder engagement		
GRI 102-40	List of stakeholder groups that the organization has engaged	Annual Report – Stakeholder analysis pp. 174-175
GRI 102-41	Employees governed by collective bargaining agreement	Annual Report – Other personnel information pp. 185
GRI 102-42	Principles for identification and selection of stakeholders	Annual Report – Stakeholder analysis pp. 174-175
GRI 102-43	Approach to stakeholder engagement	Annual Report – What our stakeholders consider important pp. 25-27
GRI 102-44	Key topics and concerns raised in consultations with stakeholders	Annual Report – Material topics pp. 174-175; What our stakeholders consider important pp. 25-27
Reporting		
GRI 102-45	List of entities included in consolidated financial statements and not covered by this report	Annual Report – List of equity interests p. 151
GRI 102-46	Process for defining report content and specific boundaries and principles used	Annual Report – Accounting policies pp. 109-113; Scope p. 174
GRI 102-47	Material topics defined in defining report content	Annual Report – Material topics pp. 174-175
GRI 102-48	Impacts of any restatements of information provided in a previous report and the reasons behind the restatement	Annual Report – Material topics pp. 174-175
GRI 102-49	Significant changes compared to previous reporting periods on the scope and boundaries	Annual Report – Other sustainability information (principles for carbon emissions) pp. 182-183
GRI 102-50	Reporting period to which disclosures relate.	The 2020 annual report also provides, for the first-ever time, a materiality analysis and GRI content index.
GRI 102-51	Date of most recent previous report	Annual Report – About this report pp. 172-175
GRI 102-52	Reporting cycle	Annual
GRI 102-53	Contact point for questions regarding the report or its content communicatie@apg.nl and sustainability@apg.nl	communicatie@apg.nl en sustainability@apg.nl
GRI 102-54	The selected "In accordance with" option	Our annual report was prepared in accordance with the GRI guidelines (core options) of the Global
GRI 102-55	The GRI content index for the option selected	Annual Report – GRI content index pp. 178-179
GRI 102-56	Assurance policy	Annual Report – Assurance policy for non-financial information pp. 175

INDICATOR	DESCRIPTION	CROSS-REFERENCE/FULFILLMENT/EXPLANATION
MATERIAL TOPICS		
Controlled pension administration		
GRI 103	1. Boundaries per material topic	Annual Report – Material topics pp. 174-175; Leading pension administrator pp. 29,32
	2. Management approach	
	3. Evaluation of the management approach	
Responsible investment		
GRI 103	1. Boundaries per material topic	Annual Report – Material topics pp. 174-175; Sustainable and digital asset management pp. 33-41
	2. Management approach	Responsible Investment Report https://apg.nl/nl/over-apg/asset-management/verantwoord-beleggen
	3. Evaluation of the management approach	
Own indicator	Benchmark UN PRI	Annual Report – Sustainable and digital asset management, Recognition pp. 41
Own indicator	Sustainable Development Investments	Annual Report – Sustainable and digital asset management, Contributing to Sustainable Development Goals pp. 40-41
Highest net return		
GRI 103	1. Boundaries per material topic	Annual Report – Material topics pp. 174-175; Our financial position pp. 51-52
	2. Management approach	
	3. Evaluation of the management approach	
Own indicator	Extra return achieved above the market average	Annual Report – Sustainable and digital asset management, Return above the market average pp. 35
Transition to the new pension contract		
GRI 103	1. Boundaries per material topic	Annual Report – Material topics pp. 174-175; APG's look to the future pp. 66-67
	2. Management approach	
	3. Evaluation of the management approach	
Contributing to a future-proof system		
GRI 103	1. Boundaries per material topic	Annual Report – Material topics pp. 174-175; APG's look to the future pp. 66-67
	2. Management approach	
	3. Evaluation of the management approach	
Trust in retirement		
GRI 103	1. Boundaries per material topic	Annual Report – Material topics pp. 174-175; Trusted guide pp. XX-XX
	2. Management approach	
	3. Evaluation of the management approach	
Own indicator	Reputation score	Annual Report – Our reputation pp. 47-48
Offering grip on income for today, tomorrow, and beyond		
GRI 103	1. Boundaries per material topic	Annual Report – Material topics pp. 174-175; APG's look to the future pp. 66-67
	2. Management approach	
	3. Evaluation of the management approach	
Own indicator	Participants with insight into pension assets	Annual Report – APG at a glance pp. 5
Own indicator	Participants with insight into their income for later	Annual Report – APG at a glance pp. 5

Other sustainability information

Working on demonstrably climate-neutral operations

We are reducing our environmental impact by cutting our energy consumption, limiting business travel, and reusing our waste. On top of that, we are turning to energy from renewable sources. And as a final touch, we compensate for our inevitable emissions through a carbon offset. In 2020, policy was made and measures were taken to ensure that the emissions for which we still have to compensate are reduced to a negligible level by 2030.

Carbon emissions from operations

We measure the carbon footprint of energy usage, mobility, refrigerant leaked, and waste. In 2020, APG's gross carbon emissions totaled 8,173 metric kilotons (18,352 metric kilotons in 2019). This means 2.8kg per FTE (6.5kg per FTE in 2019). Because part of the energy we use comes from renewable sources, our net carbon emissions are lower. APG's net carbon emissions in scope 1 and 2 are subsequently offset by procuring Gold Standard certificates.

In compliance with the Greenhouse Gas Protocol (GHG Protocol), the carbon footprint is expressed in various scope categories. Scope 1 emissions are direct emissions from proprietary sources or sources over which APG has control. Scope 1 emissions are indirect emissions from the generation of energy procured. As per the handbook of the Dutch CO2 performance ladder system, business travel using private vehicles and business air travel are also included in the scope 2 emission calculation. Scope 3 emissions are all relevant indirect emissions (not included in scope 2) that are produced within APG's value chain. This concerns, for example, the carbon footprint of our employees' daily commute.

APG, furthermore, maps out the carbon footprint of the investment categories of shares, corporate bonds, real estate, and private equity. We report on these matters every year in our Responsible Investment Report based on the recommendations of the Task Force on Climate-related Financial Disclosures and the methodologies of the Partnership for Carbon Accounting Financials (PCAF) for corporate investments and Global Real Estate Sustainability Benchmark (GRESB) for investments in real estate.

Gross CO_2 emissions in metric ton		2019	2020
Scope 1	natural gas	891*	814
	refrigerants	0*	0*
	fuels - company-leased vehicles	2,397*	1,234***
Scope 2	electricity	6,517*	4,436*
	district heating	44*	33
	air travel	4,264*	407
	vehicle fuels - kilometers traveled for business purposes	342***	85**
	public transport - kilometers traveled for business purposes	327***	48**
Scope 3	waste	319*	111*
	vehicle fuels - commute	3,210***	970**
	public transport - commute	-	18***
	wastewater	30*	13*
	water	11*	4*
Total		**18,352**	**8,173**

** not including New York*

*** not including Hong Kong*

**** not including New York and Hong Kong*

Net CO_2-emissions in metric ton		2019	2020
Scope 1	natural gas	891*	814
	refrigerants	0*	0*
	fuels - company-leased vehicles	2,397*	1,234***
Scope 2	electricity	68*	80*
	district heating	44*	33
	air travel	4,264*	407
	vehicle fuels - kilometers traveled for business purposes	342***	85*
	public transport - kilometers traveled for business purposes	327***	48**
Scope 3	waste	319*	111*
	vehicle fuels - commute	3,210***	970**
	public transport - commute	-	18***
	wastewater	30*	13*
	water	11*	4*
Total		**11,903**	**3,817**

** not including New York*

*** not including Hong Kong*

**** not including New York and Hong Kong*

On March 18, 2020, nearly all employees switched to working from home due to the COVID-19 measures. These measures had the following effect on APG's carbon emissions:

- This drop in our carbon emissions came mainly on the back of the reduction in mobility as employees stopped commuting to and from work.
- Our energy consumption, on the other hand, did not show a huge drop, because our buildings still needed to be heated/cooled for those employees who did still work there. This concerned around 100 co-workers who continued to work on site throughout the crisis, and who were reasonably spread out in the various buildings.

These factors brought a relative increase in emissions due to energy usages (gas and power) within the total emissions.

Principles for carbon emissions

The principle for most conversion factors for the carbon footprint that our provider GroenBalans has used is the "List of emission factors" published on www.CO2emissiefactoren.nl. In the Netherlands, APG uses green power for its operations. The origin and source of the green power we use is European wind and is guaranteed through Guarantees of Origin. In the calculation of net scope 2 carbon emissions, the use of this green power gets an emission factor of zero. The figure for the commute is an estimate and based on the commuting allowance paid to employees. The underlying assumption is that employees who receive a commuting allowance do not live more than ten kilometers from their office and drive to work. Seeing as the commuting allowance continued to be paid throughout the period that employees worked from home, which started on March 18, 2020, this would create a distorted view of emissions. This is why an assumption was made based on attendance records that commuting dropped by 97.5% from the second quarter of 2020.

The carbon emissions were calculated for APG Group. The quality of the data used to calculate the carbon emissions has improved over past years. In 2020, we found that the carbon footprint of refrigerants had not been calculated correctly in 2019 because the data used was incomplete and inaccurate. We have corrected the corresponding figure for 2019.

Energy consumption of our premises

To gain insight into the intensity of energy and greenhouse gases (GHG), we use the Carbon Risk Real Estate Monitor (CRREM) method. This method divides the energy consumed and, in case of greenhouse gases also the refrigerant leaked, by the total floor space rented out. We want our premises to stay below the 1.5-degree pathway and aim to hit the 2050 target ahead of time.

GHG-intensity in kgCO_2/m2/year		2018	2019	2020	2020 target 1,5 degrees Celsius path	2050 target 1,5 degrees Celsius path
Netherlands	Heerlen	256	258	217	233,7	13,3
	Symphony	81	95	67	233,7	13,3
	Basisweg	-	261	203	233,7	13,3
US	New York	-	-	-	287,9	12,1
China	Hong Kong	-	102	120	293	5,1

GHG-intensity in $kgCO_2$/m2/year		2018	2019	2020	2020 target 1,5 degrees Celsius path	2050 target 1,5 degrees Celsius path
Netherlands	Heerlen	120	120	100	103.9	2.7
	Symphony	34	37	25	103.9	2.7
	Basisweg	-	86	63	103.9	2.7
US	New York	-	-	-	78.5	2.8
China	Hong Kong	-	56	66	238.4	3

Waste separation

APG has set out to reduce residual waste down to a maximum of 10% by 2022 and to nearly 0% by 2030. In 2020, residual waste as a percentage of total waste in the Netherlands and Hong Kong was 42% (37% in 2019). This means 7.8kg of residual waste per FTE (32.4kg of residual waste per FTE in 2019).

Waste in kg*		
Paper and cardboard	132,072	9,943
Other seperated waste	21,676	22,105
Residual waste	91,198	22,919

**not including New York*

Other personnel information

Male/ female ratio on December 31, 2020	Male	Female	Male	Female
supervisory board	67%	33%	71%	29%
executive board	50%	50%	60%	40%
Board layer*	75%	25%	78%	22%
Management layer*	78%	22%	80%	20%
Sub-top*	76%	24%	79%	21%
Total (not including the Supervisory Board)	**65%**	**35%**	**65%**	**35%**

** not including Hong Kong en New York*

Number of employees as on December 31,2020	FTE	Employees	FTE	Employees
Netherlands	2,692	2,828	2,608	2,753
Hong kong	78	78	65	66
New York	164	164	146	146
Total	**2,934**	**3,070**	**2,819**	**2,965**

Number of employees as on December 31,2020	Permanent contract	Temporary contract	Permanent contract	Temporary contract
Male	1,863	126	1,868	52
Female	980	101	969	76
Total	**2,843**	**227**	**2,837**	**128**

Number of employees as on December 31,2020	Full-time	Part-time	Full-time	Part-time
Male	1,736	253	1,700	220
Female	555	526	504	541
Total	**2,291**	**779**	**2,204**	**761**

APG offers full-time positions with working weeks of 36, 38, and 40 hours. Part-time means that fewer hours are worked than the hours for which the job has been classified.