

Annual Report 2022

APG Groep NV

Contents

3 Foreword

7 About APG

- 8 Who we are and what we do
- 10 Our core activities
- 13 Our world today and in the years ahead
- 17 How we create value
- 22 Our ambitions and our strategy

25 Our results in 2022

- 27 Effective control of pension administration
- 30 The transition to the new pension system
- 34 Focusing services on the customer
- 37 The financial fitness of participants
- 41 Earning high returns in a sustainable and responsible manner
- 54 Keeping costs responsible
- 56 Keeping our organization meaningful and inclusive
- 60 Digital security and privacy

63 Our financial position

66 How we work together at APG

- 67 The importance of our culture
- 69 APG's track record as an employer



76 How we manage our organization

- 77 Corporate governance
- 82 Risk management
- 88 Members of the Executive Board
- 91 Members of the Supervisory Board

94 Supervisory Board

102 Financial statements

- 104 Consolidated financial statements
- 144 Company financial statements

158 Other information

- 160 Independent auditor's report

172 Non-financial information

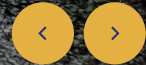
- 173 About this report
- 178 Report on non-financial information
- 185 GRI Index including UN Global Compact references
- 197 Glossary

Foreword



Warm weather

Parents cool off with their children at a fountain. The high temperatures prompted the KNMI to issue a Code Orange weather alert.



Working on tomorrow – together

For anyone trying to capture 2022, words such as “extraordinary” and “critical”, but also “unsettling” come to mind. It seems that, just as we were putting the COVID-19 pandemic behind us, new global crises and problems emerged. We have only to look at the war in Ukraine, and at the dire consequences it has wrought, especially for the people living there and for the refugees – and at the soaring prices in the energy market, which are causing problems for people everywhere.

Perhaps overshadowed by these shocking events, though, there is also some good news to be found: 2022 was a crucial year because, on December 22, the Dutch House of Representatives approved the proposed Future of Pensions Act. This was a historic decision, coming as it did after decades of negotiations. It was also a decision to which APG contributed on many occasions with its expertise. This means that there will be a new pension system in which collectivity and solidarity will still be central. These are important social values that we believe in. Thanks to collectivity, with compulsory membership for all, we will all be

ensuring a good income for pensioners, both now and in the years and decades to come. As a pension administrator for eight pension funds and the 4.5 million people who take part in them, APG could not be more pleased with these achievements.

An immense operation

There will also be key changes. The amount of the pension will fluctuate with the investment market, and investment risks will be determined by age group. In fact, funds are going to allocate across generations the vast assets they have invested. This is an exciting and immense operation.

Like our fellow pension administrators, APG did not wait for the final decision from the government in The Hague. The whole operation is too big for that: this change to the system is probably the farthest-reaching in the Netherlands since the introduction of the euro. From here on in, things will be happening fast. If the Senate approves the bill in a timely fashion, the Future of Pensions Act

can enter into force on July 1, 2023, and the first funds at APG will be transferred on January 1, 2025. We are therefore already building a sophisticated IT system, with a completely new policy and capital administration system. And we are preparing pension participants’ data for a safe and reliable transition to the new system, even as we are also administering the current pensions for our eight pension fund clients.

We need more people, at least temporarily. But APG is also struggling with labor scarcity. Media campaigns are helping us at the moment in our search for a wide range of new employees. And this goes beyond IT professionals and technically savvy asset-management traders: for a large part this also concerns people in the Customer Contact Center who can effectively and empathetically explain all of these changes to pension participants. That, too, is a skill unto itself. Certainly, there will be many questions, about pension pots, investment choices, and pension fluctuations. Managing uncertainty will become an important task.

Working together will be key. In our own organization, we will bring asset management and pension administration closer together, because in the new system investments and benefits will also be more closely linked. These are fundamentally different entities, with different competences, but they will work together in a new way in the new situation and will therefore have to listen carefully to each other.

5 And something similar applies externally. Setting up the new system is a society-wide project. Within the Federation of the Dutch Pension Funds, we are discussing the contents of the schemes with two other major administrators in the Netherlands, PGGM and TKP. We are exchanging knowledge and expertise, so as to assist smaller pension administrators too. We are talking about a collective system, which clearly must be organized collectively. APG has always been, and will continue to be, a pioneer on this score. Working well together also means being able to be flexible. And truth be told, that is not always a given. I see why this is: we are the largest pension administrator with the most experience, but we do not necessarily have

all the answers. We can do even better when it comes to listening to stakeholders, and to voices from across society. And we can work even better with others in the sector.

Major issues

In this day and age, there is simply no other way: today's issues are so significant and so complex that robust cooperation among government, businesses, and civil-society organizations is imperative. And that is also a call to myself: the Executive Board can do better in certain areas. I also want to promote that idea within APG, because it takes courage to say that you yourself are facing unknown challenges and could do with some feedback.

APG is therefore committed to what I call a new collectivity. We decide together how to manage prosperity and well-being, including when it comes to pensions, which we can already be proud of now, but which we will hopefully be even prouder of soon. I want to work toward a Netherlands where there is room for both individual and common interests.



Annette Mosman, chair of the APG Executive Board

The new pension system is an important step on that road: working on a collective basis will allow us to invest sustainably on a large scale. If we were to look only at individual interests, the environment and the climate would lose out. “Working on tomorrow – together”: that is the common thread throughout this annual report, but in fact it is equally the credo for our entire organization and the society we are striving to achieve.

Everyone counts

APG stands for a sustainable, inclusive world - for our parents, for ourselves, and for our children. For a Netherlands, and for an APG, where every individual counts and everyone can be themselves. Striving for sustainability in the broadest sense is in our DNA. It is the basis of the service we offer our clients – the pension funds, the employers, and the pension participants. Together, we can make a difference, and together we will have a positive impact on Dutch society and far beyond.

The need for this to happen seems greater than ever before. We live in times that desperately call for togetherness. We are seeing stark polarization. Political and public debate

is hardening, manners are deteriorating, and discourse is growing more and more radical, whether it is on the Dutch nitrogen crisis, on problems in healthcare, or on tackling the housing shortage. The advent of the new pension system underlines the importance and usefulness of collectivity.

“

“It is a bit like running one factory while building a second one at the same time

In that collective effort, we face an important task. And I am confident we will get the job done. At APG, we also demonstrated during the COVID-19 crisis that we are extremely agile – capable of adapting to unexpected, challenging situations. And right at that time, in those very same years, that enormous project of creating the new pension system was added. It is a bit like running one factory while building a second one at the same time. This will demand

a lot from our employees, who have remained fully committed to the pension fund clients and their participants, because everything we do is about them.

Commitment, knowledge, and expertise

APG is fortunate to be able to count on its employees’ commitment, knowledge, and expertise. However the run-up to the go-live of the new pension turns out, I am certain we will have everything in place to ensure a smooth transition.

My colleagues on the Executive Board and I would also like to thank the pension fund clients we work for, the shareholders, the Supervisory Board, the employers, the pension participants, and other partners who are standing with us in these truly extraordinary and critical times.

Annette Mosman, chair of the Executive Board
Amsterdam/Heerlen, March 9, 2023

About APG



The Netherlands emerges from lockdown
Students were able to return to school and attend classes again in January as the lockdown was lifted.



Who we are and what we do

APG handles the pension administration for eight pension funds in both the public and private sectors. We administer pension

entitlements, collect pension contributions, and make sure we pay benefits on time. We support and advise pension fund boards.

And on behalf of pension funds, we offer information and guidance to both participants and employers. For four fund clients, and their pension participants and retirees, we manage the assets that have been built up from the contributions that have been paid. We invest this money responsibly so as to achieve sustainable returns and a good pension for current and future generations, both now and in the years and decades to come. For us, pensions are about people, about working people and retirees today, their parents, their children, and their grandchildren. We look far beyond financial returns: we contribute to the society they live in. Pensions are about life, and about living together, so they are also about sustainability, norms and values, intergenerational solidarity, diversity and inclusion, and about the climate.

Clients

APG works for eight different funds.



Four and a half million participants

Every day, some 3,400 APG staff members – working in offices in Amsterdam, Heerlen, Hong Kong, and New York, as well as the satellite offices in Brussels, Singapore, and Beijing – dedicate themselves to those who

9

matter, the 4.5 million people who are either building or getting their pensions through one of the pension funds we work for. They are doing this for people who are working or have worked in the public sector, including education (ABP), in construction (bpfBOUW), for a housing association (SPW), in cleaning (BPF Schoonmaak), in sheltered employment (PWRI), as medical specialists (SPMS), as architects (Pensioenfondsvoor de Architectenbureaus) and at APG itself (PPF APG). We administer all aspects of pension schemes for these funds. That starts with appropriate pension administration and with customer-focused services. We proactively help people who are accruing or have accrued pensions, or who have already retired, by providing them with information and explanations, whether through our Customer Contact Center or online, the latter of which is increasingly the case.

For ABP, bpfBOUW, SPW, and PPF APG, we manage the assets that have been built up from the pension contributions paid by employers and participants. Over the long term, these assets will grow, thanks to the returns we get from the investments we make on behalf of the funds. As of the end of 2022, the total

was 521 billion euros. This entails a lot of responsibility: how we manage these assets determines the pensions of millions of people. Therefore, in everything we do we keep in mind a society in which we share prosperity and well-being sustainably, both in the Netherlands and abroad. To continue making a difference, we need, and want, to do even more. Thanks to our 100 years of experience – first under the auspices of ABP and then, since 2008, as an independent organization – APG understands what pensions are really about. We put that knowledge and expertise to use, for example by contributing to the public debate. We want to help enhance people’s understanding of pensions and ensure that everyone in the Netherlands becomes financially fitter.

New pension system

As the largest pension administrator in the Netherlands, APG plays an important role in the transition to a new pension system, which is expected to be fully implemented by 2027. In this complex process, we stand side by side with the funds and social partners: together, we will develop the future pension system as efficiently and clearly as possible. APG is already preparing thoroughly.

Who does APG work for?

The eight **pension funds** we work for are our clients (also known as “pension fund clients”). On behalf of these funds, we serve the employers and pension participants who are affiliated with the funds. For a number of funds, we handle pension administration and see to the management of assets. We serve **employers** who are affiliated with our pension fund clients. They pay pension contributions to the funds; APG collects them and invests them on behalf of the pension funds.

Our services are also aimed at millions of people: **participants** and pensioners, their dependents, and current and ex-partners. Active participants are those employees who are affiliated with our pension fund clients through their employer. Former participants are employees who were previously employed by these employers and who have not yet retired. To pensioners, APG pays pensions on behalf of the funds.

Our core activities

Pension administration

For our pension administration, we have IT systems that contain the agreements with participants, and that are used to collect contributions and pay out pensions. APG also provides the annual pension statements. Because APG works on behalf of eight pension funds, we can keep costs manageable. Innovation and digitalization play an important role here.

We work with multidisciplinary client teams, offering actuarial and legal support, among other things, to help pension funds decide what course they want to chart. We are also careful to ensure that each fund can keep its individual character, including in communication with participants and employers.

The needs of participants and employers are our starting point. On behalf of the funds, we offer them information and guidance. We see it as our responsibility to give participants an overview of, and insights into, their pensions. This enables them to make better decisions about their income now, and in the years

and decades ahead. Our Customer Contact Center, which handles some 42,500 inquiries every month, plays an important role here. The questions come in by phone, and over email and chat. Customers can also find a lot of information online.

In our work for the funds, we see employers as important partners: they are close to the participants. With our services, we help employers meet their administrative and other obligations and duties. We also support them in educating their employees.



In our work for the funds, we see employers as important partners: they are close to the participants

Asset Management

APG Asset Management manages assets for four pension funds. We invest on their behalf the pension money participants have deposited. With total invested assets of around 521 billion euros (as of the end of 2022), APG is the largest investor in the Netherlands.

The aim is to increase the value of pensions while investing responsibly. We work to earn high returns in a sustainable and responsible manner, taking acceptable risks within the limits of the policies of our pension funds. We are always mindful of costs. We invest for the long term, keeping our pension funds' obligations in mind. About two thirds of the amount paid out as pensions comes from returns on investments. This contributes significantly to the affordability of the pension schemes that our pension fund clients have.

In 2022
APG looked after the pensions of

4.5
million participants

22.5
thousand employers

In 2022
APG received

€ 16.0
billion in contributions on behalf of clients

In 2022
APG paid out

€ 16.2
billion in benefits on behalf of clients

In 2022
APG managed

€ 521
billion in assets on behalf of clients

In 2022
APG invested in

5,759
parties for clients

APG manages assets according to a fiduciary model that we have developed together with our pension fund clients. We distinguish among three roles here. Portfolio Management carries out our investment mandates. Risk

Management continually monitors whether the investment process and the investments themselves remain within the agreed limits. And Fiduciary Management acts independently as a strategic advisor to our pension funds. Our clients provide investment mandates that are drafted together with the Fiduciary Management department, which also reviews how these mandates are carried out. Around 70% of investments are managed by our in-house investment teams; the rest are managed by external specialists, who work under our supervision.

Responsible investing certainly does not have to come at the expense of a return on our investments. We are committed to the UN Sustainable Development Goals, which aim to create a better and more sustainable world. We also take into account environmental, social, and governance (ESG) criteria when investing. Advising our clients on issues such as human rights, diversity, the environment, and climate change is an integral part of the services we offer.

APG is continually developing new tools and working on new partnerships so that the

pension fund clients we invest for continue to lead the way in responsible investment. In doing so, we also meet the wishes of our pension participants: our research shows that they expect the contributions they pay to be invested responsibly.

“

We also take into account environmental, social, and governance criteria when investing.

We invest on behalf of the funds in a wide range of asset classes, including equities, bonds, and alternative investments. We use various data sources and artificial intelligence to do in-depth analysis. We are working to improve our models to manage risk more effectively and increase the return on our ESG portfolio.



‘Most people know very little about pensions’

Three questions for Marike Knoef, director of the think tank Netspar up to February 1, 2023, and currently Dean of the Tilburg School of Economics and Management

Netspar aims to increase “pension literacy.” Why is that so important?

“Netspar’s research shows that most people know very little about pensions, and yet over half of them are very concerned about their pension. Still, for a large number of them, the pension they are accruing is perfectly fine; the only thing is, they

are not aware of that. When people get a little more basic knowledge, you notice this alleviates their concerns. Of course, you don’t need to know everything that is going on under the hood. But 40% of young people think there will be no pension for them later. That is rather a lot. Once they know a bit more about it, they might feel more reassured.”

The pension system is being overhauled. What are the strengths?

“Actually, you are never really done shaping a pension system: it is an ongoing process, because the world is changing. But I do think the new system is an improvement. There is more tailoring to each age group, and that suits people’s situations better. The pension systems, both the old and new, are sensitive to developments in the financial markets. However, the new system does offer better ways to deal with this, through a more targeted allocation of financial risks. Soon, pensions will be more in tandem with the financial markets. Young people can take more risks here than older people can. The new system is not necessarily any less complicated. It is more

transparent, though, because everyone can see what funds have been accrued for them. That transparency can help allay some concerns among young people.”

The perception is that benefit levels are less of a sure thing in the new system. Has the “guarantee” become a promise?

“What we’re seeing is that it triggers emotional reactions when pensions are cut or not indexed. Losses bite twice as hard as gains, even if the total benefit increases over the years. So, if this happens with peaks and troughs, perceptions around pensions can be much bleaker than they need be. Of course, there is some consideration being given to whether you can spread peaks and troughs over time. That has both advantages and disadvantages. Going by people’s emotions, I would advise taking a big negative shock relatively quickly. That way, you won’t be facing years on end with sprawling losses that become harder and harder to explain. By contrast, you can spread a big positive shock over more years to absorb future losses.”

Our world today and in the years ahead

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

Economic developments

Global economic and financial conditions were turned completely upside down in 2022. Before the COVID-19 pandemic threw the system off kilter in 2020, we were in a state of low inflation and modest growth. But it would appear that we are not returning to that, and that we have entered new, uncertain times. A war has been raging in Ukraine since February 2022, and that has primarily caused a lot of human suffering, but it has also ignited an energy crisis. And that, in turn, has led to exceptionally high inflation. There is also a real possibility of a global recession.

Central banks have fought inflation with higher interest rates, while governments borrowed huge sums to protect their residents from

the effects of that inflation, which, in turn, also caused a significant increase in interest rates in financial markets. The supply of bonds with negative interest rates has virtually disappeared, and most bond owners had negative returns. Share indexes have fallen by about a fifth since the end of 2021, by which point they had reached their highest value. The simultaneous decline in both equity and bond markets made 2022 a historically bad year. The portfolios we manage at APG did not come away unscathed either: they closed the year significantly lower than at the opening.

Indexation of pensions

Nevertheless, our fund clients' coverage ratio improved considerably. This has to do with the value of liabilities, which fell more than the value of assets. The liabilities were discounted at a much higher interest rate than in 2021. This higher funding ratio allowed funds to re-index benefits, sometimes for the first time in years. This was vital in a year when the cost of living was rising sharply. Our role here is both advisory and administrative: we advise our fund clients on how to deal with expected and

unexpected inflation, how to adjust benefits, how to make any back payments required, and how to keep pension participants and retirees informed.

Labor scarcity

Many sectors of the Dutch economy are facing a tight labor market. APG is also feeling the effects of this. For instance, IT professionals and investment specialists are harder to find than a few years earlier. The shortage may affect salary levels, although wage increases do not seem to be inordinately large.

The new pension system

The Dutch House of Representatives approved the new pensions bill on December 22, 2022. The bill is also expected to pass the Senate soon. This gives all parties involved greater certainty about the new pension system and what adjustments are needed. The Future of Pensions Act will then come into force in mid-2023. APG remains closely involved in finalizing the details of the new pension scheme.

APG has been preparing for this for some time. The new system differs significantly from the current one and will require major adjustments to APG's organization and systems. The primary focus will remain on the solidarity-based contribution agreement our pension fund clients have chosen.

The shift to a more personal and transparent pension system poses challenges, especially in terms of administration and communication. In the new pension agreements, we will take into account not only the interests of pension funds in general, but also the specific preferences of different groups of participants. Pension participants will be split into age groups, with risk preferences and appropriate risk-return ratios determined for each age group.

APG is also forging new links between pension administration and investments. The transition will be accompanied by operational challenges. We will translate fund-level returns into returns per age group and per individual participant. We need to accommodate a new form of individual pension information, which will have to include explanations of investment results. There will also be an increased focus on ESG issues.

New laws and regulations

Since March 10, 2021, financial institutions such as APG and our pension fund clients have been required to comply with the EU Sustainable Finance Disclosure Regulation (SFDR). There was still a lot of uncertainty about how to apply the SFDR in practice. An EU Delegated Regulation that sets out in detail a number of obligations has been in force since January 1, 2023.

APG Asset Management is required to classify its financial products and to comply with transparency obligations at both the product and entity levels. For example, APG Asset Management must specify, for each product, how sustainability risks are integrated into investment decisions.

The EU Taxonomy Regulation, which contains further rules regarding classification and transparency obligations, entered into force on January 1, 2022. In addition, with effect from August 2022, and under MiFID II regulations, APG Asset Management must solicit the sustainability preferences of its clients. APG Asset Management may only

offer its clients products that match their sustainability preferences.

The Dutch Authority for the Financial Markets (acronym in Dutch: AFM) monitors compliance with the SFDR, the Taxonomy Regulation, and MiFID II obligations.

In the field of digital security, too, we see stricter security and privacy requirements being laid down in EU laws and regulations in the coming years. Several regulations are in the pipeline, the first of which will come into force in 2023. For example, APG will have to deal with the Digital Operational Resilience Act (DORA) and, as regards personal data protection, with an EU Regulation on ePrivacy. This will have implications for our organization. We will continue to develop our knowledge, legal and otherwise, on this front. We will also take into account the fact that, even more than is the case now, we will be accountable for the security of our data storage and for decision-making based on data and artificial intelligence.

Variation in climate policy

Climate awareness has now embedded itself in the policies of all of our pension fund clients.

While ABP in particular initially led the way here, all pension funds now have their own plans and goals. The more sustainable investment policy means APG is divesting from a large number of investments on behalf of the pension funds because they either do not or no longer meet client requirements.

At APG, these developments also affect the way we work. We are working less and less with funds for joint account [fondsen voor gemene rekening], mutual funds under Dutch law from which we make investments on behalf of several funds at the same time. Since pension fund clients have more specific strategic-investment needs, customization is required. As early as 2020, ABP stated that it would withdraw its assets from funds for joint account for capital markets. While the elimination over time of funds for joint account will mean the loss of economies of scale, this will be offset by our ability to be even more responsive to our customers' needs.

the COVID-19 crisis has led to changes in how we work. For instance, we have switched to a hybrid working week, with working sometimes at the office and sometimes at home now the norm. Less commuting not only contributes to our sustainability ambitions, but also meets the desire of our employees to continue working partly from home. Naturally, this has meant making new arrangements for working together and for meetings. We have adapted our offices and their use such that hybrid working is now optimally supported.

“

**Climate awareness
has now embedded itself
in the policies of all
our pension fund clients**

The world of work after COVID-19

Although we still had to deal with COVID-19 measures in the first months of 2022, the pandemic seems to be over. It is now clear that



‘The new system can restore confidence’

Three questions for Kim Putters, chair of the Social and Economic Council (acronym in Dutch: SER) and Professor of Broad Prosperity at Tilburg University

The level of confidence in institutions is low. And it is precisely during system reform that confidence is needed, right?

“It was uncertainty about social and financial sustainability that prompted the Dutch government to ask the SER in 2014 for advice on the future of the pension system. It was during meetings of the SER that it became

clear that many participants did not understand how investment returns are distributed under the current system. That eroded confidence. A successful introduction will help restore that confidence, as will a well-balanced elaboration of the revamped system across generations. That way, all participants will recognize that the system has added value for them.”

Still, there is a lot of debate about the introduction of the new system.

“There are substantial impacts, costs, and risks associated with the transition. The social partners and the government are jointly responsible for how to compensate for the abolition of the uniform policy pension system (with contribution rates and accrual rates uniform across all ages). It is important that the transition to the new system with age-independent contributions be balanced and cost-neutral. The pension accrual of affected employees should be adequately compensated. An effective transition to the new system will require a huge effort from social partners, pension providers, and the government.”

How do you see the future of the Dutch consensus-oriented model and the matter of representation within the social partners’ constituencies?

“In my view, there is no alternative but to seek well-supported, consensus-based solutions, especially in these times of polarization and political fragmentation. There are a few crucial preconditions. First of all, the SER must base its reasoning consistently on the standpoint of people. If you do not delve sufficiently into what is happening on the ground, real solutions will fail to materialize. We also need to consider a compact, coherent agenda. We will be expected to connect the short-term with the medium and longer-term prospects for our country. These prospects involve major environmental, economic, and social transitions that will require systemic changes to everything from sustainability and the circular economy to fighting inequality in education, creating an inclusive labor market, and digitalization. We want to steer these changes in an inclusive and sustainable direction. A broad base of support helps give multiperspectivity and diversity a strong foothold. And that is why, for example, we are strengthening the position of the self-employed within our Council.”

How we create value

We work with our clients to create good pensions. In concert with this, we are striving for growth across the board: growth in assets, people, and society. Both prosperity and well-being are key here.

APG is committed to creating maximum pension value for our pension funds, their participants, and society. We create value in different ways:

- We invest pension fund assets collectively and in a responsible way, thus contributing to the affordability of the pension system and making society more sustainable.
- We are a trusted guide in the world of pensions, and we help participants become financially fitter.
- We do our work as efficiently as possible, and the costs we incur must be justified: we work for the highest possible returns for the participants.
- APG wants to be a financially sound organization for its shareholders. Only

then can we ensure the continuity of our operations and realize our strategy.

- We create value for our employees by providing an inclusive working environment where we actively work to give equal opportunities and equal pay for equal work.

In the value creation model, we address the external trends and developments affecting our strategy and the key material topics that follow from our stakeholders' expectations. The principles from "Our ambitions and strategy" are translated into goals and targets and are reflected in the value we create with the services we offer our stakeholders.

In the value creation model, we show the ways in which the services we offer to pension funds, to employers and the participants who work for them, and to society are crucial, as well as which United Nations Sustainable Development Goals our value creation is contributing to.

What do our stakeholders care about?

Pensions are about people. A lot of people from across society thus have a stake in our work. We work for our clients – the pension funds – and for the employers and the participants who are affiliated with those funds. Our own employees, our shareholders, the entities we invest in, our strategic partners, and regulators are also key stakeholders. We are always looking to see which other organizations or institutions we can invite to join in the discussion.

In the dialog we maintain with our stakeholders, we share our knowledge. We value their expectations, and we talk to them about our goals, our strategy, and the road that lies ahead. This is an ongoing process, and conversations are taking place at all levels of the organization, because the more we know about what they see as key, the better we can do our job.

The [appendices](#) contain an overview of our key stakeholders.

Value creation

External perspective

Trends & developments

- New pension system
- Transition to a sustainable society
- Increasing client expectations
- Uncertain macro-economic environment
- Increasing cybercrime
- Tight labor market

Material topics

- Effective control of pension administration
- The transition to the new pension system
- Focusing services on the customer
- The financial fitness of participants
- Earning high returns in a sustainable and responsible manner
- Keeping costs responsible
- Keeping our organization meaningful and inclusive
- Digital security and privacy

SDGs

- Agenda for sustainable development

Input

Our clients

- Eight pension funds: we manage the pensions for four of them and we also manage assets for four of them
- 22,500 employers and 4.5 million participants are registered with these funds

Employees

- Competencies, expertise and network of approximately 3,400 employees

Society

- Pension scheme with employer contributions
- Financial fitness

Shareholders

- ABP 92.16%
- SFB 7.84%

Added value

We want to share prosperity and well-being in a sustainable way

We do this with our mission statement:

“
Building together on your sustainable future”

Our goal is to **maximize pension value**

We work towards our goal through an efficient and **participant-driven pension administration and asset management**, focusing on high returns achieved in a sustainable and responsible manner

We help participants **manage their income now and in the future**

Output

Our clients

- For every €100 of pension paid out, around €67 comes from the return
- NPS of +3
- 33 bps excess return
- Cost per participant €95
- Financial fitness propositions reached nearly 3 million people

Employees

- Male/female ratio 64% / 36%
- Smaller gender pay gap
- Employee engagement score 7.7
- Sick leave rate 4.2%

Society

- Pension provision for 4.5 million members
- Reputation score 72.2
- Benchmark UN PRI developed
- Awareness of APG 25%

Shareholders

- Return on equity of 13.9%

Outcome

Our clients

- High-quality service at a competitive price
- Advice to pension funds on pension schemes, sustainable and responsible investment
- Support, coaching and guidance to employers and participants

Employees

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

Society

- Future-proof pension system
- Financially fitter Dutch people
- Reputable organization
- SDI AOP adopted by the market

Shareholders

- Sustainable and responsible investing with a social and financially healthy return

Intended impact

Our clients

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

Employees

- Reducing income inequality
- Sustainable employment
- Enriching intellectual property

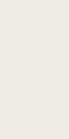
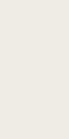
Society

- Less poverty among the elderly
- Dutch are financially fitter
- More resources for a sustainable, healthy and inclusive society

Shareholders

- Continuity of our organization and our shareholder relationship

Contribution to SDGs



Our material topics

A lot is happening in our rapidly changing environment. These changes affect our work both directly and indirectly. Our job, then, is to stay focused on the right things. Also, our stakeholders' expectations are high, and we respect the interdependence between our value chain and those of our pension fund clients. Thus it is only by working together that we can make a real impact and contribute to the United Nations Sustainable Development Goals.

And that is why we conduct a materiality analysis every year. That helps ensure that APG's strategy, policy, and levels of accountability both help further our efforts to create value over the long term and are in line with the expectations, demands, and wishes of all the people we work for and of all of our other stakeholders.

In 2020, we took a survey of our internal and external stakeholders. Underlying the survey was a comprehensive analysis based on 20 material topics.

Stakeholders



Based on developments in 2022, issues that have put APG in the news, and matters that came up in our dialog with stakeholders, we have identified the following eight key material topics:

- **Effective control of pension administration**
- **The transition to the new pension system**
- **Focusing services on the customer**
- **The financial fitness of participants**
- **Earning high returns in a sustainable and responsible manner**
- **Keeping costs responsible**
- **Keeping our organization meaningful and inclusive**
- **Digital security and privacy**

This annual report covers APG's performance against these eight material topics. We first address the topics that are related to our administration of pensions, then our management of assets, and finally the remaining topics: costs, organization, and digital security and privacy. With this approach, we intend to show clearly how we create value for our stakeholders in these areas.

The UN Sustainable Development Goals

Based on the work we do to create value as a pension administrator, we have selected 4 of the 17 United Nations Sustainable Development Goals (SDGs) we have taken upon ourselves to pursue. We contribute directly to these through our business operations. We are committed to integrating these four SDGs into our processes, and we are developing appropriate metrics that will allow us to see the specific contributions we are making so that we can steadily increase our impact.



SDG 1: No poverty

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

In 2022, we started measuring the number of people we reach with our propositions. That was nearly three million. In 2023, we will measure whether users of our propositions actually become financially fitter.



SDG 10: Reduced inequalities

We want to lead by example on diversity and inclusion. For example, we have targets for the male/female ratio at APG. We also encourage our employees to be socially active.

In 2022, 29% of those in the highest echelons of our company were women. The figure for the next highest tier was 30%, while that for the company as a whole was 36%. We are working to achieve our ambitions here: more than 30% at the top, over 35% in the next highest tier, and more than 40% overall. In addition, APG achieved 'Aspirant' status on the Dutch Inclusive Employment Performance Ladder in 2022. This status indicates that we have demonstrably embarked on doing business socially and inclusively. Of our employees, 32% were active on APGMakesaDifference, the platform where we work together to develop initiatives that contribute to APG's sustainability goals.



SDG 13: Climate action

We want to contribute to staying on the 1.5-degree pathway under the Paris Agreement. We are thus aiming to make our own operations climate neutral and to ensure that our asset management efforts contribute to achieving the objectives of the Paris Agreement by 2030. By 2050, the emissions associated with the investment portfolio we manage for our pension fund clients will be net zero.

The net CO₂ emissions in Scopes 1 and 2 of our operations dropped further to 1,989 metric tons in 2022. The gross figure was 5,390 metric tons (the figures for 2021 were 2,412 and 6,537 metric tons, respectively). We also published the [climate action plan](#) for our investment portfolio on the APG website.



SDG 17: Partnerships for the Goals

When it comes to responsible investment, we want to set global standards together with like-minded people and organizations. A key example of this is the Sustainable Development Investments Asset Owner Platform (SDI AOP),

which provides insights into the contributions that investments make to the SDGs. We are encouraging the market to adopt this standard, so that the share of sustainably managed assets will grow considerably in the coming years.

In 2022, the total assets under management for which users were using the SDI AOP was around 12,920 billion euros. In addition, we are among the leaders when it comes to each of the benchmarks on sustainability and on the accountability for achieving it, such as the UN's Principles for Responsible Investing (PRIs), ADOP, and the Dutch Association of Investors for Sustainable Development (acronym in Dutch: VBDO).

In all areas where this social impact also affects services for pension funds, we ensure coherence with our customers.

Many companies we invest in on behalf of our clients are playing an important role in working to reach the UN SDGs. On APG's website, we discuss in detail the UN's Principles of Responsible Investments (PRIs) and the [greening](#) of the investment portfolio. We also explain, on behalf of our clients, how we are contributing to efforts to reach the 17 SDGs.

Through these contributions, APG is working toward a future in which we share prosperity and well-being sustainably.



When it comes to responsible investment, we want to set global standards together with like-minded people and organizations

Our ambitions and our strategy

With the new pension system on the way, we are working hard to make our organization even more agile. That will allow us to make this complex transition even as we keep the quality of the day-to-day services we offer high. Advanced data systems and customer-focused services play a prominent role in our strategy.

Maximum pension value

Under the new system, too, we want to create the best possible pensions for participants. In our strategic goal, we articulate this as “maximizing pension value.” Our mission is: “Building your sustainable future together.”

Strategic pillars

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

Leading performer

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

Robust pension funds

Having strong pension funds also translates into a strong APG. It is important for funds to strengthen the bonds they have with their participants. On behalf of the funds, we provide even more participant-focused services.

Trusted guide

Together with our funds, we help participants make conscious choices on their income both for now and for the years and decades to come. We are continually working to find appropriate solutions and to develop coaching and mentoring services that will help participants stay, or become, financially fit.



Under the new system, too, we want to create the best possible pensions for participants

Five building blocks

APG has set itself five goals – our strategic building blocks.

1. We are a leading and stable investor, including for the long term. We invest sustainably and responsibly. Digitalization plays a prominent role: on a large scale, we use data analytics, workflow automation, and smart analytics platforms.
2. We offer high-quality services at market prices. We set the highest standards for data and for information and communications technology, including in terms of security and privacy. Robust pension administration is the basis for this.
3. We are adapting our organization and

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

4. We empower pension funds. We want to

be a participant-focused organization, and we continually adapt our working methods and competences accordingly.

5. We are a trusted guide in the pension world, for our clients, for participants, and for

the community. We deploy our knowledge and expertise broadly.

The foundation

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

Our staff

We are committed to the ongoing development of our employees. After all, we need people who can adapt to an ever-changing environment. This is key, especially in the transition to a new pension system. We create a safe environment with good employment practices, where everyone can be themselves, and where we work together in a results-oriented and enjoyable way.

IT and data

There are increasing demands on data and IT systems. We will notice this even more during the transition to the new pension system. Having optimal IT systems will allow us to make changes faster, provide additional functionalities, and continually develop digital services and products for participants and

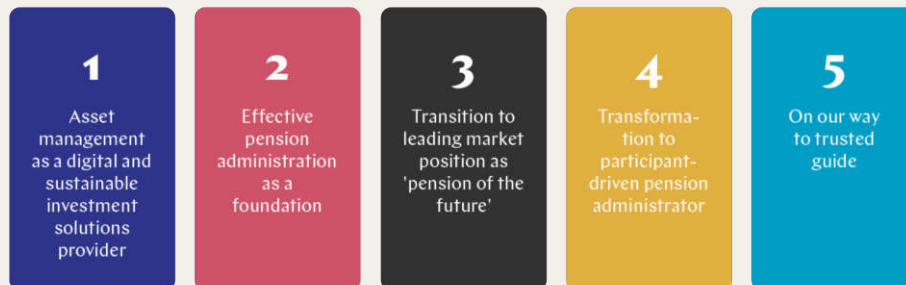
Maximizing pension value

Conditional on financial health and sustainability

Strategic pillars



Strategic building blocks



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

Priorities

The arrival of the new pension system, which is expected to come into force by 2027 at the latest, as well as social developments, will mean that we have to pay extra attention to a number of issues. We had set some priorities for 2022, and we will continue to do so in the coming years. We want to make sure that all participants get what they are entitled to.

- We are identifying and correcting imperfections in our pension administration system in a timely manner so that we are completely ready for the transition to the new pension system.
- Even as we continue to offer our usual services, we are working to construct our new policy and capital administration system, and to establish links with other systems. Pension administration and asset management are expected to become more closely interlinked.

- We continue to make our pension fund clients' investment portfolios more sustainable.

Setting priorities means making clear choices – choices that are difficult, but necessary. Because we cannot do everything at once, some strategic initiatives will be given a lower priority, and we will have to implement our overall task in phases. We will do this by consulting closely with our pension fund clients on the feasibility of each initiative and the timing of its introduction, taking into account the clients' ambitions. First and foremost, we never compromise in any way on the quality of our services.

Working on tomorrow – together

The theme of this report is “Working on tomorrow – together.”

“**Together**” denotes collectivity and solidarity – values that also underpin the new pension system. It brings to mind the sharing of risks, returns from investing, including for the longer term, and tackling challenges together in such areas as the climate. As a pension administrator, we do that together with all of

our stakeholders, our pension fund clients, participants, the societal partners, government bodies, politicians, our investment partners, our partnerships, and society as a whole.

“**Working**” points to the basis for our services – our pension administration and the management of investments for our pension fund clients – as well as to the transition to the new pension system. This is a complex operation, given that the shop is still open during renovations, so to speak.

“**Tomorrow**” connotes our innovations, the new pension system, our role as a trusted guide, our impact on the climate front, healthy returns, the confidence of participants in our pensions, organizational transformation, and all the digitalization that is and will be taking place. Tomorrow is almost upon us, but the concept also considers the road ahead over the long term.

Our results in 2022



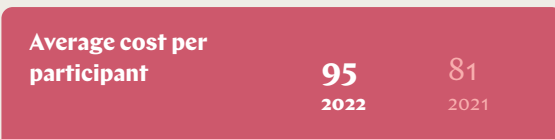
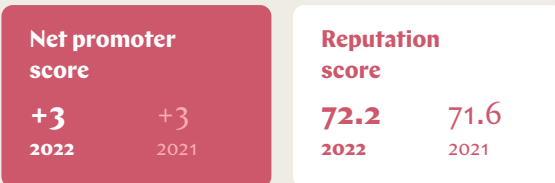
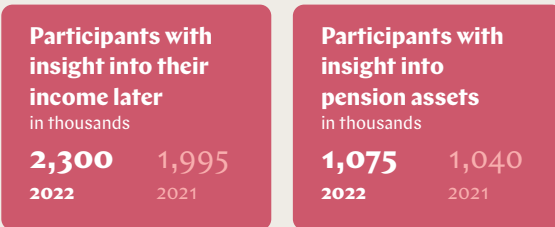
Rising inflation

Black Friday on Kalverstraat in Amsterdam. Prices rose by an average of 11.6% in the Netherlands.

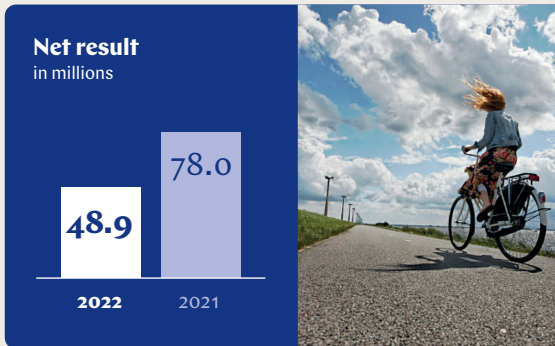


The world of APG

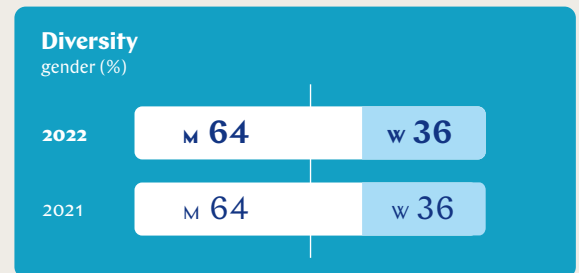
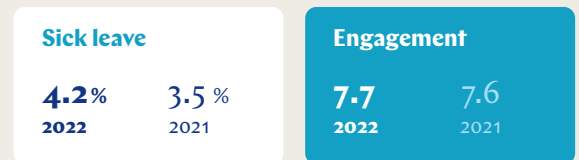
Participants



Results



Employees



Effective control of pension administration

APG continued to work on improving the administration of pensions for our pension fund clients in 2022. Pension participants and employers must be able to rely on robust, reliable, future-proof pension administration at all times.

regard: we partnered with Festina Finance, a Danish company whose cloud-based system has already proved successful in its home country. Together with Festina, we are already building the new capital administration system.

In the long history of the current pension system, inaccuracies or imperfections have crept into the administration system. A major cause is the accumulation, over years, of complex regulations, with a multitude of technical amendments and exceptional situations. New technology and new analytical methods are allowing us to check data even more closely. It is now emerging that some earlier remedial steps were incomplete; all of this is now coming in for attention.

At the same time, APG is exploring ways in which we can make data from the policy and capital administration system available in the digital environment for participants and employers. This innovation should lead to a personalized environment with up-to-date information for participants and employers.

Grip on Data

For our pension fund clients, we are improving the quality of data with an appropriate approach. For ABP, this has led to a separate program, Grip on Data. For other funds, this is being done within the Pension of the Future program. In 2022, we proactively corrected the pensions of about 144,000 participants under these programs. Some participants received a supplementary payment under remedial

Improving data quality

We are constantly looking for ways to improve the quality of data. On the one hand, we look at how we can prevent data errors from occurring and, on the other, we look into whether there might be data errors in our records, and if so, where. We see that the causes of data errors can vary considerably and that they can often be quite complex.

The information we provide on pensions to all stakeholders should be accurate, timely, accessible, understandable, balanced and clear. Digitalization plays an increasingly prominent role here – though we also see that personal contact is still appreciated.

In the future pension system, APG will also track the value of participants' personal pension assets. For the administration of these personal pension assets belonging to the people who accrue and receive pensions, we are developing a new policy and capital administration system. In 2022, we took an important step in this

measures like the “supplement for concurrent years of service.”

ABP's guiding principle is that pension participants get what they are entitled to. However, the sometimes hefty back payments (amounts ranged from several hundred to many thousands of euros) also led to unforeseen consequences. A number of retirees suddenly received higher tax assessments or lost certain allowances because their income in the year the payout was done was significantly higher than it had been in previous years. On behalf of ABP, APG is proactively compensating losses. In 2022, we sent a letter to around 26,000 participants with a personal proposal for the compensation of consequential losses. Over 95% of these participants agreed to the proposal and around 25 million euros was paid out in compensation.

Indexation of pensions

For the first time in a long time, a large number of pensions were indexed, including those for participants and pensioners of our pension fund clients ABP, bpfBOUW, PFAB, SPW, and PPF APG. Pensions were increased in mid-2022, and a back payment was made for the earlier

months of that year. This indexation was set by fund and target group, and varied between 0.7% and 2.7%. In late autumn, our pension fund clients announced that they were increasing pensions again with effect from January 1, 2023 (at ABP by 11.96%, and at bpfBOUW by 14.52%). Pension funds can justify these hefty increases, despite inflation, because funding ratios are high enough and rules have been relaxed as we head toward the new pension system. Thanks to good cooperation with the relevant funds, the operation was carried out successfully. We personally informed the participants and retirees who were affected about the increase in their pension benefits or accruals.

The rise in funding levels has also made value transfers possible again. The transfer of accrued pensions from and to other pension funds resulted in the number of participants in the pension funds we work for falling by about 300,000 in 2022 to 4.5 million, from 4.8 million the year before.

Dilemma

Fund requests versus a focus on the transition

The pension transition is putting a lot of pressure on our people and on available capacity. This makes it more difficult to handle regular requests from our pension fund clients. At the same time, the transition raises additional demands. Furthermore, as a regulator, the Dutch central bank also wants to focus supervision on the new situation, and that leads to new demands. How can we keep our focus on the transition to the new pension system while carefully handling questions, requests, and demands from clients and regulators?

By continually coordinating with our clients and regulators, we engage them on the impact their requests and demands have on our capabilities to effect change. Communication takes place to the extent possible at the board level. This allows staff in pension administration to focus as much as possible on both the transition and regular services.



‘It is a complex process, but we are on schedule’

Three questions for Rob Schormans, managing director of Pension Administration at APG

As you look back at 2022, are you satisfied?

“We put a lot of effort into preparing Pension Administration for the transition to the new pension system. The entire basic administration has to be checked, and we deployed a lot of extra people to get that done. Great strides have been made in data cleansing and recovery. At the same

time, we kept regular data from the eight pension funds for which we do pension administration in order. The agreements we had made with them on this score have largely been achieved. We were also able to index some of our pension fund clients retrospectively. This is unique.”

What challenges await us in 2023?

“There are three main elements. First, it is essential to continue what we have already been doing, thus making sure we stay in control of all the data issues. We must also be able to demonstrate this to our key stakeholders: our pension fund clients and their participants. The second challenge is to properly prepare the transition of our organizational units to the new pension system. In other words, we must be ready for the future at the operational level. And the third challenge is that we get back to fulfilling the agreements with our fund customers again. One big challenge here, of course, is staffing. But we have more and more information on how to manage that well. Where we were long accustomed to looking ahead to our work plan

each quarter, we are now asking teams to assess where peak times might be expected over the next year or two. After all, it starts with awareness. For example, if you need six months to train people, it is very helpful if you can already foresee where and when gaps are going to appear, and how many people you will then need to complete the work. Being able to anticipate these things well ahead of time is quite reassuring. We have already had a decent scale-up in 2022 and another 60 to 80 or so FTEs are needed. All in all, of course, it is a very complex process. We are on schedule, but that is being monitored closely.”

Speaking of looking ahead, what goals will need to be achieved so that we can look back with satisfaction at the end of 2023?

“Sufficient expansion of our workforce is one. We also want to meet our targets for data recovery and cleansing, so that we can be ready in time for the transition. And in the meantime, we must continue to provide day-to-day services effectively.”

The transition to the new pension system

With the Pension of the Future program, we are preparing for the transition to the new pension system in close cooperation with our pension fund clients and other key stakeholders. We are building a new policy and capital administration system.

A different society, and a different pension

The Dutch pension system is being revamped. And that is needed. Society is changing. People keep getting older, and there are fewer working people relative to the number of retirees. People no longer work for one employer all their lives, but change jobs more often or start their own business. The current system has become more expensive in recent years. Pensions had not been indexed for a number of years, and contributions have risen.

In 2019, after many years of consultations, the government, employers' organizations, and the

unions reached an agreement on a new pension system with new arrangements. And it is from this that the new pension law emerged. The Dutch House of Representatives approved the proposed Future of Pensions Act in December 2022. It is expected that the Senate will consider the bill in the coming months.

The strengths of the current pension system, which is already one of the best in the world, are preserved. For instance, the three pillars on which pensions in the Netherlands are based (the state pension, accrual via the employer, and the individual supplementary pension) will remain intact. Pension accrual remains compulsory for many sectors so that people are not left empty-handed around their retirement date. We also continue to invest together and share the risks. And just as now, you continue to receive lifelong pension payouts after you retire.

Things are also going to change. For instance, it will be easier for participants to understand how much money is in their own "pension pot" and how that amount is growing. Under the

new system, a participant's own pension assets fluctuate with the economy. If the economy is doing well, the assets grow with it, but if things are not going well or investment results are disappointing, the pot may shrink. That said, pension funds can build up reserves, and that prevents benefits from fluctuating too much. Moreover, investment policy may differ by age group: higher risks can be taken for someone at the beginning of their working life than for someone who is just about to retire.

Our approach: Pension of the Future

To ensure that APG and its fund clients are ready in time for the transition to the new system, in September 2020 we launched the Pension of the Future program. Within the program, we have four areas of work: New Scheme Design and Advice to Funds; Transition; APG of the Future; and Systems and Processes.

The new pension system requires adjustments in our operations, and it will also change the services we offer. This poses capacity

challenges, especially because the daily service to our customers continues unabated. We need to deploy the right people with the right knowledge at the right time. This requires the timely upskilling and/or retraining of employees.

Milestones in 2022

Over the next few years, APG will transfer the entitlements of our pension fund clients' participants into the new scheme. We refer to this as "integration." Not all pension funds will be transferred at the same time. The first are expected to undergo the switch on January 1, 2025, and all pension funds will be in the new system no later than January 1, 2027. This is also the deadline that is given in the Future of Pensions Act. In 2022, we already achieved milestones in various areas.

Transition and integration

For the data in the pension records to be properly transferred later, it is important that they be correct, and that complexities inherited from the legacy system have been ironed out to the extent possible. To this end, we took important steps in 2022 within the Pension of the Future program, but also in our Grip on

Data program. We have identified which data components are crucial to our systems and need to be made ready for the transition. We are doing this using a step-by-step plan, which is in line with the conditions under the Data Quality Framework put out by the Federation of the Dutch Pension Funds. The Framework describes how pension providers can ensure the quality of data and avoid errors in participants' personal pension assets. For the transfer of data into the new systems, we are working with an external party. We opted for outsourcing so as to avoid too great a demand on the few data and IT specialists that APG has. We did the first tests at the end of 2022.

Communication

Timely and clear communication with participants is essential to the transition to the new pension scheme. Once the legislation has been approved, we will need to take participants through what is changing and what the consequences will be for their own pension. Preparations are well underway on this score. We are really looking at the changes from the standpoint of participants. What issues might they run up against, how can we make things clear, and how can APG help on behalf of

the funds? With this in mind and to help us communicate as clearly as possible, we looked at which words are well understood. We are also sharing this knowledge with the sector, for example through working groups at the Federation of the Dutch Pension Funds and the Ministry of Social Affairs and Employment, and this can serve as guidance to the whole sector on these complex changes.

Policy and capital administration system

We have started building a new policy and capital administration system, which already anticipates the new pension system. Both the advent of the new pension system and this new administration system provide an opportunity to review all our processes.

New processes

The new arrangement has many interfaces between the asset management and pension administration processes. Pension administration and asset management are thus increasingly becoming an integrated value chain along which close cooperation is required so as to ensure that the entire process runs smoothly, from the contributions received to the allocation of returns to individual

participants. Within that system, pension administration and asset management remain functions with distinct areas of expertise.

Modular arrangement

To achieve maximum pension value in the new system, too, we need to leverage our scale. This can be done if as many participants as possible are covered by the same contracts. That will give the funds, participants and employers a better overview and more transparency. Moreover, APG pension administration will then be more efficient and effective. To facilitate this, we will be offering a scheme consisting of a number of basic modules, with supplementary modules funds can opt to add on.

Our timeline

At the end of 2022, some 300 APG employees were working in the Pension of the Future program; that number will increase to around 400 in 2023. We expect that the volume of preparatory work will peak in 2023, 2024, and 2025. The preparation of the data in the pension administration systems and the adaptation of processes and systems for the funds that will be the first to be transferred in 2025 will take place in the course of 2023. APG is also moving ahead

with data cleansing and the further integration of systems. In 2024, the focus will be on the integrated end-to-end testing in APG where we will assess whether the entire chain is working correctly. We will combine this end-to-end testing with pilot migrations. Meanwhile, preparations will continue for the funds that will be making the switch in 2026 or 2027.

Dilemma

Availability versus deployment of scarce specialists

In the transition to the new pension system, we need many employees to design, build and test the processes and systems. Specialized knowledge of IT and pension administration systems will be crucial here. At the same time, the employees are needed for the proper implementation of the current schemes. How do we put these scarce specialists to work in the best way? How do we ensure that the transition to the new system will be carried out in accordance with appropriate standards, while also serving, here and now, the needs of participants in the funds of our pension fund clients?

We are trying to limit the pressure on our scarce specialists by increasing the number of employees working for the Pension of the Future program. We will also retrain or upskill employees from other disciplines so that they can provide support in the transition. And we will outsource business where possible.



'We are growing together toward a new way of working'

Three questions for Michiel Evers, APG's Head of Corporate Strategy and, in 2022, Acting Director of Strategy and Transformation

What specific achievements from 2022 are you pleased with?

"Two years ago, a start was made on merging all the change teams within APG and, on May 1, 2022, one central transition team emerged from that process. Because those teams were quite widely scattered across the organization, and because they had been working with a variety of

change methodologies, they needed to be merged. Putting it somewhat in black and white, everyone was working with their own set of tools. We wanted to move to a way of working that took as its starting point: what is the problem and what tool will be best suited to handle it? Instead of: I have a hammer and I'm going to use it no matter what. I really enjoyed contributing to that. But it's only once that transition team is in place that the real work can begin. Then you have to make it clear to the organization: what can this club do for me?"

And what can this team then do exactly?

"The transition to the new system in which all participants will have their own pension pot means quite a lot for pension administration, communications, and our management of assets. And it is not only participants that should be included here, but employers and funds too. The transition team has embarked on a project we are calling Operational Readiness. They are comparing current activities with what will be needed in the new situation. So what exactly will the core activities be, what new skills will be needed, and what will all of that require in terms of capacity? Based on the answers to

these questions, they will create a roadmap. An additional challenge here is that, in 2025 and 2026, when the funds are transferred to the new system, we will have to operate two 'factories' for two years. Some of the funds will still be in the current system, while others will already have moved to the new one. How are we going to run things, then? Some employees will work in both systems. You can't always put barriers between them."

Where do you want to make an impact over the coming year?

"When it comes to strategy, it is of course a bit more difficult to express the impact directly in numbers. One of our tasks will be to monitor the external environment and identify possible changes so that we can address them in advance. For instance, sustainability is part of the strategy. Work was already done in 2022 to create more awareness among employees. What contributions can employees themselves make in terms of sustainability? This is already yielding concrete results, for example in terms of reducing emissions thanks to employees traveling less or opting for more sustainable solutions such as trains or bicycles."

Focusing services on the customer

Participants and employers are at the heart of the services we provide for our funds. We aim for high levels of customer satisfaction. APG's Customer Contact Center is pivotal for communication and the provision of information.

Customer contact

Participants

Every month, our Customer Contact Center answers some 42,500 questions from participants about their pensions. We do this by phone and by email, as well as through social media and chat. Participants are very satisfied with this service: they give us an average rating of 8.5.

Participants get in touch with the Customer Contact Center with questions about issues that either are affecting or could affect their pensions. Most questions are about the final application for the pension. This is often an exciting step, because participants are then making a choice about income for the rest

of their lives. In 2022, the Customer Contact Center fielded many phone calls about pension increases (from indexation) for both retirees and participants.

Duty of care

The Future of Pensions Act introduces a new open standard for the provision of decision-making guidance, with the understanding that the choice the participant makes should fit their particular characteristics, their situation, and their objectives. Pension funds are required to do everything they can to guide participants properly in making choices. That said, they can outsource the services involved to the pension administration organization. APG takes on this task. This is how we support our pension fund clients in fulfilling this obligation and in acting in the best interests of participants.

In January, we always get many questions about the annual and other pension statements and payment specifications that participants have received. We also send participants information at key moments, such as an introductory letter when they join and a departure letter when they leave.

Participants can find a lot of information on the funds' websites. They can also view their own current pension situation and make changes in the "My" environment.

Net promoter score

We consider it important that we stay informed at all times about how participants and employers regard our services. To this end, we actively gather feedback, which we then share, discuss, and use across the organization to further improve services.

We also assess customer focus through measurements and surveys. For example, we look at what we do when someone retires, how the website is regarded, and how we welcome new participants and employers.

APG uses the Net Promoter Score (NPS) as the main metric to assess the degree to which participants and employers see our services as customer-focused. The NPS measures how likely participants and employers would make a point of choosing one of our member pension funds if they were allowed to arrange the pension themselves. For participants, the score was the same in 2022 as it had been the year before: +3. We are working to further improve metrics, for example in the area of customer focus. In January 2022, in addition to the NPS, we integrated another common indicator into our metrics: the customer satisfaction score (CSAT score). We earned an average CSAT score of 7.9 in 2022.

Employers

We answer some 64,000 questions from employers and administrators every year. These are mostly about supplying wage and contribution data on participants, and about paying invoices. We further improved the support we provide, including through staff training and education, and we improved the employer portal, where employers can arrange matters themselves online. Our services are

well regarded: employers give us an average rating of 8.7.

Brand awareness and reputation

APG measures its brand awareness and its reputation to better understand what society thinks of us and expects from us. We use the RepTrak methodology to this end. In 2022, this showed that 25% of people in the Netherlands were familiar with APG (compared to 21% in 2021). That is slightly above our target. Better awareness of APG helps it make more of an impact and makes it easier to recruit staff. Our reputation has risen slightly and remains strong: from 71.6 in 2021 to 72.2 in 2022. This score expresses the appreciation we get from those in the Netherlands who know us. The score is slightly below the target of 73 we had set. We get our best reputational score from people who know APG very well. We score highest on 'working environment' (equality, remuneration, and engagement) and on 'products and services'. Key reputational factors for stakeholders are 'honest in how it does business', 'open and transparent' and 'acting ethically'.



“The systemic change the sector is going through requires new arrangements. APG is getting closer to the interests of individual participants. It follows that, together with the funds, you have to rethink the question: Why are we here?”

Wiebe Draijer, former chairman of the Managing Board of Rabobank



‘We won’t simply let people sink or swim’

Three questions for Arjan Vliegenthart, director of Nibud (Dutch National Institute for Family Finance Information)

We are facing the transition to a new pension system. People are getting more freedom to choose: is that an opportunity or a threat?

“Both. The Netherlands has a fine pension system, but it is good that it is being adapted to the demands of our time. Soon that will also let financially savvy people have more control over their pensions. After all, you can then opt for a ‘high/low’ pension, and you may be able to use a limited part of your pension assets in the future to bitcoins or other cryptocurrencies, for example. Half of young people say they find it difficult to

pay off your mortgage or retire early, for example. But there is also a group of people struggling to make the right choices when it comes to their pensions. There is a solid challenge for us and the pension world to help with this: through good education, but also by making the most financially sound decision the default option in the online choice environment. We won’t simply let people sink or swim. We need to give them a good leg up. Nibud is doing that, for example, with the new Approaching Retirement Money Plan tool (Geldplan Bijna pensioen), which will be going live this spring.”

Pension funds also invest heavily in communications. There are all kinds of tools. And yet is it not the case that many people are still confused by all the options and can’t see the forest for the trees?

“Here at Nibud, we recognize the struggle that pension funds face when trying to properly educate people on such a complex subject as their finances. Tools are used mostly by those already working on their budget or retirement. We need each other to change that and, fortunately, we are already working together. For instance, all

make the right financial choices. We haven’t seen that to this extent before, so here at Nibud we see it as a worrying development.”

major pension funds are members of the Nibud Oval Table, a group of organizations from the financial world with whom we discuss issues that are important in the Netherlands. In addition, employers are also becoming increasingly more aware of their role in engaging with employees about their financial fitness, including as regards their pensions, asking questions like ‘Do you ever think about your income for later?’, ‘What plans do you have for the future?’ and ‘Are you going to travel the world after you retire, or look after your grandchildren perhaps?’. Answers to questions such as these will determine how much money you need.”

Especially young adults under 35 are struggling with their financial situation. Why is that?

“Young people have high fixed costs like a student loan and high mortgage or rent due to an overheated housing market, and they less commonly have a permanent contract for their job. This leads to a deferred life: putting off leaving home, a steady relationship, and a family of their own. In that kind of uncertain environment, it is difficult to mature financially. Moreover, the temptations are great to invest in

The financial fitness of participants

APG is committed to the financial fitness of pension participants as well as to that of other citizens. We see that as one of our social duties. Financial fitness is important for society and for the well-being of individuals. We offer overviews, insights, and coaching.

Grasping income

A pension is much more than a pot of money. Retirement makes it possible to enjoy life's later years; it offers peace of mind and something to look forward to. APG wants to provide that value, on behalf of its pension fund clients, to millions of participants and also to other people living in the Netherlands, by putting people's needs first in the services it offers.

Most participants want to place their contributions with a pension fund on faith, without having to worry about it, knowing when they can retire and what they will then receive in income from their own and the

state pensions. To ensure that participants can easily manage their retirement affairs at important moments in their lives, we offer intuitive, data-driven services that meet the needs of the millions of people we serve and guide, both online and in person. That way, they feel they have a grasp of the income they will earn later on, while we maximize the value of their personal pension. Needs vary: some participants demand transparency and want to know every detail of every financial return, while others want to settle pension matters quickly and without fuss at key moments.

The number of participants with insight into their income later on went up to 2,300,000 in 2022, from 1,995,000 in 2021, while the number of participants with insight into pension assets went up slightly to 1,075,000 in 2022, from 1,040,000 a year earlier.

We are aiming to improve the financial fitness of more than one million people every year starting from 2025. In 2022, we started measuring the number of people we reach with our propositions; that was nearly three million.

In 2023, we will measure whether users of our propositions actually become financially fitter.

The employers we serve focus on manageable costs and good working conditions for sustainably employable staff. APG takes the burden off employers by simplifying their pension administration, and also helps keep their organization and its employees financially fit.

Online and offline services

At APG Groeifabriek (the name translates as "growth factory") located at the Brightlands Smart Services Campus in Heerlen, digital applications soon come on the scene. The innovation taking place here brings together all kinds of technologies such as artificial intelligence, big data, cloud computing, and machine learning. With a variety of services, online and offline, and through various communications channels, we let pension participants see both the big picture and local insights.

We provide information about their specific pensions, and we also explain what our responsible investment policy means. In addition, the future pension system is already an important topic: there are already many questions about it, and that number will only increase in the years leading up to the transition. APG sees it as its task to clearly explain what the arrival of the new pension system will mean, and to address any concerns about it. With the clear, accurate, and personalized information we offer, participants know where they stand so that they can take action as needed.

38

Kandoor

Kandoor, APG’s platform for people to ask questions about their money matters anonymously and free of charge, reached a new milestone in 2022. The website was visited over 2.7 million times, and over 1.6 million questions were posed via the chatbot. In 2021, it was over a million. The Kandoor team is continually refining the chatbot so that it has answers to more and more questions. If the chatbot cannot figure things out, one of the volunteer financial guides can answer the question. Not all users provide feedback, but of the more than



“The topic of pensions is not among the top three urgent issues for participants from BPF Schoonmaak. Their three biggest problems are: will I make it to the end of the month with my money; will I stay healthy; and will I find a home for my children? That means, as an APG employee, you have to understand it when someone doesn’t understand you.”

Cathrin van der Werf-de Koning,
chair, BPF Schoonmaak-
en Glazenwassersbedrijf

205,000 times users did fill in something, 172,000 said they had been well served (2021: 70,000). Overall user satisfaction was reflected in an NPS of +52 (2021: 49).

Prikk1

Since 2017, Prikk1 has been helping companies make their employees financially “agile” through a combination of software and personal advice. Prikk1’s mission is in line with APG’s: to increase financial understanding, and help people get a good grasp of their money matters. Since 2021, APG has had a minority stake in this financial-coaching and financial-advice platform.

Overzicht & inzicht

If retirement is still a long way off, Overzicht & inzicht, a calculation tool in the pension fund’s online “My” environment, helps participants get their bearings quickly and easily as regards income for later. If applicable, they can also add the details of a partner to get the full picture. Participants can also see the effects of retiring early. For instance, it shows right away how much money is left over or still needed in a given month, whether certain pension choices are feasible in practice, and what the

participant can already do now to improve their situation later on. Overzicht & inzicht is accessible to participants of ABP, SPW, PPF-APG and, starting in 2023, bpfBOUW. In 2022, over 320,000 participants used the decision-making tool.

Pension Coach

As retirement approaches, the Pension Coach can be helpful. This decision-making tool, which was launched in 2021, allows participants to generate a personalized pension proposal. They get online guidance and fill in personal information step by step, such as the age they want to retire at, and their expected income and outgoings. The coach then shows them a handy, tailor-made retirement proposal, including a roadmap for what, if anything, has yet to be done. Immediately after that, the full- or part-time pension can be requested. In 2022, the first full year the Pension Coach was available, participation increased, and participants valued the tool more and more: the NPS in 2022 was 26 (up from 20 in 2021).

39



MORE CUSTOMERS AT FOOD BANKS – Volunteers work overtime as a record 120,000 people turned to food banks for help in late November.





‘The participant must feel seen and heard’

Three questions for Anne-Marie LeDoux, head of APG Groeifabriek (“APG growth factory”)

What experiments was Groeifabriek working on in 2022?

“Normally we focus on innovations that APG or our pension fund clients will need in, say, two to 10 years’ time. In 2022, we focused entirely on what is needed for the transition to the new pension system. We conducted research from the perspective of the participants. What do they need, and what will they expect from APG in

the near future? In the future, we will serve participants mainly through a digital-experience platform. That will allow us to offer participants a much more personalized service that will also be more relevant and easier to understand. We are now experimenting with that. I think it would be really cool if we could be of service to participants online in such a way that they really feel seen and heard. One way to do that would be through hyperpersonalization. People can specify how they want to be addressed, what information they want to receive, and by what means: by email, through the mail, or through an app. And if, during this online contact, it becomes clear they’d prefer to speak to a human, we’re looking at how we can hand them over as quickly as possible to a staff member who can take a broad look at their financial situation.”

Does APG want to provide increasingly more care?

“The new Pensions Act states that pension funds have a duty of care. How far they go in terms of their care ambition is up to the funds. We help them explore what participants like best, and paint a picture of the possibilities. That is

why we experiment together. For example, do people want more financial guidance? The answer is yes. What does that mean for our services? The difference between APG and banks is that we do not sell or advise on products. It is really about our social ambition: how can we make participants’ financial lives that little bit more pleasant? That is now under considerable pressure from inflation, energy prices, and rising interest rates. Through our experiments, we get a lot of ideas on how to coach participants so they can get a better grasp of their finances both now and in the years and decades ahead.”

What do you want to achieve in 2023?

“Among other things, we are exploring how best to support employers on the digital-experience platform. Usually, participants go to their employer with questions about their pension, so we want to do that super well. And we are exploring whether we can proactively offer guidance to participants. Let’s say someone is about to move in with a partner, or is having a baby, or is starting a new job. What consequences does such a life event have on their finances? What a great feeling, to be able to help people

Earning high returns in a sustainable and responsible manner

APG aims to maximize investment returns and increase the value of pensions while investing responsibly. Asset Management thus takes a long-term view in investing in a sustainable and responsible manner, paying close attention to people, the environment, and good governance.

looked in previous years. A return to the low inflation and modest growth seen before the COVID-19 pandemic was not possible. Instead, major disruptions on both the supply and demand sides, the Russian invasion of Ukraine, and the ensuing energy crisis led to very high inflation and a risk of recession. Policymakers seemed to be pursuing conflicting objectives in this regard. Central banks in the United States and Europe have been rushing to tighten policy, whereas during the COVID-19 pandemic they were still betting on ultra-relaxed policies.

Rising interest rates led to negative returns for almost all bonds. Equity indexes peaked in late 2021, but have since fallen by about 20% thanks to higher discount rates and a downward revision of expected earnings. The simultaneous decline in both equity and bond markets made 2022 one of the most dramatic years ever for traditional portfolios.

At the same time, tax authorities in Europe are spending unprecedented amounts of money to protect their populations from the effects of very high natural gas and electricity prices.

Portfolios managed by Asset Management were also not immune to these developments, and ended 2022 significantly lower than they had started it. By contrast, the coverage ratio for our asset management clients improved sharply. That is because the value of liabilities, which are now calculated based on a discount rate that is much higher than it was in 2021, has fallen faster than the value of assets. The pension funds we have as clients were able to index their benefits thanks to both a rate hedge that was incomplete and an allocation to real assets, something that is very important in a year when the cost of living is very high.

All of this resulted in a sharp rise in interest rates in the capital markets. The total amount of bonds with negative interest rates, which still stood at 14 trillion dollar in December 2021, had all but disappeared by the end of 2022.

41

Assets under management

We are responsible for asset management for four of our pension fund clients. On their behalf, we managed investments worth around 521 billion euros (down from 636 billion euros in 2021). In 2022, the return on investments was -18.2% (compared to 10.4% in 2021). The decrease in assets under management was caused mainly by developments in the financial markets.

The economic and financial world in 2022 looked completely different from how it had



RETURN ON ASSETS UNDER MANAGEMENT

	Investment style	Net Asset Value	2022 (1 year)	2022 (1 year)	5 years	5 years	IRR since inception ¹
		in millions	Return (in %)	Excess Return (in bps)	Return (in %)	Excess Return (in bps)	
STRATEGY							
Fixed income							
Treasury Global	Cap Pres ²	49,290	-17.5	23	-2.6	-20	
Long Duration Treasury Global	Cap Pres	63,434	-33.0	0	-4.7	-2	
Long Duration Treasury Euro	Active ³	1,605	-44.5	43	-6.5	10	
Total Credits	Active	45,943	-11.3	-23	-	-	
Credits Developed Markets Active	Active	9,124	-12.1	-96	0.6	35	
Alternative Credits	Active	5,118	1.5	-893	-	-	
Investment Grade Corporate Credits	Active	3,514	-12.0	-8	-	-	
Mortgages	Active	2,777	-15.6	124	-1.6	163	
China Fixed Income	Active	87	0.2	-44	-	-	
Emerging Market Debt Active	Active	16,800	-3.6	-69	1.2	-34	
Emerging Market Debt Index	Index ⁴	15,653	-2.9	-1	-	-	
Alternative Inflation	Active	245	2.9	144	1.7	34	
Index Linked Bond	Cap Pres	99	-9.1	65	0.5	-28	

RETURN ON ASSETS UNDER MANAGEMENT

	Investment style	Net Asset Value	2022 (1 year)	2022 (1 year)	5 years	5 years	IRR since inception ¹
		in millions	Return (in %)	Excess Return (in bps)	Return (in %)	Excess Return (in bps)	
Equities							
	Active / Index	106,443	-13.9	-126	8.1	-79	
	Active	16,406	-17.9	-364	4.6	-72	
	Active	39,536	-16.1	-219	8.9	-4	
	Active	34,312	-12.1	256	8.4	-50	
	Index	13,950	-4.1	18	6.7	-90	
	Index	1,656	-12.1	13			
	Active	584	-15.3	-172			
	Active	35,981	-17.9	-373	1.0	-5	
Alternative investments							
	Active	42,145	-5.7	-1,255	4.8	-279	
	Active	7,043	-22.0	65	1.3	57	
	Active	24,654	18.7	57	6.7	77	
	Active	3,272	1.2	-997	1.7	-534	
	Active	14,317	9.5	813	6.2	485	
	Active	494	3.3	1,760	-0.9	-1,012	
	Active	46,446	-1.2	1,020	20.0	890	20.1%
	Active	24,316	6.5	1,327	10.2	703	10.4%

43

1 IRR SI, Internal rate of return since inception: indicates the annual return since the inception of an investment.
 2 Cap Pres, Capital preservation: in this investment style, the main objective is to preserve the principal sum by avoiding credit losses. This type of mandate relates to investments in fixed-interest products.
 3 Active, in this investment style we aim for excess return over and above the benchmark.
 4 Index, in this investment style we aim for the benchmark return.
 5 Liquid, Illiquid Commodities en Hedge Funds are 100 percent invested in USD. The return figures are therefore based on the return in USD instead of EUR.
 6 The Hedge Funds benchmark has been adjusted to JP Morgan 1 month cash (without any mark-up) to provide better insight into the effect of active management.

Sources of excess return (in basis points 1/100th of a percent)

	Total 2022	Total 5 years	Total active investment style 2022	Total active investment style 5 years
Excess return on liquid investments	-46	-16	-94	94
Excess return on illiquid investments	21	45	83	-8
Tactical asset allocation	4	4	-1	-1
Total excess return	-21	33	-11	86

¹ Tactical asset allocation is by definition excluded from active investment style.

Excess return

As an active investor, we want to outperform for our clients over the long term. That means achieving returns above the benchmark. We refer to this as excess return or outperformance. We often use a market index that expresses the average return on the market for this purpose.

Keeping in mind the wishes of our asset management clients, we use various strategies to outperform the market. Our investment decisions are based on human judgment, data-driven analytical models, and macroeconomic and company-specific analysis. This can lead to clear choices within certain investment categories or to diversification across various

investment categories. This combination of approaches provides a solid starting point for achieving a higher-than-average return over the long term.

Our goal is to outperform market benchmarks and to help achieve greater pension value for participants. In the five-year period from 2018, the average excess return over the total portfolio per year was 33 basis points (0.33%, equivalent to 12.2 billion euros over five years), while in 2022 the excess return over the total portfolio was -21 basis points. All external costs related to investing have already been deducted from these figures.

Because APG is an active investor, the excess return across the active investment styles is particularly relevant. Across the active investment styles, APG's portfolio has outperformed the benchmark over the past five years by 86 basis points, achieving additional returns for our clients. For 2022, this came to -11 basis points.

Tactical asset allocation

One strategy for outperforming the market is our tactical asset allocation. Last year, this strategy focused mostly on considering asset classes that are sensitive to rising inflation and rising interest rates. Inflation was driven first by the restart of the global economy after the COVID-19 pandemic and then by

uncertainties in the energy market following the Russian invasion of Ukraine. Interest rates rose, first because of the normalization of monetary policy (the phasing out of large-scale bond purchases by central banks) and later, and to an increasing degree, as a result of attempts to curb inflation by slowing economic growth. Deviations from the long-term allocation could be controlled only to a limited degree and remained small, so that implementation effects limited the results for tactical asset allocation. A positive result was recorded in foreign currencies, thus further consolidating the consistently positive track record.

driven strategies lagged behind. This was in part the result of responsible investing policies.

Partly because of the war in Ukraine, many oil companies and weapon manufacturers had the strongest performing stocks, and APG is limiting investments in these sectors. Rising interest rates impacted equities with strong growth prospects. Shifting yield curves and investments based on them affected the financial sector. This led to disappointing results in stock selection in technology, defensive consumer goods, and financials.

Illiquid investments

In alternative investments, a net positive result was achieved in 2022. Strong results in hedge funds and private equity outweighed negative excess return on real estate. Because in many illiquid investments there are always measurement-related uncertainties associated with the difference between portfolio and benchmark in terms of the timeliness of information, figures over a longer period, say five years, are more representative. The result over that period is also positive.

45

Liquid investments

In 2022, after costs, liquid strategies achieved negative excess return over the preceding five years. In Credits, the market was outperformed over five years. In 2022, the result was negative, partly because of widening credit spreads across a broad front. In the second half of the year, excess return made a recovery. Over the past five years, excess returns have been positive. Active equity strategies delivered a negative performance overall. Quantitative strategies showed a recovery for a second consecutive year, but fundamental analysis-

Dilemma

Active versus index-based investing

Our clients' views on investing are changing. Whereas APG has historically been mainly an active investor, solutions such as index investing are increasingly in demand. The focus on sustainable investments is also rising sharply. At the same time, healthy investment returns remain crucial for ensuring a good pension for participants. Given all these changes, how do we maintain the right balance among returns, risks, costs, and sustainability?

In asset management, we are preparing for changing views on investing. We are taking a critical look at the financial impact of index investing, and we are developing index funds for our asset management clients. In our fiduciary management role, we engage with our clients to monitor the balance among returns, risks, costs, and sustainability

A drop of 18%

The drop of over 18% in the investment portfolio is certainly steep. True, this is the same order of magnitude as the drop in the MSCI World stock index, but it is not common for pension fund investments to be as volatile as the stock market. A typical pension portfolio includes investments such as bonds, real estate, and infrastructure in addition to equities. Pension funds take risks with this investment approach. Other specific financial risks that pension funds are exposed to are interest rate risks, whereby falling interest rates make future pensions more expensive, and currency risk, whereby pensions must be paid out in euros even if investments pay out US dollars, for example. To reduce these specific financial risks, we enter into interest rate and currency swaps on behalf of our pension funds.

In recent years, we have seen the different parts of our investment portfolio, and therefore the different risks, move against each other: when equities and currency derivatives performed well, bonds and interest rate derivatives declined. When bonds and interest rate derivatives were up, equities and currency derivatives were down. This diversification meant that extremes in total returns were limited.

The unique thing about 2022 is that the vast majority of our investment portfolio moved in the same direction: down. Rising inflation pushed up interest rates, causing losses on bonds and on interest rate and currency swaps. But it also caused a falling stock market and a rising US dollar. So these two components could not offset each other.

A major contribution in both 2022 and over the past five years was made by Private Equity. Infrastructure, smaller in scope than Private Equity, also outperformed the market strongly over both periods.

Real Estate underperformed over the past five years. This is skewed downwards by the benchmarking system: a sizeable portion of the portfolio is listed, and thus decreased in value over the past year. The portfolio is compared to a benchmark that, in practice, is updated just once a year. It should be noted, though, that an excess return that was close to the benchmark was achieved over the past few years. Among Hedge Funds, the very strong contribution of macro strategies stood out. The global change in monetary policy, volatility in commodity prices, and large differences in equity price movements presented many opportunities to benefit from macro-driven active positioning across regions and investment categories.



‘The influence of investors is growing’

Three questions for Thijs Knaap, Chief Economist, Asset Management, APG

How is Asset Management working toward the new pension?

“Investment results will soon have a more direct effect on benefits than they do now: if the market goes up or down, the value of the pension pot will fluctuate with it. This also has implications for the asset management practices and for pension administration. We need to bring these two activities closer together. There is also a geographical component to that: we do our

investing mainly from Amsterdam, though the investments themselves span the globe, whereas pension administration is mainly done in Heerlen. This can obviously be resolved, especially in this digital age. More importantly, we work together to educate participants about fluctuations in an open and accessible way. I can well imagine someone being shocked when their pension unexpectedly drops by a few percent. We need to be able to explain rises and drops in value and make clear that our strength still lies in the fact that we invest widely on behalf of the funds, and that individuals do not have to make their own choices.”

APG has always been at the forefront of responsible investing. And is that still the case?

“Responsible investment has now become more commonplace, which is of course wonderful. Everyone is working on it. Large commercial asset managers such as BlackRock are also coming out with green funds and working on a sustainable profile. Companies are taking notice, and investor influence is growing. If we want to keep being a forerunner, we must continue to innovate and look at companies even more critically. But I also see the beginnings of a counter-movement of

sorts, particularly in the U.S.: the Texas pension fund, for example, has been instructed to divest from funds that refuse to invest in or do business with companies in the fossil-fuel sector. At APG, we have the advantage that our pension fund clients and their participants are pretty much like-minded. At most, there is a difference in just how green a pension fund wants to be, but nobody minds if we are strict when it comes to an oil company. It does get harder to invest technocratically, without political opinions. Even in the Netherlands, you cannot completely rule out a backlash, with an obligation to participate and a collective system.”

Do you see any other trends or developments?

“With global investing, which APG does as a major player, things are getting worse. There is the war in Ukraine, the relationship between the United States and China is bad, and relations between Europe and China are also deteriorating. More and more restrictions are being imposed. This is also reflected in the financial world: we already no longer invest in Russia, and it cannot be ruled out that other countries will also come up for discussion. Moreover, many countries cannot

Recognition

We are proud to be known worldwide as a leading responsible investor. Our Responsible Investment & Stewardship policy achieved four out of the maximum five stars in the annual benchmark of the Principles for Responsible Investment, and all asset classes scored better than the median. Our aim is to keep to this high level in the coming year.

For the fifth consecutive year, ABP topped the ranking of sustainable Dutch pension funds compiled by the Dutch Association of Investors for Sustainable Development (acronym in Dutch: VBDO). BpfBOUW, which came second, also scored well, as did SPW, which came sixth. VBDO annually ranks the 50 most sustainable pension funds in the Netherlands. The association assesses policy and sustainability performance in four categories: governance, policy, implementation, and accountability.

Environment, people, and governance

For every investment, APG looks at how a company treats its people and the environment, and whether it is well managed. In doing so, we comply with national and international laws and regulations, as well as the OECD Guidelines for Multinational Enterprises. If a company lags in terms of corporate responsibility according to our criteria, we can invest in it only if we think we can get it to improve. Such an improvement process with a company is called 'engagement'. We also expect the companies we invest in to comply with the principles of the UN Global Compact on human rights, labor, the environment, and the fight against corruption.

Our pension fund clients are continually looking at how to further hone their criteria for responsible investment. We take into account the funds' own specific requirements.

Our approach to climate risks

We thoroughly analyze those risks to our clients' investment portfolios that are associated with climate change. We want to ensure that companies we invest in are working to reduce their carbon emissions and have a

strategy for the transition to a climate-neutral economy. For companies in the utilities and oil and gas sectors, this is a requirement before we will invest in these. We identify and report climate risks in accordance with the guidelines established by the Task Force on Climate-Related Financial Disclosures. In December, APG published its [climate action plan](#) for our investment portfolio.

The carbon footprint from investments

APG is a signatory to the financial sector's Commitment to the Dutch Climate Agreement. In line with the arrangements the Commitment sets out, our website reports on the carbon footprint associated with relevant investment categories. Our four pension fund clients for whom we provide asset management services have set targets for reducing the carbon footprint associated with their investments. In line with our clients' ambitions, we aim to reduce the carbon footprint associated with our investments in listed equities and corporate bonds by 50%, by 2030 (benchmarked against the figures for 2019). As a party to the Net Zero Asset Managers Framework, APG has committed to managing these investment categories, which make up more than 60% of

our portfolio, in line with the goal of achieving net zero emissions by 2050. We also aim to increase this percentage over time by extending the target to other asset classes.

Exerting pressure to reduce emissions

We use our influence as an investor to encourage companies to reduce their carbon emissions. We do this both on our own and in partnership with other major investors, working together in Climate Action 100+. We are being successful in exerting our influence. In September 2022, Korean electronics giant Samsung announced a comprehensive strategy to reduce its emissions to zero by 2050. Earlier that year, APG had called on ten major Korean companies, including Samsung, to contribute more to the fight against climate change. Meanwhile, we are also trying to reach such agreements with similar companies in Japan. APG has signed the Global Investor Statement, in which more than 600 investors call on countries to adopt policies for the investment of the thousands of billions required to cope with climate change.

49

ABP's withdrawal from fossil fuels

APG supported ABP in implementing its strategy of divesting all investments in fossil fuel producers in 2022. This withdrawal was announced in October 2021 and is taking place incrementally. The vast majority of these ABP investments are expected to be sold by the first half of 2023. For the benefit of ABP, we focus on accelerating the energy transition in sectors that are large consumers of fossil fuels, such as the automotive and manufacturing industries.

Toward zero emissions in the real estate sector

Thirty to forty percent of the world's energy consumption and greenhouse gas emissions come from the real estate sector. We have developed a comprehensive approach to managing our real estate portfolio to reduce the carbon footprint to zero by 2050 at the latest. APG has compiled a global database that stores the geo-coordinates and energy and

GHG emission intensity of tens of thousands of real estate properties.

In 2022, we joined the Global Real Estate Engagement Network (GREEN), which encourages the real estate sector to reduce its carbon footprint and set targets that are science-based and in line with the Paris Climate Agreement.

Investing in the energy transition

For our clients, we are working on a portfolio consisting of funds and projects that contribute to the energy transition in the Netherlands and beyond. In October 2022, on behalf of ABP we acquired a 49% equity stake in Gemini, the largest solar-plus-storage project under development in the United States. Once it goes into operation, Gemini is expected to generate enough power to meet the energy needs of more than 400,000 homes.

APG invests on behalf of ABP in companies with innovative solutions to accelerate the energy transition in the Netherlands. For example, in 2022 the ABP Dutch Energy Transition Fund counted OMERS Infrastructure and solar energy provider Enie.nl among its investments.

Protection of biodiversity

By signing the Finance for Biodiversity Pledge, APG has committed to taking ambitious action on biodiversity conservation. We are actively involved in the Taskforce on Nature-related Financial Disclosures and in the Partnership for Biodiversity Accounting Professionals. Under the auspices of these organizations, financial institutions develop a shared methodology to measure and report on the impact their investments have on biodiversity. Ronald Wuijster, member of APG's Executive Board and CEO of APG Asset Management, is chair of the Biodiversity Finance Steering Committee of the World Economic Forum.

Sustainable Development Goals

APG actively seeks investments that will help reach the UN's Sustainable Development Goals (SDGs). By the end of 2022, we were managing 102 billion euros in sustainable development investments (SDIs) on behalf of our clients, down from 112 billion euros in 2021. Investments in SDIs rose to over 19% of assets under management (the figure for 2021 was over 17%). In 2022, we were the first to invest in a new private loan fund from ILX Management, which contributes to the further development

of SDIs in emerging markets. We made this investment of 650 million euros on behalf of ABP and bpfBOUW.

In 2022, BlackRock decided to use the SDI Asset Owner Platform (SDI AOP) dataset. APG co-founded the SDI AOP, which rates companies based on their contribution to the SDGs.

Human rights and working conditions

We want the companies we invest in to respect human rights, including the rights of their employees, local communities, and other stakeholders. In 2022, following its earlier commitment to APG and other investors, Japanese brewer Kirin cut all ties with a company controlled by the military regime in Myanmar. The Dutch pension sector continued to implement the Dutch Responsible Business Conduct (RBC) agreement: socially responsible investing by pension funds. We helped our clients meet the new reporting requirements for engagement set by the covenant.

In response to the Russian invasion of Ukraine, our clients for whom we manage assets decided to sell all of their Russian investments. At the time of the invasion, these investments

represented less than 0.1 percent of the portfolio. Due to difficult market conditions and legal restrictions imposed by Russia, we have not yet been able to dispose of all of the investments.

Good corporate governance

Every year, we vote on behalf of our asset management clients at thousands of shareholder meetings. In 2022, we further strengthened our voting policy on climate issues on behalf of our clients. We now require companies in sectors with a high climate impact to appoint a board member to be specifically responsible for climate issues and to report on their direct and indirect carbon emissions. If companies do not comply with this, we will vote against the reappointment of the chair of the board. In addition, we express our support for a company's climate strategy only if it includes a net zero target, in line with the Paris Agreement goals.

In collaboration with Institutional Shareholder Services (ISS), we have developed an improved platform for publishing voting decisions on our own and our clients' websites. It is increasingly important for us and our clients to provide

insights into responsible investment choices, including as regards shareholder voting.

APG is one of the driving forces behind the ESG Data Convergence Project, a partnership of private equity funds and investors. The aim of the project is to improve the quality and comparability of ESG data in private equity.

Tightening ESG regulations

APG is facing ever more national and European regulations and obligations regarding responsible investment policies, processes and implementation. The aim is greater transparency about risks, opportunities, and impacts of a company's activities, and how these affect people and the environment. The EU action plan for financing sustainable growth aims to redirect capital flows to sustainable investments. In this plan, the European Commission announced its intention to integrate sustainability into the financial sector.

Examples of national-level regulations applicable to us are the Dutch Stewardship Code and the RBC agreement. At the European level, these include the revised Shareholder Rights Directive (SRD II), the Sustainable

Finance Disclosure Regulation (SFDR), the EU Taxonomy Regulation (TR), and the Corporate Sustainability Reporting Directive (CSRD).

The SFDR and the TR have now entered into force. These regulations distinguish between financial instruments with different levels of ambition with regard to sustainability: taxonomy-aligned investments, sustainable investments, and investments that consider the main adverse effects of investment decisions on sustainability factors. The criteria for SRI and taxonomy-aligned investments are strict and technical; meeting these criteria must be supported by data.

We are required to explain to our asset management clients the different levels of ambition financial instruments have with regard to sustainability and to get from each pension fund its sustainability preferences for each asset class. Pension funds need to be aware of these different levels of ambition so that they can make informed investment decisions based on their own sustainability preferences. We may offer to funds only those products that are in line with their sustainability preferences. We

report in this connection both to and on behalf of our asset management clients.

UN PRI benchmark

The UN supports an international network of investors who work together to put responsible investment principles into practice. Once again, with our asset management score of at least four stars, we hit above average in the annual UN Principles for Responsible Investment (UN PRI) benchmark (the score for 2021 was an A+). In 2022, the scoring method changed from alphabetical (A+ to E) to numerical (one to five stars). Moreover, assessment reports no longer contain one overall score for an organization. Instead, they show the Investment & Stewardship Policy score, among others. APG scored 77 on this module, against a median score of 60. Scores on the other modules range from four to five stars. A full overview can be found in the transparency report on the [PRI website](#).

Investing in the Netherlands

At the request of our asset management clients, we have also increased the scope for investing in the Netherlands in 2022.

Our investments in the Netherlands include digital and energy infrastructure, real estate, and innovative companies. We also promote partnerships between private investors and investment institutions.

APG has, together with OMERS Infrastructure, acquired Groendus, a platform that provides solutions to businesses, local authorities, and organizations in the Netherlands for switching to clean energy. This investment was made on behalf of ABP and is in line with the fund's commitment to support innovative solutions for the energy transition.

On behalf of ABP, in 2022 we established Noordzeker, a consortium that focuses on developing North Sea offshore wind farms from the initial phase. Noordzeker is competing for four lots collectively good for 4 gigawatts in capacity, enough to power five million homes. Besides cost, security of supply, system integration, and ecology are also important factors in the tendering process.

The assets we manage are too large to invest only in the Netherlands; about 4.4% of them are invested in the Netherlands. On behalf of our fund clients, at the end of 2022 we invested 3,56 billion euros in Dutch mortgages from Vista and Munt Hypotheken. APG is also a founding participant of LIST Amsterdam, a platform for lending to Dutch housing associations.

New investment solutions

The market for sustainability bonds also grew in 2022. As a major investor in green, social and sustainability bonds, we actively contribute to the development of the market. However, we remain critical and selective to ensure market integrity. We set guidelines and work with issuers, banks and other asset managers to review each new bond issue. Client interest in index funds is increasing. Until fairly recently, pension funds that wanted to invest passively in equities (also known as index investing) chose a standard index as their benchmark. Such a standard index did not suit the needs of our asset management clients because it did not take the sustainable investment policy into account. APG, together with index builder Qontigo and BlackRock, is responding to the

growing demand for customized sustainable index products.

Accordingly, the APG Developed Equities RI (Responsible Investing) index fund was launched in September 2021. This fund tracks a customized index. Asset Management's technology ensures that data from carefully selected external parties and APG data can be linked to the specific ESG objectives of our asset management clients. In 2022, several other RI index investment products were designed and introduced, including the Developed Markets Equities MinVol RI index, the Developed Markets Equities MultiFactor RI index, Listed Real Estate RI index, and Emerging Markets ex China RI index. These new investment solutions have been running through a digitized process since 2022 to better manage workflow and perfect information delivery. More than 5 billion euros will be invested in these products in early 2023. We are also currently developing RI index products for other asset classes: emerging markets, credit, and real estate. The RI index series was awarded a PensionPro Award in October. According to the jury, this is "an important development for a sustainable world."

The flexible APG RI Index products allow pension funds to take full responsibility for their investments. Managing made-to-order equity portfolios based on customized index products is possibly one of the biggest trends we will see developing among pension fund investors in the coming years. Other investment products currently under development include Thematic Investment Funds, Liability Driven Investment solutions, Dutch home mortgages, and specific bond investment instruments.

Responsible investment on our website

We regularly report on our [website](#) on how we integrate ESG factors into our investment approach. The website also contains sustainability policy documents and publications, including our Responsible Investment & Stewardship policy, a list of all the companies we are engaged with, and a list of companies and countries (i.e. government bonds) that have been excluded by our asset management clients.



SOLUTIONS FOR THE HOUSING CRISIS – House hunters visit a “flex home” in Nieuw Vennep and talk to the architect. Flex homes are seen as a solution to the housing crisis.



Keeping costs responsible

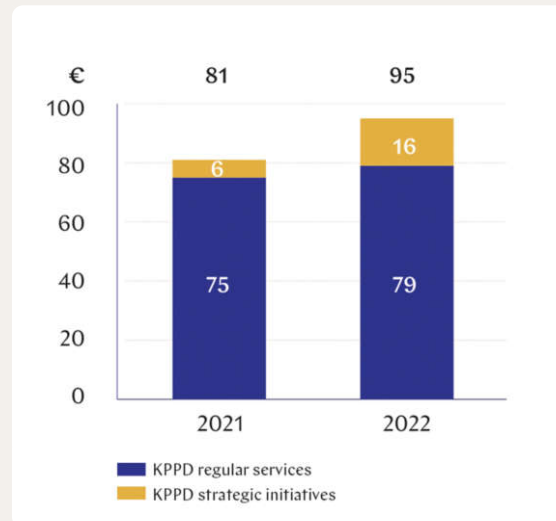
Our goal is to achieve the highest possible pension value for our pension fund clients. Our spending must therefore be carefully considered and always justifiable.

Pension administration costs

The more efficient our organization, the more cost-consciously we can work. We aim for responsible costs without compromising the quality of our services.

54

Our focus in 2022 was on the preparations for the new pension system. This includes cleaning up the data on all funds and making our organization as effective as possible. Wherever possible, schemes will be simplified and implementation processes will be automated. Agreements had already been reached with a number of clients in 2021 to fund strategic initiatives related to data cleansing and the Pension of the Future program. These initiatives are expected to continue to require substantial investment in the coming years.



Up until last year, we reported on developments in the price per participant: the price the APG charges for pension administration. As we are very tightly cost-controlled in the transition to the new pension system, we now express the cost of pension administration in an average cost per participant. The average cost per participant comprises the costs incurred by APG for its pension administration divided by the number of active and retired participants

at the end of the financial year. In general, the average cost per participant is higher than the price per participant, meaning that the cost of pension administration is higher than the price (revenue) APG receives for these services. We can absorb the loss because of the positive results we make on our asset management.

For the sake of proper management, we split the average cost per participant into a cost per participant for regular services and a cost per participant for strategic initiatives. The cost price per participant went up by 14 euro, from 81 euro in 2021 to 95 euro in 2022. This increase is mainly due to an increase in the cost per participant for strategic initiatives, from 6 euro in 2021 to 16 euro in 2022. The cost price per participant for regular services increased by 4 euro, from 75 euro in 2021 to 79 euro in 2022.

All of our activities are aimed at a more efficient, more economical way of working: the aim is to reduce the average cost price per participant after the introduction of the new pension system and to market our services at a competitive price.

Costs of asset management

At Asset Management, we pay close attention to the costs of all our investment activities. This concerns both the costs of our own organization and the costs of managing our clients' investments. When comparing investment styles, the active investment style involves higher costs, and these should therefore maximize returns and deliver outperformance. If we look at investment and implementation styles, we see that long-term investment costs for our clients are lower than average when considering similar pension funds. This was confirmed by an external benchmark comparison of investment costs.

year and express this in basis points (1 basis point is 1/100th of a percent). The cost of the asset management we have outsourced to external asset managers is not reflected in our financial statements. The external managers offset these costs against the returns that are achieved. Asset management fees charged by APG in 2022 to its clients for whom assets are managed were 12 basis points over average outstanding assets (2021: 10).

Total expense ratio

The Federation of the Dutch Pension Funds recommends that its participants include the total expense ratio (TER) in the annual report. TER reflects the costs of pension administration and of asset management in relation to the average value of assets under management for the financial year. For the four pension funds for which APG provides pension administration services as well as asset management, the management fees charged contribute 16 basis points on average to the TER of these pension funds (up from 13 bps in 2021).

In 2022, the costs resulting from our active investment style were reflected in our illiquid strategies in particular, although they were still lower than in 2021 thanks to a reduction in the performance fees we pay to our external managers. For pension funds, cost control is always very important. However, we see that returns after adjusting for these additional costs are still very favorable for our clients. In controlling the costs of asset management, we set management fees against the average value of assets under management for the financial

Keeping our organization meaningful and inclusive

APG has strict requirements in its investment policy in terms of corporate social responsibility. This means that our organization itself should serve as an example when it comes to sustainability, diversity, and inclusion. This also strengthens our position in the labor market.

Discrimination, harassment, transgressive behavior and bullying are not tolerated at APG. The working environment must be safe for everyone. (For more information on this, see also APG's [core values](#).)

Agreements on inclusion

We realize that we are not there yet, but in 2022 we also took important steps toward our ultimate goal of being a fully inclusive work environment. To reinforce our ambitions, in the spring we reached collective bargaining agreements on participation and inclusion. Employees who feel welcomed and valued enjoy their work more and are more engaged, which also leads to better outcomes for our pension fund clients and the participants who work for them.

Workplace Pride

In October 2022, APG partnered with Workplace Pride, the international platform for LGBTQIA+ inclusion at work. Our guiding

principle is that with us you can be who you are. As a partner of Workplace Pride, we periodically participate in their benchmark surveys and draw on their knowledge and their network. This is how we continue to work toward an inclusive working environment. We see the partnership as offering us support and encouragement as we work to fulfill our ambitions and serve as an example when it comes to diversity and inclusion, within our sector and beyond.

Staff networks

Within the company, we encourage employee networking. We have several networks that have been set up by the employees themselves. One of these is the Global Women's Forum, which aims to help women in their careers by sharing information, strengthening skills, and developing professional relationships. We also have an active Ambassadors' Network, which is committed to diversity and inclusion in a broad sense. And we have Young APG, a network of over 800 young employees who connect

Open, versatile, and safe

APG thrives on the quality and commitment of its employees. We see the differences among our approximately 3,400 employees as enriching our organization and our work. Individual differences, life experiences, knowledge, creativity, self-expression, and unique abilities define our culture. We strive to be an appealing organization with which current and future clients and employees can identify, a company that reflects the society we work for, a place where everyone is welcome, everyone belongs, and no one is afraid to be themselves.

with each other by organizing and attending various events.

Performance Ladder

In June 2022, APG achieved 'Aspirant' status on the Inclusive Employment Performance Ladder. This national quality mark awarded by Dutch independent research organization TNO for social enterprise provides insights into how

APG makes an above-average contribution to the employment of vulnerable groups in the labor market. We see this status as a great start.

Now it is about tangible results, such as more inclusive recruitment and selection procedures and communication. We want to achieve a good gender balance and age diversity within the teams and so, with this aim in

mind, we will be working with recruitment agencies specializing in employees from diverse cultural backgrounds. We are also paying even more attention to the physical and mental health of our employees to ensure they remain sustainably employable. We want to provide appropriate guidance so that people can function and develop to the best of their abilities.

Great Place to Work

Diversity and inclusion start with awareness at all levels of the organization, in all departments. We have formulated five principles in this regard:

1. We strive to reflect the society we serve. We believe that, with a diverse team, we are better able to connect with our clients and the participants who work for them, and to understand their needs.
2. We believe that diversity of thought leads to more valuable innovation and creativity. Encouraging different views – diverse talents and competences – leads to better decision-making and problem-solving. Such contributions strengthen APG’s resilience and

the sustainability of its results.

3. Together with all our employees, each of them unique, we are building a sustainable future. Diversity and inclusion are part of the human side of our sustainability profile.
4. Inclusion and psychological safety increase APG employee engagement.
5. We want and seek employees who are not afraid to speak their minds. This is possible only in a safe and inclusive working environment. Our positioning in the labor market is clear: an attractive employer of talent with diverse backgrounds and views.

Climate-neutral operations

“Working on tomorrow - together” also means going all out for a sustainable future together. We have the greatest impact with the investments we manage for our pension fund clients. We impose strict environmental, climate, and social responsibility requirements on the companies we invest in. So here we have to, and want to, set an example ourselves. Our aim is clear: by 2030, we will have demonstrably climate-neutral operations. We are well on our way. We offset the net GHG emissions from Scopes 1 and 2 of 1,990 metric tons (2,413 metric tons in 2021) that were remaining in 2022 with Gold Standard certificates.

Sustainable offices

In early 2022, we moved from our offices in Amsterdam-Zuid and from the temporary location on Basisweg to our new, fully sustainable office building: Edge West. This office building has the highest possible BREEAM certification, clearly demonstrating its degree of sustainability. The design of Edge West also takes into account the health and well-being of employees. Explicit attention was paid to such aspects as greenery and daylight, good acoustics, healthy workplaces, and the promotion of exercise.

We pay close attention to what materials we use. We are proud that our offices in Amsterdam and Heerlen are renovated buildings from the 1970s, and we have reused many materials. Our aim is for our offices to eventually produce no residual waste.

Our company restaurants in Amsterdam and Heerlen are also involved in our commitment to climate-neutral operations. To reduce carbon emissions, for example, the menu is plant-based as much as possible, and the food is prepared fresh. We mainly work with local suppliers to reduce the distances over which

food and supplies are transported. Moreover, the choice of food products is somewhat narrower. This leaves less waste at the end of the day and prevents us from wasting resources. Waste, including packaging, is collected separately and has to be recyclable.

Responsible travel policy

The COVID-19 pandemic also turned the whole way of working at APG upside down. Working partly from home and partly in the office became the norm in 2022. Although sometimes we are still searching for the right balance, both for individual employees and for teams, we maintain a flexible working week. Overall, we want to continue doing about half of our work from home. This also helps us reduce our carbon emissions. We introduced a new responsible travel policy and a new parking policy, both of which took effect in early 2022. We will cut down on our use of transport, and if we have to travel, we will do so as cleanly as possible.

To do our job well, we need to travel internationally. Especially when we invest in unlisted companies, we cannot always handle this digitally: we have visited the companies

in which we invest in person to verify that they are complying with international standards in areas such as human rights, labor, and the environment. In 2021, we tightened our international travel policy: we travel by train, for example, rather than flying for distances of up to 500 kilometers.

“

Working partly from home and partly in the office became the norm

In 2020, we joined the Anders Reizen (Travel Differently) coalition, and signed the Dutch Business Sustainable Mobility Pledge. Anders Reizen is a coalition of over 70 organizations that have agreed to minimize their net business-travel-related carbon emission per FTE.

In 2022, we signed a 10-year contract with SkyNRG, the market leader in sustainable aviation fuel (SAF). We are thus making a partial switch to clean aviation fuels. This

will happen as soon as the world's first large-scale SAF production facility (in Delfzijl in the Netherlands) is commissioned, which is expected to be in 2027. By pledging our purchase of this SAF in advance, we are contributing to the development of this new market.

According to a survey we carried out in 2022, our new, more sustainable travel policy is supported by a good portion of APG staff, with 25% of employees having consciously opted for sustainable travel and a further 40% experimenting with it. Employees do want more flexibility and autonomy when it comes to travel. The same applies to our parking policy. As a result of the survey, some measures were introduced immediately, such as reimbursement for bicycle rental through the 'OV-Fiets' service that offers bicycles for rent as a form of public transport.

59



WORKING IN THE OUTDOORS – Civil servants work together in the forest during the Outdoor Office Day.



Digital security and privacy

For APG, the importance of digital security and privacy cannot be overstated. Ever-increasing digitalization, new laws and regulations, and a burgeoning cybercrime economy require good governance.

Digitalization is a crucial part of our strategy. APG is rapidly transforming itself into an organization where technology is the foundation of our services. In all facets of pension administration and asset management, new technology is taking on an increasingly prominent role. This enables us to improve services to pension participants and fund clients while optimizing returns on investments. But new technology also brings with it numerous risks relating to continuity, security, and privacy, on which we continually have to take action.

Top priority

The digital security of our organization and all the data we manage on participants, funds,

employers, and employees are a top priority within APG. We are arming ourselves against cybercrime, which is proliferating worldwide and thus posing an increasing risk to the continuity of operations.

Awareness

A key principle is that ensuring digital security must become second nature to all APG employees. This issue should get our attention as a matter of course right across the company. In 2022, we put a lot of time and energy into raising digital security awareness among all APG staff. Various campaigns, presentations, and e-learning courses on digital security and cyber resilience were organized under the banner “Security First.”



Ensuring digital security must become second nature for all APG employees

We are also raising awareness when it comes to potential privacy violations; an employee may unwittingly violate a privacy rule, and we must avoid that. For example, personal data (or other information) on our own staff and our participants must not be left sitting in mailboxes or put into another system unencrypted.

Digital development

In order to ensure that all APG employees can keep developing on this score, they all go through basic lessons on data privacy and security. In addition, employees can follow learning pathways to pick up specific digital skills, which vary by department and job.

Legislation and regulations

The bar will only get higher. We can expect to see further proliferation of European data and digital-related laws and regulations in the coming years: several new laws on digital security and privacy are expected from the EU alone in the coming years. In 2023, APG will, for one, have to deal with the EU’s Digital Operational Resilience Act (DORA), the first

unified European legal framework aimed at operational resilience in the area of information and communications technologies (ICT). DORA is intended to promote digital innovation in the financial sector while mitigating the resulting risks. We are currently working on embedding the new requirements around alternative investments into our processes and IT systems.

More self-service

Besides personal contact through existing channels, pension participants will be directly affected by digitalization. Self-service will become even more central to the provision of information. Participants will be able to view their pension details online, make changes, and do their own calculations. This is already possible in the current “My” environments, but the features will be expanded in 2023 with the digital experience platform we are developing.

Dilemma

Acceleration versus security

To successfully shape the pension transition, we want to accelerate our IT landscape and related business processes. At the same time, our requirements for digital security and privacy are becoming more stringent, driven by laws and regulations and persistent cyberthreats. How can we accelerate digitally while remaining attentive to the security of our IT landscape? And how do we also ensure that our IT landscape remains maintainable and affordable?

To strike the right balance between digital acceleration and digital security, we prioritize rules strictly within our change portfolio. This ensures that digital acceleration never comes at the expense of the security of our IT landscape. Therefore, we regularly hold back new developments, sometimes temporarily, to prioritize the improvement of digital security. We have also increased staff capacity in our IT departments, with the result that the two goals are being united as much as possible. Unfortunately, in the short term, this increases costs.



‘Digital security always comes first’

Three questions for Ollivier Trouw, APG Digital Office

Is it true that APG is becoming more and more of an IT company?

“Yes indeed. We are living in a time when almost all organizational change is digital, whether we are talking about the adjustments being made to accommodate the new pension system or about improvements to customer service. Not so long ago, IT and data were often part of a larger project; now, everything we do is fundamentally a

digital solution. This often means huge pressure on the IT organization. That is why we have now organized this in a decentralized way, with a Digital Office that produces ongoing insights and keeps its eye on the big picture. We coordinate, and set conditions for, new systems and software, for example. IT itself is everywhere. And you see digital skills growing rapidly throughout the organization.”

It is a broad term though, digitalization?

“Digitalization is often a buzzword. It is used for anything and everything. The fact is, it doesn’t mean the same thing to any two people. For support staff, digitalization can mean not having to type data from a PDF into an Excel sheet because they can scan it at lightning speed with an app. A buyer can now give and get approval using digital signatures. In pension administration, we automate work processes and analyze large amounts of data. And in Wealth Management, we use digital applications to carry out better analyses of investment data. In any case, digitalization means that work is changing for almost everyone. Security and privacy are issues we all have to deal with.”

How is APG preparing its people for this?

“Over the past year, the Digital Office has spent a lot of time on digital security. And that hinges on awareness on privacy, regulations, and security. Awareness among employees is crucial. People are still the weak link. A person may violate privacy rules simply because they are unaware of the risks at the time. We must avoid that at all times. Sometimes it is about seemingly small practical matters: you cannot just leave customer data in your mailbox. Nor should it ever be used to test a system, for example. Simple things, perhaps – but things we all need to know. So, ongoing training is essential. We may eventually have environments where you are allowed to work only if you have the right certificates, especially now that our work is being done more and more online, while cyberthreats from outside are on the rise. We are not at that point yet. Now we are mainly focusing on the personal responsibility that all APG employees must take. In any case, from the results of the awareness campaigns, we see that they understand it very well.”

Our financial position



Tight labor market

Filipino nurses visit the ward where they will start work. Hospitals are recruiting health workers from abroad due to the tight labor market.



Our finances in 2022

APG's primary goal is to maximize pension value for our pension fund clients and their participants. APG must also achieve a healthy financial result – a return appropriate for a socially oriented organization.

In 2022, APG achieved revenue of 962 million euros (compared to 862 million euros the year before), and a financial result of 49 million euros (compared to 78 million euros in 2021). The effective tax burden was 24.5% in 2022 (23.4% in 2021). With a solvency of 59% (60% in 2021), our equity position is strong. Our operating cash flow for 2022 was positive. Revenue is generated through contracts with clients with whom APG has a long-term relationship. Asset management revenue partly depends on the development of assets under management.

Operating costs

Operating costs were higher in 2022 than they had been the year before, thanks mainly to an increase in activities on strategic initiatives,

including the Pension of the Future, Grip on Data and Digitalization initiatives.

Despite the increase in operating costs for strategic initiatives, these were lower than expected due to the inability to fill vacancies or, later in the year, due to the tightness of the labor market. By making astute choices, we nevertheless made decent progress on the strategic initiatives. As for regular services, we see that travel and accommodation costs were lower than expected, partly due to the prevalence of working from home, but primarily because of fewer international flights on account of COVID-19 restrictions in several regions. Toward the end of the year, we saw an increase in the costs of travel and accommodation following the lifting of COVID-19 restrictions in China.

Revenue

Revenue was also differentiated between revenue for regular services and that for strategic initiatives. Revenue for regular services increased in 2022, thanks to growth in the number of participants on the one hand

and a rise in asset management activities on the other. APG has made separate supply and pricing agreements with its clients for strategic initiatives. As a result of an increase in the cost of strategic initiatives, revenue on these initiatives also rose.

Market position

The competitive position in the pension administration and asset management market varies, as do profit margins. While the profit margin on our pension administration business is very low and even negative on specific activities, the profit margin on our asset management business has proven to be more than adequate. As for pension administration, a drop in the average price per participant will be required in the future. Among other things by investing in strategic initiatives, we can provide better service over time and work to reduce costs once the new pension system is introduced.

Capital and dividend policy

Among the key principles in our capital and dividend policy are financial stability,

room for possible strategic investments, no overcapitalization, and a required rate of return appropriate for a socially oriented organization. In FY2021, we revised our return target so that it remains in line with the tax transfer pricing assumptions that apply with respect to the shareholder relationship that APG has with ABP. APG's financial target for 2022 was based on a minimum return on equity on the one hand and a minimum return on the total cost of our services on the other. The return on equity in 2022 was 13.9%.

Expectations

In 2023, we will keep focusing on the Pension of the Future program and on implementing the new policy and capital administration system. In addition, APG will also focus in 2023 on implementing remedial actions in the Grip on Data program, as well as on implementing other strategic initiatives and projects such as digitalization within asset management. All of these strategic initiatives are essential for ensuring that we can be ready for the implementation of the new pension system. These initiatives will lead in 2023 to higher costs, which will partly be offset by higher revenue. Our net result for 2023 is expected to be lower than in 2022, partly because of high inflation and a related sharp increase in costs, which we can pass on to our clients only to a limited extent.

65 In 2022, APG distributed a dividend of 120 million euros to shareholders for the 2021 financial year. The proposed dividend payout for 2022 has been calculated based on the analysis of available capital versus our required capital under the capital and dividend policy. Our statutory profit appropriation for 2022 is included in the Financial Statements.

How we work together at APG



War in Ukraine

Two sisters from Ukraine cook dinner with the host family where they have found shelter.



The importance of our culture

APG strives to be an organization in which everyone feels at home and where we enjoy working together to generate results. Our culture reflects the way we participate in society.

We want to work on the future together, in every way possible. This includes contributing as much as we can to a sustainable society.

People and Culture is one of APG's key themes. Our colleagues describe our culture as warm, socially engaged, people-oriented, powerful, and professional.

Our preparations for a new pension system demand, now more than ever, good collaboration. We will stay true to our core values, but to speed things up, the next

few years will require us to focus specifically on collaboration, action, and leadership. But whatever else, we must never lose sight of the people. The participants, the pension fund clients, and our employees are our anchor.

We have made a conscious choice to work together in a way that takes others into account. This applies to every decision, major or minor. We set a good example in our own work, ask critical questions, and inspire others. We try to find a good balance between our work and private life and decide for ourselves when and how we intend to perform which activities. In other words, we are flexible at APG.

We take our own needs into account while also acknowledging the interests of our team. In order to stay focused and be decisive, we are working to create a culture based on autonomy, trust, and responsibility.

Our core values

We connect. We show genuine interest in our fellow employees and value differing perspectives. We call each other to account, and are ourselves accountable.

What we do impacts our customers. We listen, understand their needs. We deliver results and are proactive.

We simplify complex issues. This is what our work is all about: keeping the clear language we use and the products we make simple, understandable, and compelling.

We are continuously improving. We are open to new ideas, apply new technologies, and set priorities together. It's okay to make mistakes.

We are there for each other. We care about our fellow employees and our customers and look after them. We place our trust in each other, give each other clear instructions, and go the extra mile together to reach our goals together

We are not wasteful. We are price-conscious: we pay less when we can and invest where we need to.



'You're allowed to spend a lot of time on your personal development here'

Three questions for Heleen Kuijten, managing director of People & Change at APG

You started work as managing director of People & Change (formerly HR) at APG this year. What have you noticed about the organization?

"One of the things that stands out for me is APG's strong focus on learning and development. You're allowed to spend a lot of time on your personal development here, and that's quite unusual. I

also think it's important for an organization to invest in its staff. Another positive thing is the fact that the appraisal system has been separated from development. Not many organizations have managed to do this yet. I noticed that staff seem to be very committed to their work. And they seem very knowledgeable about a range of things. A lot of people are real specialists. The downside of that is that they can become super-specialists, which can often make collaboration more difficult."

So that's a point of concern?

"We want to encourage smart collaboration in our organization. Hybrid working has obviously put a strain on the collaboration between teams. We want to encourage people to make more use of each other's knowledge so that we can act more decisively. This requires a change in behavior, which won't happen overnight. But the new pension system involves a lot of change, so we'll all need to adapt. We know that pensions are a difficult concept for many Dutch people. They have trouble getting to grips with the details. So we should prepare ourselves for a lot of questions. We will have to focus on our advisory skills when talking to customers, as this will

become increasingly important. Staff will need extra training. I don't think we need a whole new range of skills, but we do need to shift the emphasis."

What are the priorities for 2023?

"APG is preparing for the transition to a new pension system and People & Change will play a major role in this. Every member of staff must be perfectly clear about what will change within their team, how this will affect their job, and which skills they are likely to need. This is something we need to discuss with every single one of them so that people are able to say: I know what's expected of me and my team. In short, they need role clarity. We also need to develop a good strategic workforce plan. This means clarifying what we will be working toward in the next few years, both during the transition and afterwards, including the required quantitative and qualitative capacities. This is why it's essential that we position APG and its organization clearly, both within and outside the company. Only then, can we recruit the right people to fill our vacancies. And keep them of course; that's just as important. We're going to need a lot of people during the transition to the

APG's track record as an employer

APG aims to be a great place to work. We take the well-being of our staff seriously and want them to be able to fulfill their potential.

Engagement

The annual employee engagement survey showed that effective collaboration between teams and a lack of clarity about roles and tasks are points of concern. This is something we intend to address with all our staff in 2023. On the one hand, it's logical that hybrid working has made it more difficult for people to work together in the workplace. But we are keen for teams to make more use of each other's knowledge so that they can develop mutual trust and cooperation. We also need more clarity about people's roles within the team. Simplifying the job classification system with fewer different job profiles should make a difference in this respect.

The survey also revealed that staff are slightly less enthusiastic about the future. This is partly because we are still uncertain about the full

implications of the new pension system. We won't know any more until 2023. Yet we are still preparing our organization for this new system. Many employees will need to master new skills, or will be given new tasks. We will speak to staff members about this individually. It goes without saying that we will need everyone on board in the next few years.

Satisfaction

Luckily, once again we achieved a high engagement score. In 2022, we scored 7.7 (2021: 7.6), which almost matches our target of 7.8. Most staff think that they have everything they need to do their work well. They are satisfied with the recognition they receive for their work and consider themselves able to make work-related decisions on their own. This is an important basis for facing the changes they will encounter in the next few years. The employee engagement survey also revealed appreciation for our managers. The APG score for recommending your manager to others was well above the benchmark. We want to stimulate the internal advancement of managerial talent, which is why we launched "The Making of

Executive Leaders" in 2022. The idea is to coach and train the latent skills of leaders so that they can rise to the level of managing director. Participants in this new program are highly positive about it.

Well-being

Feeling fit and working in a pleasant environment are two of the main conditions for developing and fulfilling your potential, and for being agile in a dynamic workplace. We encourage our staff to find a good, healthy work-life balance. We support them in this by providing a "vitality budget" (a budget for mental and physical health interventions) and more recently, a company fitness scheme, which allows all APG staff working in the Netherlands to exercise where and when it suits them. This initiative is well suited to hybrid working. Since late 2022, staff can sign up for a wide range of sports and fitness activities at around 3,500 gyms and sports locations.

Sickness absence

By the end of 2021, the sickness absence rate at APG had reached 3.5%; this figure rose to 4.2%

in the course of 2022. This increase was not unexpected. In 2020 and 2021, the COVID-19 restrictions led to a lower rate of sickness absence compared with 2019, for example. In addition, the reporting frequency of sickness in 2020 and 2021 was significantly lower. The rate in 2022 returned to that of 2019. Sickness absence for the whole of APG in 2022 was similar to that in 2019.

During the COVID-19 pandemic, staff spent more time at home and were therefore less likely to infect each other. Now that people have returned to the office, we are again seeing more short sickness absence due to regular seasonal coughs and colds. Long-term sickness absence dropped in 2022, from 2.4% to 2.1%. We normally see a rise in sickness absence from September to March, and 2022 was no different. We are expecting sickness absence to increase at the start of 2023 and fall again after March.

Workforce development

The introduction of the new pension system and various other societal expectations, regarding sustainability for example, are causing changes in almost every facet of our work. We must

join forces to prepare for tomorrow's world. At the same time, we must continue to provide regular day-to-day services to funds, employers, and participants. Whether we can make this transformation a success largely depends on one thing: our capacity to learn. At APG, learning is not something we do alongside our work: learning and developing are part of our work.

Job-based courses

In past years, we encouraged our staff to take control of their own development. It is up to individuals to decide how and when they learn, and they are encouraged to make use of the broad-based The Making of You program. Our various "Academies" offer a range of job-based APG courses, and there are other developmental opportunities as well, including in the field of online working, decisiveness, marketing, and communication, and the new pension system.

New collective agreement

In October, the trade unions De Unie, VCPS, DOOR, and FNV reached agreement with APG about a new collective agreement to run for 18 months, from January 1, 2023, until July

1, 2024. The current Social Plan (redundancy agreement) has been prolonged until January 1, 2026. Salaries will rise by 5% as of January 1, 2023, and again by 3.75% as of January 1, 2024. To compensate for the high rate of inflation, every member of staff received a one-off lump sum of 1,000 euro (net) in November's salary payment.

The agreement on paid parental leave has also been tightened up in the new collective agreement. Staff are entitled to nine weeks of paid parental leave during the first year after a child is born. As of January 1, 2023, APG will supplement the standard allowance, which amounts to a maximum of 70% of the maximum daily wage, to bring this up to 80% of the monthly wage.

Recruitment campaign

Over the next few years, we will need several hundred extra staff (including specialized staff), to take care of the digitalization program in Asset Management and the preparations for the new pension system. The current shortages in the job market mean that this will not be a simple task. The shortages are expected to increase. As we do not have a high public

profile as a brand or employer (see also Brand awareness and reputation), in 2022 we launched an intensive recruitment campaign aimed at specific professional groups, such as IT and data specialists. On our [Careers site](#), APG staff talk about their work and the impact they generate. In late October, we also began an intensive recruitment drive on the radio and on various websites and social media channels. We will relaunch this campaign in spring and autumn 2023.

Meetings with the works council

In 2022, the works council dealt with ten requests for advice (their official recommendation) and seven requests for approval. Working closely with their study groups, the works council issued “positive advice” for all of these requests, albeit often accompanied by certain conditions. The works council was also given information about minor changes within the organization, and used its right to give unsolicited advice to management on one occasion.

Ten meetings were held with the works council, two of which were “Article 24 meetings”, that’s to say meetings where the works

council convenes with representatives of the Supervisory Board to discuss the general state of affairs.

The executive committee also held regular informal discussions with members of the Supervisory Board. The executive committee of the works council held ten agenda committee meetings. A more informal structure for meetings with the works council was introduced in autumn 2022. The works council met 24 times and organized two training days.

New works council members and renewed portal

A new works council was installed on April 1. This time, the council is made up solely of union representatives. The division of seats between the trade unions is as follows: DOOR nine, De UNIE four, VCPS four, and FNV two seats.

The works council intranet/SharePoint page has been partially renewed. All staff can use this portal to find information, such as requests for advice, requests for approval, and informative memos.

The new pension system

The works council was closely involved in the decision to adopt a new policy and capital administration system. Advice could be given quickly thanks to the prompt, confidential, but open dialogue between management and the works council. Both sides saw the request for advice process in this case as an example of good collaboration.

Responsible travel and parking policy

Another subject that occupied the minds of those at APG was the introduction of the new responsible travel and parking policy. Although everyone supports the overall objective (sustainability), the new responsible travel and parking policy led to plenty of discussion. A survey of all staff and meetings with focus groups will be held in the autumn to evaluate the new policy and concrete actions will be formulated based on the findings.

Employee development

Another important focus of attention is working out how we can help staff develop their skills in good time for the introduction of the new pension system so that they will be comfortable with the new working practices. During the first mandated consultation meeting with members of the Supervisory Board, the works council put forward some ideas for facilitating the necessary development. Their insights will be included in the Strategic Workforce Plans and in various People & Change activities aimed at staff development. There are ongoing consultations with the works council about the timing and content of these plans.

Our remuneration policy

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

Internal proportionality

There must be a fair balance between the salaries paid to the Executive Board and those paid to the staff, between people working in

different parts of the organization, and between men and women. If pay discrepancies exist, we must be able to account for them.

External proportionality

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

In balance with our responsibility

APG has a serious social responsibility, namely, to maximize pension value. Our remuneration policy must therefore be in balance with this responsibility. Our policy takes serious account of the sustainable employability of staff, their ongoing development, and their mental and physical health. We offer a fixed salary, good pension provisions, and various fringe benefits, such as a generous study costs allowance, a mental and physical health budget, and group occupational disability insurance. Day-to-day policymakers do not receive severance payments above 100% of their fixed annual salary.



“When you have a social role, you have to have a picture of how society is evolving. You’ll want to adapt your products and services to that. That’s what ProRail does – and APG too. We share that socially relevant role.”

John Voppen, CEO ProRail

Variable pay

In the Netherlands, only Asset Management staff with a direct influence on investments are eligible for variable pay. Position and proven performance (against quantitative and qualitative targets) play a role when setting the level. Variable pay depends for 50% on

non-financial performance, measured against sustainability indicators, for example. For many of the staff who are eligible for variable pay, half of this is held back until the year after delivering the results in question; this half is then paid in three equal portions after a reassessment of the results. Staff working for our subsidiary Entis may also qualify for variable pay; in this case, too, performance is measured against quantitative and qualitative targets. We never guarantee the award of variable pay or employee retention pay. We may, sporadically and only in the first year of employment, agree to pay a sign-on bonus.

consider this in terms of internal and external proportionality and the social context.

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

In 2022, 15 Asset Management staff (12 in 2021), all of whom work abroad and many in Private Equity from our New York office, received total remuneration of over 1 million euros. The number of staff receiving a total payment of over 1 million euros depends on the development of foreign exchange rates. The total remuneration package comprises fixed salary and variable pay.

Responsibility for remuneration policy

We comply with laws and regulations as regards restrained remuneration. We also adhere to the Netherlands Corporate Governance Code. Primary responsibility for the overall remuneration policy rests with the Executive Board. The Supervisory Board, advised by the Remuneration and Selection Committee, monitors the implementation of the policy.

The formal authority to decide the remuneration of the Executive Board and to appoint its members rests with the general meeting of shareholders, which is guided in this by the Supervisory Board.

The management board of Asset Management is responsible for implementing its own

In 2022, the total amount of variable pay was 51.7 million euros (2021: 48.6 million euros). Of this, 45.4 million euros (2021: 41.3 million euros) is related to our foreign businesses. The 3.1 million euros increase was largely caused by the overall growth of the organization and, with this, the fact that more staff became eligible for variable pay. The strong investment returns generated by certain investment strategies when compared with the market, particularly in Private Equity from our New York office, both in 2022 and over the past five years, also meant that a higher total amount of variable pay was awarded.

Pay in other countries

In certain other countries, as a result of local legislation and job market conditions, performance-related pay is an integral part of the employment culture. Accordingly, variable pay is more often a part of our total remuneration proposition in these countries: it helps us to recruit the right staff members and focus on results. This variable pay has a different structure and can be higher than in the Netherlands. We look very carefully at whether, and when, variable pay should form a larger proportion of the total pay package. We

general remuneration policy. Since our asset management activities are managed by an independent company, Asset Management has its own Supervisory Board and Remuneration Committee. The Supervisory Board adopts the general remuneration policy, on a proposal of the management board. A review committee provides support in the area of remuneration policy. The members of this review committee represent People & Change, Risk, Compliance, and Legal. They work closely to align the design, regulation, and monitoring of the remuneration policy. The internal auditor does not sit on this committee, but carries out periodical checks of the design, implementation, and application of the policy.

Remuneration of the Executive Board

The remuneration policy for the Executive Board is also based on internal and external proportionality and the social context.

The Executive Board remuneration report is available on our website.

The internal ratio between the salary of the chair of the Executive Board and the salary of an average member of staff is 4.6 (2021:

4.6), which is relatively low. The ratio for APG Nederland is 5.6 (2021: 5.6). We assess external proportionality periodically using a carefully compiled benchmark of similar companies. The social context is reflected in the form that the remuneration takes. Executive Board members participate in the same pension scheme as the staff. Members of the Executive Board are not eligible for variable pay.

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

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



'It is a pity that nothing has been organized for the self-employed'

Three questions to Peter Gortzak, director of policy implementation at APG

The new pension system is still a "solidarity system." Are you pleased about that?

"Well, I am obviously pleased that we can still spread the risks as it means that the new system can generate stable pensions. This is something our pensioners really want. I sometimes worry that people are far too blasé about individual pension sums. It can be a handy way of explaining things: you can show that a specific amount of pension

has been reserved for the person concerned. But this choice of words can give people certain expectations. If you stress the word 'personal', people could be forgiven for thinking that this amount actually belongs to them, that it becomes part of their estate when they die, and their heirs will inherit it. That just isn't the case. The pension will remain a group scheme."

Has the new system become too complicated?

"We'll have to wait and see. The criticism of the current system has always been that it isn't transparent enough, and that managers hidden away in offices make decisions that have a huge impact on people's pensions. So the new system had to be more transparent, with a greater say for the participants. This means that funds have to conduct risk attitude surveys among their participants, including per age group, and decide how the results affect the investments. I can't help wondering how this will pan out. Individuals are swayed by the issues of the day; they may be inclined to take more risks on a sunny day than on a gray Monday morning. I would rather that the people who make these decisions think

about them carefully, have more experience with investment risks, and are able to predict what will give the best pension returns for certain groups of participants."

Are there any other buts and maybes?

"Personally, I find it a great pity that nothing has been organized for the self-employed. After all, we have around 1.2 million of them. We started building a new pension system because the current system no longer caters to the ever-changing job market. Work has become more flexible, people don't stay with the same employer for 40 years anymore, and a lot of people go self-employed. This new pension system has nothing to offer them. If you don't have an employer, you don't have a group pension. But people just don't seem to be concerned. Employers save wage costs by hiring self-employed professionals because then they don't have to pay the pension contribution. But we'll still have to pay in the end. Look at the healthcare system: a self-employed professional who later only gets a state pension won't be contributing to their healthcare costs. The government will ultimately foot the bill."

How we manage our organization



Free radiator film

Energy prices are rising. In Amsterdam, free radiator foil is being distributed to save energy, as part of the national day against gas.



Corporate governance

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

Corporate Governance Code

APG complies with the relevant laws and regulations and the regulatory guidelines. In addition, in view of our role and responsibilities as a pension administrator, we voluntarily adhere to the principles and best practice provisions of the Dutch Corporate Governance Code, in principle in full. In the rare cases that we do not adhere to the provisions of the Code, we explain why. More information about [corporate governance](#) is available on [apg.nl](#).

Executive Board

The Executive Board is jointly responsible for the day-to-day management, the strategy, the progress of the results (including creating added value for pension fund clients in the short and long term), and for the sustainable performance and the social impact of APG.

The Executive Board is also responsible for ensuring compliance with the relevant laws and regulations, for managing the risks, and for the company's finances. The various focus areas (portfolios) are divided among the Board members. The Executive Board reports to the Supervisory Board and the shareholders.

The Executive Board and the various management boards review APG's performance compared with the targets, both financial and non-financial. They also check how the strategy is being implemented, how this is progressing, and whether any points warrant special attention in the forthcoming period.

Risk committees

The Executive Board is assisted by risk committees at business unit and group level. The risk committee at group level comprises the members of the Executive Board, the General Counsel, the Board Secretary, and the directors of Risk & Compliance and Internal Audit. They meet at least four times per year.

Boards

The Executive Board is itself supported by various boards, each with its own focus area. The Portfolio Board, for example, concentrates on the use of scarce resources for change initiatives within APG that help achieve the strategic goals. The IT Board focuses on providing a controlled, secure, flexible, and future-proof IT landscape, and the Data Board concentrates on data-management matters. The Sustainability Board meets periodically to discuss results in the area of sustainability and APG's social impact, and the ensuing activities.

Composition of the Executive Board

In late 2022, our Executive Board consisted of two women and two men. Annette Mosman has been chair of the Executive Board since March 2021 and holds the Strategy, Communication, Internal Audit, and other portfolios. Francine Roelofsen-van Dierendonck (Participant and Employer Services and Fund Operations portfolios) and Ronald Wuijster (Asset Management, People & Change, and Facility Services portfolios) were both reappointed to the Executive Board for a period

of four years in 2022. Maarten Blacqui re was appointed to start on April 1, 2022 as CFRO and member of the Executive Board (Finance, Risk & Compliance, Tax and IT portfolios).

Supervisory Board

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

The Supervisory Board also plays a key role in the appointment and dismissal of members of the Executive Board and the Supervisory Board. The Supervisory Board compiles the job profile, makes the selection, and prepares the appointments. As the employer of the Executive Board, the Supervisory Board appraises the performance of members of the Executive Board and advises the shareholders on the remuneration policy for the Board members. The shareholders ultimately decide on the appointment, dismissal and remuneration of the members of the Boards of Directors and the Supervisory Board.

The Supervisory Board has two committees: the Audit and Risk Committee and the Remuneration and Selection Committee. They support the Board in its regulatory and advisory tasks. They also pave the way for decision making in certain areas. The external auditor is always present at meetings of the Audit and Risk Committee. The Audit and Risk Committee meets both the internal and the external auditor twice a year. The Executive Board is not represented at these meetings.

The report of the Supervisory Board sets out the specific points the Supervisory Board and its committees focused on over the past year, and how the Supervisory Board carried out its tasks, in accordance with the ‘‘Supervisory Vision’’ document drafted in 2022.

Composition of the Supervisory Board

The Supervisory Board has comprised five members (three women, two men) since January 1, 2022. Pieter Jongstra is chair, Dick van Well is vice chair and Jos  Meijer, Sarah Russell and Claudia Zuiderwijk are members. The composition of the Board did not change in 2022. The second term of chair Pieter Jongstra expired on February 4, 2023. As it took longer than expected to find a suitable successor, Pieter Jongstra was reappointed by the shareholders for a maximum period of two years. A successor has now been found in Peter Bommel, who will start his term as chair of the Supervisory Board on April 1, 2023. Pieter Jongstra will stand down as member of the Supervisory Board on the same date. Peter Bommel (61) was CEO of Deloitte Netherlands and a member of Deloitte's DTTL Global Executive Board from 2012 to 2019. Prior to that, positions he held included

Also falling within the scope of the Supervisory Board's duties are internal risk management and control systems, financial reporting, compliance, cybersecurity, corporate governance, staffing developments, remuneration, effective and efficient business operations, the reputation of APG, the company culture, sustainability, diversity, and the performance of the Executive Board and the Supervisory Board itself.

managing partner of the Dutch audit practice of Deloitte, and chair of the facility board for the accountants program at the public research university Vrije Universiteit Amsterdam (known by its Dutch acronym VU). He is currently chair of the VU Association and a member of the Supervisory Board of Flynth Groep. He is also a member of the Board of the Elite Sport Fund of the Netherlands Olympic Committee. Peter Bommel will be appointed for a period of four years.

Shareholders

APG Groep NV has two shareholders: Stichting Pensioenfonds ABP (92.16% of the shares) and Stichting Sociaal Fonds Bouwnijverheid (7.84% of the shares). The Executive Board and the Supervisory Board had regular meetings with the shareholders throughout 2022.

Ethical business practices

We are aware that, as the largest pension administrator and leading asset management company in the Netherlands, we play an important role in society. After all, we contribute to the financial welfare of a large number of households in the Netherlands. This is why we are committed to ethical business

practices, which we see as crucial in our work. This applies equally to the actions of APG as a company and to the actions of each individual employee. Accordingly, we set great store by the principles of trustworthiness, prudence, and integrity.

Code of Conduct

To ensure we conduct our business ethically, APG operates a Code of Conduct which serves as our guidance, our compass, for who we want to be and what we stand for. Our Code of Conduct guides our behavior within APG, but also guides how we treat each other, our pension fund clients, shareholders, suppliers, regulators, and society in general. We regularly bring the elements of the Code of Conduct to the attention of our staff through our intranet and e-learning courses.

We assess all private investment transactions, other work and positions staff have outside the company, invitations and gifts against the standards in our Code of Conduct and the Staff Integrity Policy. The Staff Integrity Policy lists rules about dealing with sensitive information, contacts with suppliers and contract staff, conflicts of interest, other work and positions

outside the company, gifts and invitations, insider trading, and market abuse. These rules ensue from regulations such as the Financial Supervision Act, the General Data Protection Regulation, the Dutch Pensions Act, and anti-corruption laws.

Every year, we ask our staff to confirm that they complied with the Code of Conduct and the Staff Integrity Policy over the previous 12 months.

Reporting misconduct and irregularities

We consider it important that staff feel able to report suspicions of fraud, misconduct or any other irregularities. To make this easier, we have appointed confidential advisors and put a protocol for anonymously reporting misconduct and irregularities in place. This applies to all of APG, both in the Netherlands and abroad. We also run a fraud desk, where we investigate possible cases of fraud in more detail.

The chair of the Executive Board and the head of Compliance are informed immediately about reports that do not involve the confidential advisors. If the suspicions concern material

misconduct, the chair of the Supervisory Board is also informed. Staff wishing to report misconduct or an irregularity on the part of a member of the Executive Board can make their report to the reporting officer, who will pass the report to the chair of the Supervisory Board.

External supervision

Supervision by DNB

DNB, the Dutch central bank, is officially responsible for regulating pension funds, but not the administrators of pension funds. This regulation of our pension fund clients also includes outsourced services used to administer pensions and, given that the pension funds have outsourced many of the operational processes to APG, APG is also regulated by DNB in this regard. APG therefore regularly meets with DNB, and the regulator carries out inspections at APG.

Asset Management manages assets on behalf of four pension fund clients. They do this on both a collective basis via the management of investment institutions, and on an individual basis via the management of segregated accounts. Asset Management

has been accredited for these activities by the Dutch Authority for the Financial Markets (AFM), and is also subject to AFM's AIFMD and MIFID supervision.

In addition, DNB exercises prudential oversight of APG AM's collective and individual asset management. To comply with the solvency and liquidity requirements, Asset Management follows the Internal Capital and Liquidity Adequacy Assessment Process (ICLAAP).

Horizontal Monitoring

APG sets great store by open and honest dealings with the tax authorities. A renewed monitoring agreement was agreed with the Dutch tax authorities in late 2021. It is based on "ongoing horizontal monitoring," meaning that relations are based on transparency, understanding, and trust. The Dutch tax authorities increasingly rely on the internal processes at APG, designed to ensure that APG meets its tax obligations promptly and correctly. In 2022, one of the steps we took was to strengthen the formal aspects of the Tax Control Framework.

Responsible tax policy

We feel that a sustainable tax climate helps create a livable world. Tax proceeds make an essential contribution to the local communities that we serve and invest in. The tax policy at APG is based on eight principles, which reflect APG's responsible attitude to tax matters. This policy forms a guideline for APG, both in its own tax dealings, and in the way it provides services to its pension fund clients.

In 2022, we continued our work on laying down tax criteria for assessing companies in which we are considering investing so that we can put the tax policy and tax principles of both APG and our pension fund clients into action.

We have translated our own tax principles and those of our pension fund clients into tax criteria to cover alternative investments, so that we can assess whether a potential investment satisfies the provisions of our tax policy. We promote compliance with our tax principles, irrespective of the influence we have as an investor.

In 2022, we carried out assessments on listed shares in developed markets with a market cap

of at least 5 billion euros. The assessment is based on information about the company's tax strategy, transparency, the effective tax burden, known controversies about taxes, and other information. Based on this assessment, we selected companies to engage with in 2023 about responsible tax behavior.

APG endorses the value of national and international initiatives aimed at well-balanced levying of taxes and combatting tax evasion. APG and several pension fund clients play an active role in national and international debate on responsible tax behavior. However, we do not want to lose sight of the position of the pension funds and the basic principle that their investment returns, which ultimately reach those entitled to a pension, are usually exempt from taxation. Taxes are levied when the pension is paid to the pension beneficiaries.

81



ALTERNATIVE FOR SANDBAGS – The Limburg Water Board is testing alternatives to sandbags as a temporary flood defense. Filling sandbags is laborious work.



Risk management

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

Integrated risk management

We want risk awareness to become embedded in our DNA, so that it is second nature in our working practices. This makes risk management a part of every member of staff's daily activities. This is known as integrated risk management (IRM).

APG's IRM framework encompasses risk governance, risk policy, risk culture, risk appetite, the risk management process (backed up by the risk and control framework), and risk reporting.

Risk governance and policy

The roles and responsibilities relating to managing and controlling risks are based on the "three lines of defense" model. The first line is formed by the various business units and staff departments (central support and policy units) at APG. They are the primary parties responsible for risk management. The risk management and compliance jobs, positioned separately from the first-line jobs, are the second line of defense. The Internal Audit function fulfills the third-line role. The risk committees in the various business units, the Executive Board, and the Audit and Risk Committee of the Supervisory Board ensure that the responsibility for risk management is safeguarded and integrated into the business plan cycle.

APG has a set of Risk and Compliance Policy frameworks within which it aims to control its risks. This set of frameworks guides the business units and staff departments (central support and policy units), enabling them to implement risk management as part of the regular business activities. The risk taxonomy

comprises five risk categories: strategic risks, operational risks, financial reporting risks, compliance risks, and financial risks. Each category sets out the principal risks associated with APG's activities and is in line with the regulations set by the regulators.

Risk culture

Sound and effective risk management depends above all on promoting a culture of risk awareness. This includes using our risk appetite to weigh opportunities against risks as part of the day-to-day activities at all levels of the organization.

We have set up a fraud desk for reporting and detecting possible cases of fraud. In addition, APG has a system for reporting misconduct and irregularities anonymously. In 2022, APG checked the pension administration system for indications of external attempts to commit fraud, looking for general characteristics such as the falsification of signatures and the falsification of life certificates.

Risk management process



Risk appetite

Risk appetite describes the nature and scope of the risks we are prepared to accept in our efforts to achieve our strategic goals. We distinguish between three levels: high, medium, and low. The Executive Board sets the risk appetite from two different perspectives.

The strategic risk appetite describes the extent to which APG is willing to accept the potentially negative consequences of trying to

attain the strategic critical success factors. The negative consequences are analyzed in relation to aspects such as strategic viability, reputation, financial impact, relationship with the regulator, customer satisfaction, and employee satisfaction.

The risk appetite for each key risk in the risk taxonomy describes the extent to which we are willing to be exposed to various risks from

the taxonomy while pursuing our goals and providing our services.

Risk management process

The risk management process is designed to monitor the development of the risk profile in relation to our risk appetite. This continuous process includes identifying, evaluating, controlling, and monitoring risks. The second-line risk management and compliance functions play an independent, critical role in this process.

In this context, we periodically look ahead to anticipated changes to laws and regulations and Compliance points out these changes in the compliance report. The business units are responsible for processing the changes in their processes and control measures. The Risk and Control framework ensures that we stick to the desired risk profile. It gives us insight into the effectiveness of the control measures designed to mitigate the risks.

Risk report

The risk report is the conclusion of our risk management process. We monitor activity continuously on the basis of the five risk categories. Every year, APG updates a set of key risks within these risk categories that arise from external developments, our strategy, and our business operations.

Part of the operational risk management process is being demonstrably “in control”, both inside the organization (corporate) and outside (on behalf of our pension fund clients). Every quarter, we report to the APG risk committee and the Supervisory Board’s Audit and Risk Committee about the current risk profile.

To provide our pension fund clients and other clients with impartial assurance about the way our control and management measures are designed and implemented, every year we compile Standard 3402 and Standard 3000A reports on the services for pension management and asset management. The external auditor provides assurance for these reports.

Risk profile in 2022

In 2022, the APG risk profile did not contain any unacceptable risks. In a dynamic environment, we were able to respond actively to risks as they occurred. It is important to state that we were always able to satisfactorily manage the services that the pension fund clients had entrusted to us.

Outsourcing

In 2021, the regulator carried out an investigation into outsourcing by APG. In 2022, we worked on initiatives to improve the way we oversee services and products outsourced to, and procured from third parties. This ensures that we have better control over the outsourcing risk and that the continuity, integrity and quality of our services are

not adversely impacted by issues relating to outsourcing or procurement of products and/or services.



In 2022, the APG risk profile did not contain any unacceptable risks

Labor shortages

APG sets great store by ensuring the effective control of pension administration and asset management. It is therefore essential that we align the composition of our workforce with this strategy. The ongoing short supply of talent is making it more difficult for APG to recruit people with specific competencies. In order to meet the changing demand for competencies, the People & Change department has launched various improvement processes and initiatives within APG. Labor shortages also require us to add more focus to our work and learn to

set priorities. In 2022, our priorities were: effective control of pension administration, the transition to the new pension system, and the continuing development of APG as a leading sustainable investor.

The transition to the new pension system

In order to ease the transition to the new pension system, we are cleaning up all our data, replacing outdated IT systems, and simplifying schemes. For example, we are working hard on generating high-quality data, which we can migrate to the new pension administration system. Data quality rules allow us to structurally monitor the cleansed data to ensure compliance with our quality criteria.

We set great store through a smooth transition to the new pension system, which is why we set up the Pension of the Future program, which incorporates the “three lines of defense” model. The second line, both within the various components of the program and at the overarching level, is the regular contact for questions relating to risk management, internal control, and the application of laws and regulations. The primary task of the third line is to carry out assurance and advice

assessments. The huge impact of Pension of the Future means that our stakeholders are particularly interested. We will provide them with information about the implementation and structures of the products and activities in the program along the way.

Ongoing monitoring

Uncertainty about how the Dutch Senate will handle the Future of Pensions Act and other changes to legislation constitutes an important risk. It is possible that choices we make on the basis of working hypotheses may have to be revised, and that investments we make may later prove to have been unnecessary. This risk has been calculated in and consciously accepted in order to safeguard the progress of the transition to the new pension system. On December 22, 2022, a large majority of the Dutch House of Representatives voted in favor of the proposed Future of Pensions Act.

Digital security and privacy

A lot of attention has been paid to the prevention and prompt discovery of attempts by cybercriminals to gain access to the APG information systems. The results of the pentests (penetration test: simulated

cyberattack) carried out and the ransomware exercises have led to a tightening up of existing measures and the implementation of new measures. The work was carried out by external experts.

It is essential that all personal data relating to pension fund clients and our own staff be processed and protected properly, transparently and in compliance with the law. Current improvement drives in the area of privacy are designed to embed the obligations stemming from the General Data Protection Regulation (GDPR) in the processes of our business units. This refers to aspects like data processing practices and data retention periods. We are running awareness campaigns and training courses to alert our staff to the risks involved in digital security and privacy.

High returns through sustainable, responsible practices

As well as the risks that apply to APG as a whole, there are specific topics that are relevant to Asset Management. In managing the assets of our pension fund clients, we keep a close eye on the macro-economic developments and on developments in the financial markets.

Our investment strategy evolves in line with the investment policy of our pension fund clients. As active investors, we employ various strategies designed to outperform the market wherever possible, while paying heed to the wishes of our pension fund clients. Sustainable, responsible investment is high on their (and our) agenda.

Digitalization is becoming increasingly important in the current market for asset management. We see digitalization as a facilitator for creating extra value for our pension fund clients and for maintaining our competitive edge. We are following these developments closely in our risk management and control systems.

Sustainability

We want to control the risks and prevent APG – and therefore our pension fund clients – from being tarnished by any unforeseen or undesirable sustainability issues in the value chain (such as human rights violations, bribery and corruption, environmental damage, impact of climate change, transparency obligations, etc.). We are therefore expanding the governance of the sustainability processes.

In 2023, we will account for our progress in the area of sustainability every quarter in the performance reports and risk reports.

Focusing services on the customer

Our customer services are generally rated as positive. We hold open dialogues with our pension fund clients about relevant topics and risks. For example, this includes the current program designed to ensure that the transition to the new pension system runs smoothly and on time.

Reporting risks

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

To offer our clients independent assurance about the design and functioning of our

monitoring and control measures, we issue Standard 3402 and Standard 3000A reports about the services for pension management and asset management. The external auditor provides assurance for these reports. The findings from the “three lines of defense” process have led the external auditor to issue a qualified opinion for 2022 with respect to APG’s Standard 3402 and Standard 3000A reports. These findings were the area of incorrect or late performance of dual-control and other checks and inadequate control measures regarding the prompt dispatch of pension communication. Analyses carried out on the findings concluded that they did not cause structurally incorrect or unauthorized processing in our administration system. Action has been taken to tighten up the control measures and define and implement them more consistently, and to monitor them to prevent this from happening again. All in all, we are seeing a positive trend in the control of our processes compared with last year, despite the increasingly higher demands made by external stakeholders.

In control statement

As Executive Board of APG Groep NV, we are responsible for the design, existence, and operation of the internal risk management and control systems. The aim of the internal risk management and control systems is to manage the strategic, financial, operational, compliance, and financial reporting risks when achieving APG's objectives. In the previous risk section, we explained our foremost risks, our internal risk management and control systems, and any possible shortcomings. While the internal risk management and control systems were set up on the basis of internationally accepted and applied standards, they cannot provide absolute certainty that financial reporting will not contain any material misstatements, nor that the systems will be able to prevent all errors or cases of fraud or non-compliance with relevant laws and regulations.

The material risks and control measures were identified and recorded in the APG IRM framework. APG's Executive Board monitors the functioning of the internal risk management and control systems out a systematic review of the design and functioning of the risk

management and control systems at least once a year. This review covers all material measures aimed at controlling strategic, operational, financial, compliance, and reporting risks, and considers, among other things, identified weaknesses, misconduct and irregularities, concerns raised by whistleblowers, and findings from the internal audit function and the external auditor. Improvements have been made to the internal risk management and control systems where necessary.

Statement by the Executive Board of APG Groep NV

The Executive Board of APG Groep NV declares that:

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

Information on the Executive Board

Annette Mosman

(female, 1967, Dutch nationality)



Chair of the Executive Board since March 1 2021. Annette focuses on Strategy, Pension of the Future, Communication, Public Affairs, General Counsel/ Corporate Affairs and Group Internal Audit.

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

Other positions as of March 9, 2023:

- Board member and treasurer, NOC*NSF Association
- Board member, Stichting TBI and Stichting TBI Fundatie
- Supervisory Board member, Ajax N.V.
- Supervisory Board member, Netspar Foundation

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

Francine Roelofsen - Van Dierendonck

(female, 1976, Dutch nationality)



Member of the Executive Board. Francine focuses on Participant and Employer Services (DWS) and Fund Operations.

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

Other positions as of March 9, 2023:

- Supervisory board member and chair, RemCo Royal Haskoning DHV Group B.V.
- Chair of the Advisory Board, European Leadership Platform
- Chair of the Advisory Board, Slingshot Ventures

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

Ronald Wuijster

(male, 1966, Dutch nationality)



Member of the Executive Board with a focus on APG Asset Management and Facility Services. He also chairs the Executive Board of APG Asset Management N.V.

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

Other positions as of March 9, 2023:

- Chair of Dutch Fund and Asset Management Association (Dufas)
- Board member, ABP Lifecycle Holding B.V. (on behalf of APG Asset Management)
- Executive Board member, FCLTGlobal
- Chair, World Economic Forum (WEF) Biodiversity initiative Davos
- Board member, UN Global Initiative on Sustainable Development
- President of the juniors' committee of the Apeldoorn Mixed Hockey Club

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

Maarten Blacquièrè

(male, 1967, Dutch nationality)



Maarten was appointed Chief Finance & Risk Officer (CFRO) starting April 1, 2022. Maarten's main focuses are Finance, Risk & Compliance, Tax and IT.

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

Other positions as of March 9, 2023:

- Member of Supervisory Board and chair of the Audit Committee, Slingeland Hospital Doetinchem
- Member of Supervisory Board, Ultra-Centrifuge Nederland (UCN) N.V.

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

Resigned as Executive Board member as of April 1, 2022:

Jan Nijland

(male, 1960, Dutch nationality)

Jan Nijland was CFRO on an interim basis from March 3, 2021 to April 1, 2022, focusing on Finance, Risk & Compliance and Tax.

Other positions:

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

The Executive Board:

Annette Mosman, chair

Francine Roelofsen - van Dierendonck

Ronald Wuijster

Maarten Blacquièrè

For more information on the members of the Executive Board, please visit our website: www.apg.nl

Amsterdam/Heerlen March 9, 2023

Information on the Supervisory Board

Pieter Jongstra Chair

(male, 1956, Dutch nationality)



Other relevant positions as of March 9, 2023:

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

First appointment to the Supervisory Board: February 4, 2015.
Reappointed: February 4, 2019.
Reappointed February 4, 2023.
Term of appointment: 2 years.

Dick van Well Vice-chair

(male, 1948, Dutch nationality)



Other relevant positions as of March 9, 2023:

- Supervisory Board member, Dura Vermeergroep N.V.
- Supervisory Board member, Avenue Beheer B.V.
- Advisory Board member, LSI Project- investment N.V.
- Independent chairman, Administratiekantoor PPF Participatie Fonds
- Board member, Nationaal Programma Rotterdam Zuid
- Director, Stichting Continuïteit Feyenoord

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

José Meijer

Member

(female, 1955, Dutch nationality)



Other relevant positions as of March 9, 2023:

- Chairman of the Partij van de Arbeid in Weert and surrounding area (political party).
- Steering committee member, IMVB covenant of the Pensioenfederatie
- Board member of the Pension Fund for Hair Dressers

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

Sarah Russell

Member

(female, 1962, Australian nationality)



Other relevant positions as of March 9, 2023:

- Supervisory Board member (and chair of the Audit Committee and chair of the Remuneration and Nominations committee) of The Currency Exchange Fund
- Supervisory Board member and chair of the Audit Committee, member of the Risk and Capital Committee, ABN AMRO Bank N.V.
- Supervisory Board member, APG Asset Management N.V.

Other relevant positions held previously:

- Supervisory Board member, Nordea Bank Abp (until March 25, 2022)
- Supervisory Board member, Ostrum Asset

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

Claudia Zuiderwijk

Member

(female, 1962, Dutch nationality)



Other relevant positions as of March 9, 2023:

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

Other relevant positions held previously:

- Supervisory Board member, Royal KPN NV (until April 1, 2022)

First appointment to the Supervisory Board: July 27, 2015.

Reappointment: July 27, 2019.

Term of appointment: 4 years.

Supervisory Board



Youth Budget Day

On Youth Budget Day, young people give advice to politicians on how to improve the position and well-being of young people in the Netherlands.



Supervisory Board report

In a world of uncertainty, last year APG was still able to perform its pension administration and asset management tasks to the satisfaction of its pension fund clients and participants. APG also took important steps toward the new pension system.

The fact that our clients are satisfied with our pension administration is evident from the achievement of target scores for the quality of our pension administration, and a higher score for customer satisfaction among participants. These are results APG can be proud of.

The economic consequences of the conflict between Russia and Ukraine had a serious impact on the results for asset management. The conflict caused a sharp rise in the price of raw materials and led to increases in interest rates. In turn, this caused a drop in the value of investments. As a result of the dialogue between APG and its pension fund clients and the leading investment criteria that APG has devised in this respect, the proportion of investments in sustainable developments in asset management continued to increase.

The new pension system

In 2022, the Dutch government discussed the Future of Pensions Act, which will result in a new pension system. This legislation has been in the pipeline for some time and APG has been making preparations. This means a lot of extra work – extra work that needs to be done alongside the work we already do to provide pensions to the 4.5 million people covered by the current pension system.

The main challenge is finding enough staff with the right skills and experience in a job market that is over-stretched. Despite this, APG still managed to reach its goals in 2022, thanks to setting the right priorities, raising its profile as a good employer, and simply being a “Great place to work.”

In a concrete move toward the new pension system, in early 2022 APG commissioned a partner to design a new policy and capital administration system, and to start work on building this IT system. The choice was made after a meticulous selection and preparation process, which also involved the Supervisory

Board. In addition, based on assumptions, the first agreements were forged with the pension fund clients about the transition to the new pension system in the period from 2025 until 2027.

To inform participants in the new pension system about the contributions they have already made to their pensions and the value of their pension provision, numerous IT systems need to be linked correctly and securely behind the scenes. Internal APG departments will also need to cooperate with each other and generally work together more closely.

Key points of attention in 2022

In addition to the attention being paid to the quality of the pension administration, developments in asset management, and the preparations for the new pension system, the Supervisory Board also dealt with a number of more specific matters in 2022.

Strategy and implementation

The Supervisory Board’s first priority is to effect a smooth transition to the new pension

system for all pension fund clients and their participants.

The Executive Board involved the Supervisory Board members in the process of formulating the strategy for 2025 right from the start, a process in which the new pension system played a leading role. The Supervisory Board has been monitoring the implementation of this strategy closely ever since. APG has clear, well-defined priorities for this.

Key areas for the Supervisory Board are safeguarding the relationship with all pension fund clients served by APG, how APG deploys the available staff capacity for the transition, and the integrality of APG, in view of the fact that the new pension system means that the internal processes for pension administration and asset management need to be better aligned.

In July 2022, the Supervisory Board took part in a strategy day, during which important aspects of implementing the strategy were discussed, including the critical timeline for the transition to the new system. The progress of the implementation of the strategy in APG's

business units was also on the agenda of the regular Supervisory Board meetings. Extra attention was paid to political developments regarding pension legislation, the impact of the transition to the new pension system on the staff and culture of APG, digitalization and linking the various IT systems, the right value/cost ratio per participant, the changing wishes of pension fund clients regarding asset management, clear communication from the pension sector about the new system, and the contact with the regulator, i.e. De Nederlandsche Bank (the Dutch central bank).

Sustainability

In July 2022, the Supervisory Board discussed the progress being made by APG in the field of sustainability. APG's sustainability ambitions have expanded and become more specific in recent years.

APG has now set a "best in class" sustainability ambition, which includes climate-neutral business operations by 2030. APG has endorsed the sustainable goals in the UN Global Compact and selected four UN Sustainable Development Goals (SDGs) in which it intends to make an impact. Specific targets have been

formulated for these SDGs and translated into activities that have been integrated into the business plans.

Performance management, financial statements, and 2023 business plan

Every quarter, the Executive Board updates the Supervisory Board on the results at APG and its business units. In 2022, the overall financial results throughout the year were higher than anticipated, mainly due to low staffing costs caused by not filling vacancies.

Alongside the quarterly updates, the Supervisory Board paid particular attention to approving the 2021 financial statements, including the points for attention regarding improving internal processes, as pointed out by the external auditor, and the dividend proposal to the shareholders. For the first time, the external auditor also checked the non-financial information relating to 2021. APG has made a step in the right direction in terms of non-financial reporting. As a next step toward comprehensive reporting in the future, APG's connectivity model used to measure APG's impact on society has been improved.

The Supervisory Board discussed the working relationship with the external auditor and approved their plan for the audit of the 2022 financial year.

The business plan for 2023, which mainly provides for continuing the current strategy, was also discussed with the Supervisory Board.

Staff and organization

As the COVID-19 pandemic started to recede, staff in the Netherlands and the United States returned to their offices in spring 2022. Hybrid working will continue to be a normal part of the working week, and the Supervisory Board itself alternates between in-person and online meetings.

The measures taken by APG to combat inappropriate behavior were discussed with the Supervisory Board. One of the points for improvement was to clarify the steps open to staff who encounter behavior of this kind. It is also important to nurture the required organizational culture at APG by ensuring widespread communication about standards of behavior, by including the topic of inappropriate behavior in e-learning modules,

and by encouraging work teams to discuss dilemmas on a regular basis.



The Supervisory Board endorses APG's ambition to be an attractive employer

In employee engagement surveys, APG scores well on psychological safety and freedom to be yourself. In general, APG staff are more satisfied with their employer than the average worker in the Netherlands. APG's strengths are: empowerment (allowing staff to make autonomous decisions about their work), the resources available to staff to do their work, and receiving recognition. Points for improvement are: role clarity and collaboration with upper tiers.

The Supervisory Board endorses APG's ambition to be an attractive employer and a "Great place to work." In this respect, the Supervisory Board focused attention

on strategic staff planning, succession management, the appraisal process and staff development, the impact of the transition to the new pension system on the APG staff and culture, and diversity.

There is a diversity dashboard for all APG business units and diversity has been added to the performance targets for managers. In 2022, APG was aiming for 40% women in the workforce; this figure was 36% by the end of 2022. In 2022, the targets for women in mid-management and senior management positions at APG were 35% and 30% respectively; by the end of 2022, APG had 30% women in mid-management and 29% in senior management positions. The measures taken to reach these targets, which include a development program for female leaders, inspiration through female role models, and training courses to raise awareness of unconscious bias, were intensified. The current composition of the Supervisory Board (two women and two men) and the Executive Board (three women and two men) mean that APG has met its own target of at least 30% diversity.

A Management Development program has been developed to improve the supply and progression of successors to the current batch of leaders from within the company. In addition, the recruitment and selection process has been improved and a better onboarding process has been set up.

“

The administration of pensions for over four million people depends entirely on an efficient IT system

test: simulated cyberattack) were evaluated and points for improvement followed up. APG regularly receives questions from pension fund clients and regulators about this subject, providing an extra incentive to keep a close eye on digital security.

Composition of the Executive Board

On March 1, 2022, Ronald Wuijster was reappointed as a member of the Executive Board for a period of four years. Maarten Blacquièrre was appointed to start on April 1, 2022, as Chief Financial & Risk Officer (CFRO) and member of the Executive Board for a period of four years. Board member Francine Roelofsen-van Dierendonck was reappointed for the same period starting from November 1, 2022.

The Supervisory Board prepared these nominations for appointment/reappointment and, after approval from the shareholders, implemented them in consultation with the Executive Board. The Supervisory Board would like to thank the director of Group Risk & Compliance Jan Nijland, who filled the position of CFRO on an interim basis for over a year.

Performance of the Supervisory Board

Throughout 2022, the Supervisory Board cast a critical eye on its own performance, both in terms of the interaction within its own Board and with the Executive Board, the APG organization, and shareholders.

Taking into account the key areas of concern identified during this self-evaluation process, the Supervisory Board informed the Executive Board which priorities and focus areas had been chosen for supervision so that these could be discussed during meetings. Consultations on the agenda take place long before meetings, so that both bodies understand each other's expectations regarding the items on the agenda and their content. Finally, the way that the Supervisory Board performed its tasks in 2022 was laid down in a [Supervisory Vision](#), which is available on APG.nl.

Committees

The Audit and Risk Committee and the Remuneration and Selection Committee help the Supervisory Board in its supervisory and advisory duties, and prepare the decision-making for the Board on specific issues.

The committees share their findings during every plenary session of the Supervisory Board by means of written highlights and verbal explanations. The committees evaluated their own performance in 2022 and concluded that there were no major points for concern requiring further action.

Audit and Risk Committee

In 2022, the Audit and Risk Committee was formed by Claudia Zuiderwijk (chair), Pieter Jongstra, and Sarah Russell.

Alongside the regular items such as the annual report and financial statements, the business plan for 2023, and quarterly plans relating to Finance, Risk & Compliance, and Internal Audit, in 2022 the Committee dealt with the following subjects: financial management of the Pension of the Future program, update on IT and information security, tax matters, capital policy, update on “Effective Control of Pension Administration”, update on financial matters relating to APG asset management, evaluation of the relationship with the external auditor, the management letter and the external auditor’s audit plan, and the communication with the regulators.

Remuneration and Selection Committee

In 2022, the Remuneration and Selection Committee was formed by Dick van Well (chair) and José Meijer.

In the course of 2022, the Remuneration and Selection Committee dealt with the following items: training and remuneration of the Supervisory Board, appointments and reappointments, division of tasks, update of profiles, remuneration policy, Executive Board assessment and training, strategic staff planning, talent review and succession management, the impact of the transition to the new pension system on the APG staff and culture, the employee engagement survey, reports from the confidential advisor and the HSE service, the appraisal process, responsible

travel policy, diversity, the collective agreement, and salary development.

Meetings

The Supervisory Board held 21 formal meetings in the last 12 months. All Supervisory Board members were present at nearly all meetings, and the members of the Executive Board were also invited. Meetings were held in person and online.

The attendance rate for every Supervisory Board member at the formal meetings of the Supervisory Board and its committees is provided below.

In addition to formal meetings, the Supervisory Board also met 14 times in 2022 to discuss

	Supervisory Board	Audit- and Risk Committee	Remuneration and Selection Committee
Pieter Jongstra	7/7	8/8	n/a
Dick van Well	7/7	n/a	6/6
José Meijer	7/7	n/a	6/6
Claudia Zuiderwijk	6/7	7/8	n/a
Sarah Russell	7/7	8/8	n/a

specific matters. In April and November 2022, lifelong learning sessions were held for the members of the Supervisory Board. The sessions focused on the financial regulations governing APG asset management, issues that remain “unspoken” in the boardroom, and reputation management. An external speaker was invited to speak on each of these subjects.

Relationship with the works council

José Meijer and Dick van Well regularly represented the Supervisory Board in discussions with the works council. In 2022, they attended consultation meetings with the works council in February and June. Subjects discussed included the impact of the transition to the new pension system on the APG staff and culture, the measures taken by APG to deal with inappropriate behavior, and a number of requests for advice.

Independence

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

within five years before her appointment in September 2020. Until June 2020, José Meijer was vice chair of Pensioenfonds ABP (ABP pension fund), a shareholder in APG. This did not cause any conflict of interest in the subjects discussed by the Supervisory Board in 2022.

2022 annual report and financial statements

The Supervisory Board has approved the annual report and financial statements for 2022 and is advising the shareholders to adopt the annual report and financial statements, and approve the corresponding proposed dividend.

A word of thanks

The Supervisory Board would like to thank the members of the Executive Board and all APG staff for their hard, dedicated work for APG during uncertain times and periods of heavy workloads, as well as the pension fund clients and pension participants.

Supervisory Board:

Pieter Jongstra, chair

Dick van Well, vice-chair

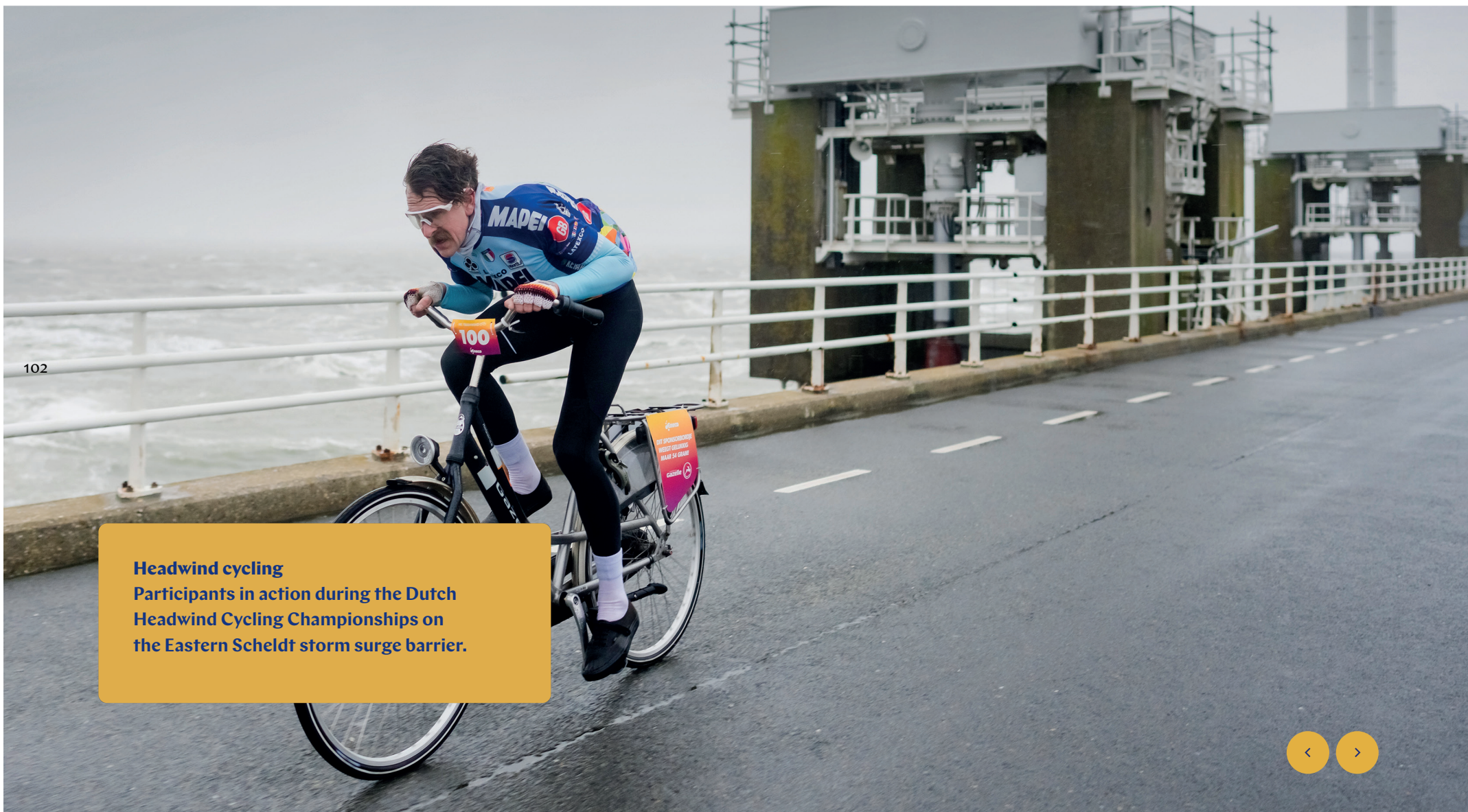
José Meijer

Sarah Russell

Claudia Zuiderwijk

Amsterdam, March 9, 2023

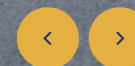
Financial statements



102

Headwind cycling

Participants in action during the Dutch Headwind Cycling Championships on the Eastern Scheldt storm surge barrier.



Introduction

In front of you lies the financial statements of APG Groep NV, in which we account for the financial year 2022, in accordance with laws and regulations. The original financial statements were drafted in Dutch. This document is an English translation of the original. In case of any discrepancies between the English and the Dutch text, the latter will prevail.

Consolidated financial statements

Consolidated balance sheet at December 31, 2022

Before profit appropriation, in thousands of euros

	Notes	31-12-2022	31-12-2021
Assets			
Non-Current Assets			
Intangible assets	1	72,078	115,590
Property, plant and equipment		64,218	49,968
Financial non-current assets		45,992	47,131
		182,288	212,689
Current assets			
Receivables and prepayments	2	268,206	282,066
Cash & cash equivalents		515,543	565,536
		783,749	847,602
Total assets		966,037	1,060,291
Liabilities and equity			
Equity			
Equity	3	567,724	636,833
Non-controlling interest		531	485
		568,255	637,318
Provisions			
	4	75,391	76,744
Non-current liabilities			
	5	1,021	10,911
Current liabilities			
	6	321,370	335,318
Total liabilities and equity		966,037	1,060,291

Consolidated profit & loss account for 2022

In thousands of euros

	Notes	2022	2021
Net turnover			
Management fees		952,020	851,750
Other operating income		9,804	10,365
Total operating income	<u>7</u>	961,824	862,115
Costs of outsourced work and other external costs		177,352	133,990
Personnel expenses		493,173	434,722
Amortization and depreciation of non-current assets		54,761	53,592
Other operating expenses		155,640	132,388
Total operating expenses	<u>8</u>	880,926	754,692
Operating result		80,898	107,423
Interest and similar income	<u>9</u>	1,745	186
Interest and similar expenses	<u>10</u>	-9,222	-4,073
Changes in the value of receivables attributable to fixed assets and of investments	<u>11</u>	-1,341	1,048
Result before taxes		72,080	104,584
Taxes on result	<u>12</u>	-17,650	-24,499
Share of profit/(loss) associates		-5,459	-2,253
Result after taxes		48,971	77,832
Non-controlling interests		-46	11
Net result		48,925	77,843

Consolidated cashflow statement for 2022

In thousands of euros

	2022	2021
Cash flow from operating activities		
Operating result	80,898	107,423
Adjustments for:		
- Amortization and depreciation of non-current assets	54,761	53,592
- Foreign exchange differences	-896	-257
Changes in working capital:	-	-
- Increase in receivables and prepayments	4,331	11,403
- Increase in current liabilities, corrected for corporate income tax	-10,793	22,559
- Change in provisions	-7,448	-4,610
Cash flow from business operations	120,853	190,110
107 Interest received	693	105
Interest paid	-9,883	-3,798
Corporate income tax paid	-3,685	-11,331
Cash flow from operating activities	107,978	175,086

Cash flow from/(used in) investing activities

Investments in non-current assets

Interest in participations and acquisitions

Issue of loans

Redemption of issued loans

Purchase of securities

Sale of securities

Capital contribution in participations

Cash flow from/(used in) investing activities

Cash flow from /(used in) financing activities

Dividend paid to shareholders

Repayment loan

Cash flow from /(used in) financing activities

Net cash flow

Price and translation differences on cash & cash equivalents

Change in cash & cash equivalents

Opening balance, cash & cash equivalents

Closing balance, cash & cash equivalents

Change in cash & cash equivalents

	2022	2021
	-28,287	-30,966
	-	-481
	-2,386	-
	473	246
	-3,000	-1,851
	1,896	2,081
	-700	-700
	-32,004	-31,671
	-120,000	-74,000
	-9,890	-
	-129,890	-74,000
	-53,916	69,415
	3,923	4,437
	-49,993	73,852
	565,536	491,684
	515,543	565,536
	-49,993	73,852

Consolidated statement of total result for 2022

in thousands of euros

	2022	2021
Net result	48,925	77,843
Translation differences on foreign operations	1,966	1,673
Total of direct movements in the equity as part of group equity	1,966	1,673
Comprehensive income	50,891	79,516

Basis of preparation and accounting policies

Introduction

Activities

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

Group relationships

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

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

APG DWS en Fondsenbedrijf

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

APG Asset Management

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

On April 13, 2022 APG Asset Management incorporated APG Infrastructure Asset Owner GP B.V. which is the first general partner entity established as part of the Asset Owner Partnering (hereinafter "AOP") program. The AOP program is a new initiative aimed at co-investments in large infrastructure and real estate transactions by asset owner partners alongside pools and segregated accounts managed by APG Asset Management.

On September 1, 2022 APG Asset Management incorporated APG Asset Management Singapore PTE. LTD. This entity was founded with an initial focus on private real estate and infrastructure investments in high-growth

investment markets in South-East Asia, and potentially in private debt investments in the eligible emerging markets in Asia-Pacific.

Shareholder relationship

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

Reporting period

These financial statements cover the financial year 2022, which ended on the balance sheet date 31 December 2022.

Applied Standards

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

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

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

Going concern

These financial statements have been prepared on the basis of the going concern assumption. In addition, the credit risk on the most important customers is relatively limited and a large part of our revenues is based on price agreements that are independent of developments in the financial markets.

General

All amounts in the financial statements are shown in thousands of euros, unless stated otherwise.

Comparison with the previous year

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

Estimates

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

Basis of consolidation

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

111

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

Related parties

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

Recognition

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

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

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

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

Conducting business abroad

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

At initial recognition, transaction denominated in a foreign currency are translated into the functional currency of the Company at the exchange rates at the date of the transactions. Monetary assets and liabilities and non-monetary assets and liabilities denominated in foreign currency, with the exception of goodwill, are translated into the functional currency at the exchange rate on the balance sheet date. The exchange rate differences resulting from the settlement and translation are credited or charged to the profit and loss account, unless hedge accounting is applied. Goodwill that is valued according to the acquisition price valued in a foreign currency is converted at the exchange rate on the transaction date.

Hedge of the net investment in foreign operations

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

Financial instruments

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

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

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

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

Financial instruments are initially measured at fair value, including discount or premium and directly attributable transaction costs. However, if financial instruments are subsequently measured at fair value through

profit and loss, then directly attributable transaction costs are directly recognised in the profit and loss account at the initial recognition. After initial recognition, financial instruments are valued as explained in the relevant paragraphs.

Derivative financial instruments and hedge accounting

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

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

Hedge accounting

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

Conditions for hedge accounting

The APG Group has documented its hedging strategy. The assessment if derivative financial instruments used in hedge accounting are effective in settling currency results of the hedged items are documented using hedge accounting documentation. Hedge relationships are terminated when the respective derivative instruments mature or are sold. At least on any formal reporting time and upon inception of the hedging relationship, APG Group conducts a quantitative effectiveness test.

Impairment of financial assets

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

impact on the estimated future cash flows of that asset, which can be estimated reliably.

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

114

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in the profit and loss account and reflected in an allowance account against

loans and receivables or investment securities held to maturity. Interest on the impaired asset continues to be recognised by using the asset's original effective interest rate. Impairment losses below (amortised) cost of investments in equity instruments that are measured at fair value through profit or loss, are recognised directly in the profit and loss account.

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

Risk paragraph

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

Liquidity risk

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

Credit risk

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

Concentration risk

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

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

Interest rate risk

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

Currency risk

As a result of the international activities, the company is running out receivables and payables recognized in the balance sheet, net investments in foreign companies and future transactions, currency risk of US and Hong Kong dollars in particular to hedge against unfavorable fluctuations in currency exchange rates, APG Group has concluded foreign exchange forward contracts for the expected future foreign currency transactions of its foreign subsidiaries. These currency forward contracts are valued at cost, with the method of cost price hedge accounting is applied. In the table below the sensitivity of exchange rate changes to the result before taxes is displayed. The effect on the result before tax assumes that all other variables remain constant and ignores any impact of unhedged expected costs 2023.

Currency Table

in thousands of euros

	Assets	Liabilities	Net position	Unhedged forecasted costs 2023	Change in FX rate	Effect on result before tax
EUR - USD	98,252	78,030	20,222	45,479	10%	-2,022
EUR - HKD	32,542	17,324	15,219	5,880	-10%	2,022
EUR - SGD	242	75	167	7,188	10%	-1,522
EUR - CAD	-	16	16-	17	-10%	1,522
EUR - AUD	-	-	-	4	10%	-17
EUR - NZD	0	0	0	2	-10%	17
EUR - CHF	202	11	191	131	10%	-2
EUR - GBP	768	50	719	1,903	-10%	0
Total	132,006	95,506	36,502	60,604	-10%	0

Solvency risk

There are capital requirements that apply for the asset management activities of the subsidiary APG Asset Management NV as laid down in the Alternative Investment Fund Managers Directive (AIFMD) and in the Investment Firm Regulation and Directive (IFR/IFD). This legislation

includes rules for the calculation of the regulatory capital to be held and rules regarding the determination of the available regulatory capital. APG Asset Management is required to have sufficient capital available to absorb financial damage and losses resulting from the identified risks. To assess whether there is sufficient qualifying capital available, APG Asset

Management uses the ICLAAP (Internal Capital and Liquidity Adequacy Assessment Process). It also uses historical financial data, a forward-looking business plan and scenario analysis to determine whether the required capital is future-proof. APG During 2022, Asset Management has met the capital requirements according to the AIFMD as well as IFR/IFD.

Basis of measurement of assets and liabilities

General

In the notes to the receivables and payables of the company financial statements, the figures for 2021 have been reclassified for comparability with 2022. It concerns further breakdowns within the category other operating expenses.

Non-current assets

Intangible assets

Intangible assets are valued at acquisition or manufacturing cost, net of straight-line amortization. Intangible fixed assets are measured at acquisition or construction cost. The amortization term is based on the expected useful life.

Goodwill

When a business is acquired, all identifiable assets and liabilities of the business acquired are recognized in the balance sheet at their fair value at acquisition date, except in the case of 'common control' transactions (transactions involving the purchase or sale of equity in group companies), which are recognized at their carrying amounts. The acquisition price

consists of the monetary amount or equivalent that has been agreed for the acquisition of the acquired business. Goodwill arising on acquisition is initially recognized as the difference between the acquisition price and the fair value of the identifiable assets and liabilities.

Software

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

Property, plant and equipment

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

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

Financial non-current assets

Participating interests with significant influence

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

Participations without significant influence

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

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

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

Impairment of fixed assets

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

Impairment occurs when the carrying amount of a non-current asset exceeds its realizable value. The recoverable amount is the higher of the business value and the realizable value. The business value is the present value of the future cash flows. For the determination of the business value, specific provisions apply with regard to the determination of the cash flows and the discount rate.

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

Current assets

Receivables and prepayments

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

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

Group equity

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

Equity

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

Issued financial instruments that, on the basis of economic reality, qualify as a financial liability are presented under liabilities. Interest, dividends,

income and expense related to these financial instruments are recognized in the profit and loss account as costs or revenues.

Agio

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

Third party minority interest

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

Provisions

General

Provisions are formed for legally enforceable or constructive obligations that are outstanding on the balance sheet date, where an outflow of resources is likely to be necessary and of which the size is can be estimated reliably. The size of the provision is determined by estimating the amounts necessary to offset the relevant liabilities and losses per balance sheet date and, insofar as long-term and material, are valued at the present value of the

expected future expenditure. The discount rate is based on the interest rate at the end of the year of high-quality Dutch corporate bonds, taking into account the remaining term of the provisions.

Personnel-related provisions

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

Restructuring provision

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

Provision for onerous contracts

The provision for onerous contracts concerns the negative difference between the expected benefits from the performance to be received by the company after the balance sheet date and the unavoidable costs to

meet its obligations. The unavoidable costs are the minimal costs to be incurred to settle the agreement, being the lowest of the costs of meeting the obligations on the one hand and the fees or fines for not meeting the obligations on the other hand.

Provision for claims, disputes and lawsuits

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

Provision for repair costs

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

Non-current liabilities

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

Current liabilities

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

Principles for determining results

General

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

Net turnover

Management fees

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

Other operating income

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

Operating expenses

Costs of outsourced work and other external costs

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

Personnel costs

Employee benefits are recognized as an expense in the income statement in the period in which the work is performed and, insofar as it has not yet been

paid, is included as a liability in the balance sheet. If the amounts already paid exceed the benefits owed, the excess is recognized as a current asset insofar as there will be a reimbursement by the personnel or a settlement against future payments by APG.

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

If a benefit is paid in case of non-accumulating rights (e.g., continued payment in case of sickness or disability), the projected costs are recognised in the period in which such benefit is payable. For existing commitments at the balance sheet date to continue the payment of benefits (including termination benefits) to employees who are expected to be unable to perform work wholly or partly due to sickness or disability in the future, a provision is recognised.

The recognized liability is the best estimate of the amounts necessary to settle the relevant obligation on the balance sheet date. The best estimate is based on contractual agreements with employees (CAO and individual employment contracts). Additions to and release of liabilities are charged or credited to the profit and loss account.

If the effect of the time value of money is material, the liability shall be measured at the present value of the expenditure expected to be necessary to settle the obligation. The pre-tax discount rate used to discount reflects the current market interest rate. The risks already taken into account when estimating future expenditure do not serve this purpose to be involved.

If no reliable estimate can be made of the part of the insurance premiums payable in the future that is directly attributable to the individual claims record of the entity to be paid in the future, no provision is recognised.

Dutch pension plans

The pension plans are processed on the basis of the applicable pension agreements in accordance with the commitment approach; the pension premiums due for the year under review are recognized as an expense in the profit and loss account. Insofar as the premiums due have not yet been paid on the balance sheet date, a liability is recognized. If the premiums already paid on the balance sheet date exceed the premiums due, a receivable is recognized to the extent that this will be repaid by the fund or offset against premiums due in the future. APG Group has no obligation to make additional contributions in the event of shortfalls at these pension funds, other than the payment of future premiums.

Foreign pension plans

Pension plans that are comparable in design and functioning to the Dutch pension system, with a strict division between the responsibilities of and a risk sharing between the parties involved (company, fund and participants), are recognised and measured in accordance with Dutch pension plans (see above).

For foreign plans that are not comparable in design and functioning to the Dutch pension system is, a best estimate is made of the liability existing on the balance sheet date. This liability is then measured on the basis of an actuarial measurement principle generally accepted in the Netherlands.

Specific regulations apply to most employees abroad.

Termination benefits

Severance payments (including most transition payments) are payments that are awarded in exchange for termination of employment. A benefit as a result of dismissal is recognized as an obligation and recognized as an expense if the company has demonstrably committed itself unconditionally to payment of benefit. If the dismissal is part of a restructuring, the costs of the severance payment included in a restructuring provision, refer to the section provisions.

Termination benefits are valued taking into account the nature of the benefit. As the severance payment is an improvement of post-employment benefits, valuation takes place according to the same principles that are applied for pension plans. Other severance payments are measured on the basis of the best estimate of the amounts necessary to settle the obligation.

Amortization and depreciation of non-current assets

Amortization and depreciation is recognised in the profit and loss account on a straight-line basis over the estimated useful lives of each item of the intangible and tangible fixed assets, taking into account any estimated residual value of the individual assets.

Other operating expenses

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

Interest and similar income

Interest and similar income is allocated to to the period to which they relate. Where necessary, the effective interest rate of the relevant assets is taken into account. Interest income includes income from cash balances, deposits and issued loans.

Interest and similar expenses

Interest and similar expenses are allocated to the period to which they relate. Where necessary, the effective interest rate of the relevant liabilities is taken into account. Interest expenses includes negative interest charges (negative interest) in relation to cash balances, deposits and interest charges on outstanding loans.

Income Tax

Income tax on profit is calculated on the result before taxes in the profit and loss account taking account any available tax loss carryforwards (insofar as these are not included as part of deferred tax assets) and tax exempt profit components, and after adding back any nondeductible costs.

Temporary differences resulting from differences between accounting and tax valuation are expressed in (the movement of) the deferred tax liability or asset.

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

Fiscal unity

Fiscal units apply within the APG Group, for the company income tax respectively sales tax. Within such a fiscal unity, the companies are jointly and severally liable for each other's tax debts. Stichting Pensioenfonds ABP, APG Groep NV, APG DWS and Fondsenbedrijf NV, APG Asset Management NV, APG Trading BV, as well as Entis Holding BV and Entis BV form together a fiscal unity for sales tax purposes. This means that the company is jointly and severally liable for sales tax debts of the fiscal unity as a whole. With regard to income tax APG Groep NV forms a fiscal unity with APG DWS and Fondsenbedrijf NV and APG Asset Management NV. This means that these legal entities are jointly and severally liable for each other's tax debts. The income tax of the fiscal unity is charged to each company belonging to the fiscal unity allocated on the basis of the company's share of the total corporate income tax. Transactions between our client ABP and APG Groep NV must comply with the tax transfer pricing agreements.

Share of profit/(loss) of participating interests

The result from participating interests is determined based on the share of the group in the results of these participating interests, determining on the basis of the accounting principles of the group. This also includes any impairment losses on investees.

Leasing

The company may enter into financial and operating lease contracts. A lease agreement in which the advantages and disadvantages associated with ownership of the leased object wholly or substantially wholly are borne by the lessee is classified as a finance lease. All other leases are classified as operating leases. In the lease classification, the economic reality of the

transaction is decisive and not so much the legal form. Classification of the lease is made at the time of inception of the relevant lease agreement. If the company acts as lessee in an operating lease, the lease object not activated. Fees received as an incentive for concluding a lease agreement are treated as a reduction of the lease costs over the lease term. Lease Payments and operating lease fees are charged or debited on a straight-line basis over the lease term, unless a different allocation system is more representative is for the pattern of benefits to be obtained from the leased object.

Principles of preparation of the cash flow statement

The cash flow statement has been drawn up using the indirect method and provides insight into the changes in the balance sheet item Cash and cash equivalents. Cash flows in foreign currency are converted at the average exchange rate. Income and expenditure in connection with interest, dividends received and income taxes are included under the cash flow from operating activities. Dividends paid are included under cash flow financing activities. Cash flows from financial derivative instruments accounted for as hedges are classified in the same category as the cash flows from the hedged balance sheet items. Cash flows from financial derivatives where hedge accounting is no longer applied are consistent with the nature of the instrument classified, from the date the hedge accounting is discontinued.

Notes to the consolidated balance sheet

1 Non-current assets

Intangible assets

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

125

	Goodwill	Client Contracts	Software	Total 2022	Total 2021
Opening balance	76,873	36,727	1,990	115,590	160,546
Investments	-	-	760	760	576
Reclass investments	-	-	858	858	-
Divestments	-	-	-14	-14	-
Amortization	-12,461	-31,480	-1,175	-45,116	-45,532
Closing balance	64,412	5,247	2,419	72,078	115,590
Cumulative acquisition value	249,542	488,325	29,286	767,153	764,370
Cumulative amortization and impairment	-185,130	-483,078	-26,867	-695,075	-648,780
Carrying amount	64,412	5,247	2,419	72,078	115,590
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 2022, 64.4 million euros (2021: 76.9 million euros) has a remaining useful life of approximately five years. Of the client contracts recognized at year-end 2022, 5.2 million euros (2021: 36.7 million euros) has a remaining economic life of less than one year.

At year-end 2022, the management has no indication that these assets are subject to any impairment.

The software includes intangible fixed assets that are already fully amortized but are still in use. There are no intangible assets with limited ownership rights and there are no intangible assets pledged as security for debts. For the investment commitments already entered into for intangible and tangible fixed assets we refer to the notes off-balance sheet liabilities and assets.

Property, plant and equipment

Property, plant and equipment comprises the furniture and fittings, IT equipment and Installations in buildings. Movement in these items is as follows.

127

	Furniture and fittings	ICT	Installations in buildings	Total 2022	Total 2021
Opening balance	39,869	10,099	-	49,968	22,744
Investments	9,939	12,544	845	23,328	34,565
Reclasses	-2,258	2,258	-	-	-
Divestments	-2	-59	-	-61	-521
Depreciation	-4,077	-5,568	-	-9,645	-7,564
Currency impact	585	43	-	628	744
Closing balance	44,056	19,317	845	64,218	49,968
Cumulative acquisition value	59,009	51,222	845	111,076	113,193
Cumulative depreciation and impairment	-14,953	-31,905	-	-46,858	-63,225
Carrying amount	44,056	19,317	845	64,218	49,968
Depreciation percentage	10-20%	20-25%	10%		

The investments in furniture and fittings mainly relate to the renovations in the new rental property Edge West and the rental property Heerlen. In addition, investments were made in hardware such as laptops in 2022.

Financial non-current assets

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

The list of equity interests is included as part of the notes to the company financial statements.

Movement in these items is as follows.

128

	Deferred taxes	Related party loans	Other loans	Equity interests	Other securities	Total 2022	Total 2021
Opening balance	34,480	2,364	81	1,754	8,451	47,130	48,656
Acquisitions and advances / allocations	-	350	2,036	700	3,000	6,086	2,819
Sales and repayments	-	-392	-81	-	-1,896	-2,369	-2,470
Share of profit/(loss) of associates	-	-	-	-1,459	-	-1,459	-821
Impairments	-	-	-	-	-	-	-1,433
Revaluations	58	-	-	-	-1,400	-1,342	1,981
Change deferred taxes	-2,939	-	-	-	-	-2,939	-2,431
Currency impact	347	-	-	-	538	885	830
Closing balance	31,946	2,322	2,036	995	8,693	45,992	47,131

The deferred tax asset mainly relates to temporary differences between the commercial and tax valuation of the goodwill arising as a result from of the statutory unbundling of pension funds and administrators in 2008 (and agreed with the tax authorities). Of this, 1.2 million euros is expected to be realized in 2023. For temporary valuation differences as at the balance sheet date, a deferred tax asset or liability is recognized. Deferred tax assets are recognized insofar as it is expected that at the time of expiration of these valuation differences, the tax loss can be settled with taxable profits in the applicable periods.

The loan to related parties mainly relates to Campus Huisvesting BV.

In 2022, APG provided a loan of 2.0 million euros to Festina Finance for financing project costs. In addition, in 2023 the loan amount will be increased by 2 tranches totaling 4 million euros. Repayment of the loan amount and the accumulated interest (annual 5%) will take place from January 1, 2027. The total term of the loan is 9.5 years and security has been issued for the loan amount by the director who is a major shareholder of Festina Finance.

The fair value of the loan to related parties and the other loan amounts to 4.2 million euros.

The item equity interests concerns the interests in Campus Heerlen Huisvesting BV and Campus Management & Development BV and the in 2020 acquired interests in Hyfen BV and Design Authority BV. In 2021, APG Group acquired an equity interest in Prikkl BV. For these equity interests, the company does not have dominant control but significant influence,

hence, these equity interests are valued according to the equity method on the basis of net asset value. At the end of 2022, the other shareholder of Campus Huisvesting BV agreed that APG will sell its interest to the other shareholder. This led to a loss for APG Groep NV of 4.0 million euros. This result on the participation, of which the settlement will take place in 2023 has been recognized as a provision in the balance sheet.

The other securities item relates to investments in relation to longterm remunerations.

2 Current assets

Receivables and prepayments

	31-12-2022	31-12-2021
Related party receivables	154,121	181,207
Prepaid expenses	47,195	45,740
Debtors	25,613	11,133
Income tax	22,052	33,599
Receivable cash collateral related to derivatives	11,456	-
Amount to be invoiced	4,653	5,690
Taxes and social security contributions	884	3,575
Other receivables and accrued income	2,232	1,122
Total	268,206	282,066

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

No allowance for doubtful debts has been recognized.

In short-term receivables, an amount of 2.9 million euros (2021: 3.7 million euros) has a term of more than one year. No security has been provided and no interest was received on the receivables.

Cash & cash equivalents

	31-12-2022	31-12-2021
Bank balances	305,543	335,536
Deposits	210,000	230,000
Total	515,543	565,536

An amount of 12.3 million euros (2021: 9.3 million euros) of cash & cash equivalents is not freely available due to long-term obligations towards personnel.

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

3 Group equity

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

Capital and dividend policy

Important main assumptions for the in 2022 applicable capital and dividend policy are: financial stability, room for possible strategic investments and a required return appropriate to a societal oriented organization. In 2021, the capital- and dividend policy has been revised because the required return based on a Return on Equity objective alone no longer fits given

the applicable tax transfer pricing agreements in the relationship between APG and its client ABP. The new capital- and dividend policy includes next to a required return on equity a required return that takes into account the the tax transfer pricing agreements. The proposed dividend allocation is calculated annually based on an analysis of the available capital versus our required capital according to the capital and dividend policy.

Movements in group equity

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

131

	2022		2021	
Opening balance		637,318		631,813
Group result after taxes	48,925		77,843	-
Translation differences, foreign associate	1,966		1,673	-
Overall result		50,891		79,516
Dividend distributed	-120,000		-74,000	-
Total direct changes relative to shareholders		-120,000		-74,000
		46		-11
Closing balance		568,255		637,318

4 Provisions

Movement in other provisions was as follows.

	Personnel-related provisions	Provision for reorganization	Other provision	Total 2022	Total 2021
Opening balance	47,669	21,711	7,364	76,744	79,651
Additions	23,503	2,075	6,116	31,694	27,791
Withdrawals	-9,673	-5,473	-3,683	-18,829	-14,691
Release	-4,703	-2,953	-394	-8,050	-12,723
Discounting effect	-6,508	-1,755	-	-8,263	-4,982
Currency impact	2,095	-	-	2,095	1,698
Closing balance	52,383	13,605	9,403	75,391	76,744

132

Of the total amount 12.9 million euros (2022: 11.5 million euros) has an expected remaining term of more than five years. An amount of 19.9 million euros is expected to be settled in 2023 (2022: 18.9 million euros).

Personnel-related provisions

This provision has been formed for obligations arising from long-term employee benefits (service anniversaries, bonus plan). The bonus plan provision is recognized for obligations arising from long-term employee benefits and obligations arising from redundancies and short-term and (former) employment contracts. In 2022 there is an increase in the provision for long-term employee benefits related to the Private Equity Long-Term Bonus Plan due to newly issued plan but also due to a reassessment of parameters used to determine the amount of the provision. The Private

Equity Long-Term Bonus Plan vests over a period of six years. The final payout of the award depends on the multiplier that is used according to the plan. The assessment of the multiplier in the year of the award is based on performance in the past of the underlying private equity portfolio. The results of the backtest led to the reassessment of the parameters used to estimate the amount of the provision. Given the results of the back-testing, the use of a higher multiplier in estimating the provision in the award year is more appropriate. The reassessment of parameters has an increasing effect on the provision in the current financial year.

Provision for restructuring

This provision was recognized to cover the costs of restructuring related to voluntary departure plans facilitated by the employer and redundancy

analogous to the various stages of the change programs within the group. There was an addition to the provision in 2022 of 2.1 million euros (2021: 3.7 million euros). The total restructuring payments were lower than initially estimated, resulting in a release of 3.0 million euros (2021: 7.8 million euros).

Other provisions

The other provisions mainly concern a provision for an onerous rental contract of 3.4 million euros for the old office building which is no longer in use for business activities. The rental contract became loss-making in 2021 due to changed market conditions, as a result of which it is expected to take longer to sublet the property. In addition, a provision of 4.0 million euros has been recognized for the settlement of a liability arising from the proposed sale of the shares in the participating interest Campus Huisvesting BV.

In 2022, an early repayment took place on 1 of the loans amounting to 9.9 million euros. The loan had a relatively long term term with interest paid annually at 7.25 percent. Due to the early repayment, interest costs are paid in a lump sum of 6.2 million euros. The entire closing balance of 1.0 million euros has a remaining term to maturity of more than five years (2021: 10.9 million euros). The interest rate is 7.25 percent p.a. (2021: 7.25 percent p.a.). No security has been provided. The fair value of the non-current liabilities is 1.6 million euros (2021: 23.8 million euros). The repayment of the non-current liabilities takes place at the end of the term.

5 Non-current liabilities

	31-12-2022	31-12-2021
Opening balance	10,911	10,911
Withdrawn	-	-
Repayments	-9,890	-
Total	1,021	10,911

6 Current liabilities

	31-12-2022	31-12-2021
Related party liabilities	118,956	149,858
Other personnel-related liabilities	47,969	41,806
Invoices not yet received	39,374	33,677
Vacation pay and vacation days	30,560	28,454
Taxes and social security premiums	29,988	23,021
Rent reduction for office building	21,155	16,807
Amounts invoiced in advance	16,879	17,439
Accounts payable	9,866	1,801
Other payables	4,678	16,369
Debts to credit institutions	-	3,476
Pension liabilities	1,717	2,120
Corporate income tax	24	487
Other liabilities	204	3
Total	321,370	335,318

134

Liabilities to credit institutions concern cash collateral received to cover for the settlement risk of FX forward contracts. These were concluded to hedge the future costs of the activities of the foreign investees. Current liabilities include an amount of 19.5 million euros (2021: 15.4 million euros) falling due after more than one year. Related-party liabilities mainly relate to provided asset management services and settlements with clients. In addition, a rental discount received in advance has been recognized in relation to rented

office buildings, which will be released over the term of the contract. Other personnel related liabilities relate to variable remuneration obligations.

Off-balance sheet commitments and assets

At balance sheet date, commitments under current rental agreements in an amount of 282.7 million euros were outstanding (2021: 295.9 million euros), of which 21.9 million euros was due within one year (2021: 21.4 million euros), 83.2 million euros between one and five years (2021: 87.6 million euros) and 177.6 million euros more than five years (2021: 186.9 million euros). Rental costs of 23.0 million euros were recognized in the reporting year (2021: 29.5 million euros).

Commitments in respect of long-term car leases total 5.4 million euros (2021: 6.7 million euros), of which 2.3 million euros due within one year of the end of the financial year (2021: 2.7 million euros) and 3.1 million euros between one and five years (2021: 4.0 million euros). There are no commitments due beyond five years. In the reporting year 2.8 million euros of leasing costs inclusive fuel costs were recognized (2021: 3.0 million euros). The leasing commitment is determined exclusive the fuel advance.

Commitments in respect of maintenance and other contracts amount to 63.8 million euros (2021: 60.0 million euros) of which 26.0 million euros (2021: 20.1 million euros) due within one year of the end of the financial year and 37.8 million euros (2021: 39.9 million euros) due at between one and five years. There are no commitments due beyond five years.

At the end of the reporting year the group assumed investment commitments in respect of data processing equipment and software for 4.0 million euros (2021: 11.1 million euros).

In 2022, APG provided a loan of 2.0 million euros to Festina Finance for the benefit of financing project costs. In addition, in 2023 the loan amount will be increased by 2 tranches of a total of 4.0 million euros. Repayment of the loan amount and the accumulated interest (annual 5 percent) will take place from 1 January 2027. The total term is 9.5 years and a guarantee has been issued for the loan amount by the director and major shareholder of Festina Finance.

With regard to the performance results from investments that are done under old mandates at a former associate. APG is entitled to a right for compensation. The expectation is that no compensation will be received from this right.

Liabilities in respect of derivative contracts to hedge the future transactions of foreign subsidiaries have a nominal value at balance sheet date of 191.1 million euros (2021: 149.1 million euros). The fair value of these derivatives at balance sheet date amounted to a 11.7 million euros positive (2021: 2.9 million euros positive). The liabilities have a term of less than one year. The contract conditions include the exchange of collateral to hedge the settlement risk.

APG Groep NV has committed itself to an annual capital contribution of 0.3 million euros to Campus Management & Development BV until mid-2031.

Notes to the consolidated profit and loss account

Net turnover

	Total 2022	Total 2021
Management fees		
Asset management	679,343	621,187
Pension administration	272,677	230,563
Total	952,020	851,750

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

Other operating income

Other operating income (2022: 9.8 million euros; 2021: 10.4 million euros) includes income that does not arise directly from the execution contracts with pension funds and asset management for third parties.

7 Segmented information on net turnover

Net turnover	Total 2022	Total 2021
Asset management	680,034	622,088
Pension administration	283,203	246,105
Supporting entities of companies	5,640	4,166
APG Group company only	184,667	163,294
Eliminations	-191,720	-173,538
Total	961,824	862,115

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

8 Operating expenses

Costs of outsourced work and other external costs

The costs of outsourced work and other external costs (2022: 177.4 million euros; 2021: 134.0 million euros) include costs of hiring external personnel, audit fees and consultancy fees. The costs have increased in 2022 in particular due to the strategic projects Pension of the Future, Grip on Data and Digitalization.

Personnel expenses

	Total 2022	Total 2021
Wages and salaries	382,573	344,290
Pension charges	37,614	39,388
Social security	37,251	32,083
Other personnel expenses	35,735	18,961
Total	493,173	434,722

Employee pension plan

APG has a pension plan with Stichting Pensionfonds ABP and with Stichting Personeelspensioenfonds APG. Rights are accrued based on average pay and number of years of service, with conditional indexation. APG Group has no obligation to make additional contributions in the event of shortfalls in these pension funds other than the payment of future contributions.

Number of employees

In 2022 the group employed an average of 3,300 people (2021: 3,124), divided into the following segments.

	Total 2022	Total 2021
Management and supporting units	698	685
APG DWS en Fondsenbedrijf NV	1,515	1,430
APG Asset Management	1,087	1,009
Total	3,300	3,124

In 2022 an average of 263 employees worked abroad (2021: 246). These employees are all employed by APG Asset Management.

Remuneration of Supervisory and Executive Board members (in euros)

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

Supervisory Board	Fixed fee	Commision fee	Employer charges and taxes	Total 2022	Total 2021
Pieter Jongstra	49,899	5,544	267	55,710	56,793
Dick van Well	38,811	8,317	1,207	48,335	48,274
Claudia Zuiderwijk	33,266	8,317	-	41,583	42,595
Sarah Russell ¹	52,535	5,544	-	58,079	51,815
José Meijer	33,266	5,544	1,183	39,993	37,772
Maes van Lanschot ²	-	-	-	-	38,365
Roger van Boxtel ³	-	-	-	-	11,426

¹ as from May 15, 2021 fee included Asset Management

² until May 15, 2021 fee included Asset Management

³ until April 1, 2021

Based on a decision of the State Secretary for Finance, the supervisory activities of the Supervisory Board members of APG will no longer be performed as VAT entrepreneur from May 7 2021 onward. Hence, the Supervisory Board members are no longer allowed to charge VAT for these activities.

Executive Board

	Direct salaries	Compensation for reduction in accrued pension rights	Personal charges	Pension charges	Total 2022	Total 2021
Annette Mosman	539,437	73,026	13,180	22,751	648,394	608,013
Gerard van Olphen ¹	-	-	-	-	-	353,388
Ronald Wuijster	677,133	94,260	12,682	24,146	808,221	781,431
Francine Roelofsen - van Dierendonck	446,929	57,115	13,180	21,706	538,930	531,954
Maarten Blacquièrè ²	301,701	40,007	9,885	16,094	367,687	
Jan Nijland ³	106,427	14,279	2,549	5,427	128,682	385,099

1 until July 1, 2021
 2 from April 1, 2022
 3 until April 1, 2022

139

The column 'direct salaries' contains the fixed annual salary, the vacation allowance, and the year-end payments. The column 'compensation for reduction in pension accrual' stems from a generic scheme at APG Group, whereby the reduction in the employer pension contribution due to the capping of accrued pension rights (2022: 114,866 euros | 2021: 112,189 euros) is paid to the employee. The column 'personnel charges' contains the employer's charges; the column 'pension charges' contains the charges for pension contributions. As of March 1 2021, Annette Mosman has been appointed as chairman of the Executive Board, which has resulted in an increase in remuneration for her.

The above table does not include compensation relating to mobility and vitality (2022: 81,131 euros | 2021: 79,703 euros). The mobility and vitality allowances are both part of the Collective Labor Agreement, whereby with regard to mobility a choice can be made between a reimbursement or a lease car and the vitality allowance contributes to an active and healthy lifestyle.

As of March 1, 2022, Ronald Wuijster will be reappointed for a period of four years. As already announced last year, due to the performance delivered during his first term, his total remuneration effective as of March 1, 2022 will be increased by 40,000 euros per year (half of which in free time). This increase is carefully balanced against the social aspect of asset

management services for the pension sector. With this, Ronald Wuijster continues to be rewarded under market benchmarks.

All remuneration was unchanged except for the increase as per the collective labor agreement (CAO) which amounted to 2.75 percent for all APG Group employees as of January 1, 2022. There are no early retirement plans for members of the Executive Board.

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

Amortization and depreciation of non-current assets

140

	Total 2022	Total 2021
Amortization of intangible assets	45,116	45,532
Depreciation of property, plant and equipment	9,645	8,060
Total	54,761	53,592

Other operating expenses

	Total 2022	Total 2021
Accommodation costs	32,507	38,479
Automation costs	94,985	86,420
Office costs	9,182	5,839
Non deductible VAT internal costs	8,517	575
Other	10,449	1,075
Total	155,640	132,388

The accommodation costs item includes an amount of 0.9 million euros for the provision of the onerous contract for the old office building (2021: 6.1 million euros).

The automation costs have increased due to an increase in the number of FTEs and due to the strategic initiatives. The category other includes the more general costs that are not attributable to the others categories, including insurance costs. The increase in 2022 compared to 2021 is caused by some incidental effects, including additions and releases of other provisions.

9 Interest and similar income

The financial income (2022: 1.7 million euros; 2021: 0.2 million euros) mainly concerns interest received on bank balances and outstanding loans.

10 Interest and similar expenses

The financial expenses (2022: 9.2 million euros; 2021: 4.1 million euros) mainly concern interest charges on the bank balances and the interest paid for the early redemption of the outstanding loan (6.2 million euros). There are no interest charges and similar expenses recognized that relate to related parties.

11 Changes in value of receivables belonging to fixed assets and of investments

The value adjustments of -1.3 million euros (2021: 1.0 million euros) relate to unrealized value changes in other securities.

12 Taxes on result

With a tax charge of 17.7 million euros for 2022 (2021: 24.5 million euros) the effective tax rate over 2022 was 24.5 percent, compared to a nominal rate applicable in the Netherlands of 25.8 percent. The lower effective tax rate in 2022 is mainly caused by deviating tax rates in the foreign countries in which APG operates. In the foreign countries in which APG operates, APG pays taxes according to the tax rates applicable there, which are lower than the current tax rate in the Netherlands.

The following reconciliation between the applicable and effective tax rate can be given:

	Total 2022	Total 2021
Result before taxes	72,080	104,584
Tax charges based on the Dutch tax rate	-18,597	-26,146
Tax effect from:		
- Different applicable tax rates in foreign countries	818	1,136
- Non-deductible expenses en non-taxable income	-203	-440
Adjustment prior years	204	17
Revaluation deferred tax assets due to change in tax rate	127	934
Total	-17,650	-24,499
Effective tax rate	-24.5%	-23.4%

Share of profit/(loss) of participating interests

The result from participating interests is the result from investees not included in the consolidation including impairment losses on investees. At the end of 2022 APG has agreed with the other shareholder of Campus Huisvesting BV that APG will sell its interest to the other shareholder. This has led to a loss for APG Groep NV of 4.0 million euros. This result on the participation, of which the final determination and settlement will take place in 2023 is recognized as a provision in the balance sheet.

Notes to the consolidated cash flow statement

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

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

The investments pertain to investments in furniture and fittings, IT equipment, software and installation in buildings.

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

Events after the reporting period

142

In January 2023, APG decided to find a third party that wants to take over part of the interest in Entis, and decrease the controlling interest into a minority interest. The consolidated group company Entis belongs to the segment supporting entities of companies. Entis creates and provides actionable insights in large amounts of unstructured data. With its AI powered data factory, Entis discovers key insights into investments by a scientific approach.

Entis has generated a turnover of 5.6 million euros in 2022, of which 3.9 million euros relates to services to APG Asset Management NV. Entis has realised a profit of 0.2 million euros in 2022.

Other notes

Related parties transactions

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

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

Independent auditor's fees

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

in € millions

	Total 2022	Total 2021
Audit of the financial statements	0.9	0.8
Other audit engagements (including work in relation to ISAE 3402)	2.7	2.4
Tax advisory services	-	-
Other non-audit services	-	-
Total	3.6	3.2

The auditor's fees for the audit of the financial statements are the costs that are attributable to the financial year. The other audit engagements include 1.5 million euros (2021: 1.4 million euros) for audit-related work on reports to clients of APG Groep NV in the context of the services provided by APG Groep NV.

Company financial statements

Company balance sheet at December 31, 2022 (before appropriation of profit)

In thousands of euros

	Notes	31-12-2022	31-12-2021
Assets			
Non-Current Assets			
Intangible assets	<u>1</u>	2,476	1,879
Property, plant and equipment	<u>2</u>	52,151	37,868
Financial non-current assets	<u>3</u>	442,512	503,531
		497,139	543,278
Current assets			
Receivables and prepayments	<u>4</u>	49,696	75,032
Cash & cash equivalents		208,435	210,646
		258,131	285,678
Total assets		755,270	828,956
Liabilities and equity			
Equity			
Paid-up and called-up share capital	<u>5</u>	352,649	352,649
Share premium		160,565	202,722
Legal reserves		5,585	3,619
Other reserves		-	-
Undistributed result for the financial year		48,925	77,843
		567,724	636,833
Provisions			
	<u>6</u>	16,896	22,356
Non-current liabilities			
	<u>7</u>	1,021	10,911
Current liabilities			
	<u>8</u>	196,461	158,856
		-	-
Total liabilities and equity		782,102	828,956

Company profit and loss account for 2022

In thousands of euros

	2022	2021
Share of profit/(loss) of participating interests after tax	53,286	83,400
Other results after tax	-4,361	-5,557
Net result	48,925	77,843

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

In the separate financial statements, financial instruments are presented on the basis of their legal form.

Basis of measurement and determination of results

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

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

Notes to the company financial statements

1 Intangible fixed assets

The intangible fixed assets relate to purchased software and goodwill relating to the equity interest in PrikkI BV which was acquired in 2021.

147

	Goodwill	Software	Total 2022	Total 2021
Opening balance	214	1,665	1,879	2,387
Investments	-	760	760	575
Reclass investments	-	858	858	-
Divestments	-	-15	-15	-
Amortization	-24	-982	-1,006	-1,083
Closing balance	190	2,286	2,476	1,879
Cumulative acquisition value	236	14,485	14,721	11,972
Cumulative amortization and impairment	-46	-12,199	-12,245	-10,093
Carrying amount	190	2,286	2,476	1,879
Amortization percentage	10%	20-25%		

2 Property, plant and equipment

Property, plant and equipment comprises the furniture and fittings and IT equipment and installations in buildings. Movement in these items was as follows.

	Furniture and fittings	ICT	Installations in buildings	Total 2022	Total 2021
Opening balance	29,165	8,703	-	37,868	16,640
Investments	9,699	11,404	845	21,948	27,043
Reclasses	-2,258	2,258	-	-	-
Divestments	-1	-8	-	-9	-521
Amortization	-2,794	-4,862	-	-7,656	-5,294
Changes in value	-	-	-	-	-
Closing balance	33,811	17,495	845	52,151	37,868
Cumulative acquisition value	41,334	45,945	845	88,124	90,420
Cumulative amortization and impairment	-7,523	-28,450	-	-35,973	-52,552
Carrying amount	33,811	17,495	845	52,151	37,868
Amortization percentage	10-20%	20-25%	10%		

The investments in furniture and fittings mainly relate to renovations in the new rental premises at Edge West and Heerlen. In addition investments were made in 2022 in hardware such as laptops.

3 Financial non-current assets

Financial non-current assets concern active deferred taxation and loans granted to related parties. Movement in these items was as follows.

	Deferred taxes	Related party loans	Group company loans	Other loans	Equity interests	Total 2022	Total 2021
Opening balance	6,420	2,340	12	81	494,677	503,530	487,357
Acquisitions and advances / allocations	-	350	-	-	34,300	34,650	33,544
Sales and repayments	-	-380	-12	-81	-	-473	-378
Share of profit/(loss) of associates	-	-	-	-	57,286	57,286	84,832
Dividend distributed	-	-	-	-	-152,105	-152,105	-101,494
Conversion loan	-	-	-	-	-	-	-
Impairments	-	-	-	-	-	-	-1,432
Revaluations	-	-	-	-	-	-	199
Change deferred taxes	-2,342	-	-	-	-	-2,342	-771
Other changes	-	-	-	-	1,966	1,966	1,674
Closing balance	4,078	2,310	-	-	436,124	442,512	503,531

The closing balance includes a deferred tax asset of 4.1 million euros (2021: 6,4 million euros) and a loan granted to related parties of 2.3 million euros (2021: 2.4 million euros). APG Group does not have dominant control over this equity interest but does have significance influence over this equity interest. Hence this equity interest is valued at net asset value. Based on an analysis of the recoverable amount, based on the indirect realizable value, an impairment recognized in 2021 on the equity interests. In addition, a capital contribution in the subsidiary APG DWS en Fondsenbedrijf was made

in 2022 of 34 million euros. In addition a capital contribution has been made of 0.3 million euros in Campus Management & Development BV.

4 Current assets

Receivables and prepayments

	31-12-2022	31-12-2021
Prepaid expenses	26,832	26,117
Income tax	19,917	32,045
Related party receivables	14,697	7,293
Receivables cash collateral derivatives	11,456	-
Debtors	1,426	247
Other receivables and accrued income	1,222	1,059
Taxes and social security contributions	884	1,746
Receivables from group companies	86	3,574
Receivables related to derivatives	-	2,951
Amounts to be invoiced	8	-
Total	49,696	48,915

The receivables and prepayments predominantly consist of receivables on group companies and prepaid amounts. In the receivables an amount of 2.9 million euros has a term of more than one year. No security has been provided and no interest was received on the receivables.

Cash & cash equivalents

	31-12-2022	31-12-2021
Bank balances	88,435	70,646
Deposits	120,000	140,000
Total	208,435	210,646

The cash & cash equivalents are at free disposal of the company. No further securities or additional conditions have been contracted. Given the nature of the deposits (short-term), the interest rate risk is very low. The deposits are placed with creditworthy financial institutions with a minimum A-rating according to rating agencies Fitch and Moody's and have a duration of three months. For this reason the credit risk is limited.

5 Equity

	31-12-2022	31-12-2021
Paid-up and called-up share capital	352,649	352,649
Share premium	160,565	202,722
Legal reserves	5,585	3,619
Other reserves	-	-
Undistributed result	48,925	77,843
Total group equity	567,724	636,833

Movements in shareholders' equity are shown in the following overview:

	Paid up and called-up share capital	Share premium	Legal reserves	Other reserves	Undistributed result	Total 2022
Opening balance	352,649	202,722	3,619	-	77,843	636,833
Movements resulting from appropriation of profit	-	-	-	77,843	-77,843	-
Movement in legal reserves	-	-	1,966	-	-	1,966
Dividend paid	-	-42,157	-	-77,843	-	-120,000
Result for the financial year	-	-	-	-	48,925	48,925
Other changes	-	-	-	-	-	-
Closing balance	352,649	160,565	5,585	-	48,925	567,724

151

Paid-up and called-up share capital

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

Share premium

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

Legal and other reserves

Legal and other reserves include direct changes in equity associated with the development of the legal reserve for translation differences of 5.6 million euros (2021: 3.6 million euros). In this legal reserve translation differences are recognized that are the result of the translation of the

functional currency of business operations abroad to the presentation currency of the parent company. On sale of a participating interest, the cumulative translation differences relating to this participating interest will be recognized in the profit & loss account, and presented therein as part of the result on the sale.

Undistributed result for the financial year

This comprises the result for the year under review.

Share premium, other reserves and the undistributed result for the financial year can, in principle, be freely disposed of. The stipulations from regulators for group companies can result in restrictions on the extent to which the company's equity capital or APG Group's equity capital may be distributed. These stipulations may require the equity capital of group companies to be

at a certain level. APG Group takes the stipulations from regulators into account in determining the potential dividend payment.

The 2022 annual accounts have been adopted in the General Meeting held on March 30, 2023. The General Meeting has determined the appropriation of the result for the 2022 financial year in accordance with the proposal of the board.

Proposed appropriation of profit

In accordance with the policy adopted, a proposal will be submitted to the General Meeting of Shareholders to distribute a dividend in the amount of 99.8 million euros: 48.9 million euros from the net result and the remaining amount of 50.9 million euros from freely distributable reserves.

6 Provisions

	Personnel-related provisions	Provision for restructuring	Other provisions	Total 2022	Total 2021
Opening balance	3,025	12,700	6,631	22,356	24,990
Additions	612	609	4,869	6,090	8,513
Withdrawals	-1,212	-3,062	-3,676	-7,950	-6,272
Release	-82	-1,890	-395	-2,367	-3,798
Other changes	-269	-964	-	-1,233	-1,077
Closing balance	2,074	7,393	7,429	16,896	22,356

Of the total amount, 1.4 million euros (2021: 2.9 million euros) is expected to have a term of more than five years. 8.7 million euros is expected to be settled in 2023 (2021: 8.1 million euros).

7 Non-current liabilities

	31-12-2022	31-12-2021
Opening balance	10,911	13,411
Advances	-	-
Repayments	-9,890	-2,500
Total	1,021	10,911

Of the closing balance 1.0 million euros has a longer term to maturity than five years (2021: 10.9 million euros). The interest rate is 7.25 percent per year (2021: 7.25 percent per year). No securities have been provided. The fair value of the long-term liabilities to third parties amounts to 1.0 million euros (2021: 23.8 million euros).

8 Current liabilities

	31-12-2022	31-12-2021
Liabilities to group companies	158,760	121,952
Rent reduction for office building	11,278	7,161
Taxes and social security premiums	7,830	4,081
Holiday pay and rights	7,272	6,646
Invoices not yet received	7,194	11,946
Debts to credit institutions	-	3,477
Amounts invoiced in advance	1,349	1,077
Accounts payable	1,121	946
Related party liabilities	520	578
Pension liabilities	419	584
Other liabilities	386	291
Other personnel-related liabilities	332	117
Total	196,461	158,856

With regard to the debts to group companies, there are no interest obligations nor securities. 10.9 million euros of the current liabilities has a term of more than 1 year (2021: 6.4 million euros).

Off-balance sheet liabilities and assets

At balance sheet date, liabilities under current rental agreements in an amount of 221.8 million euros were outstanding (2021: 232.6 million euros), of which 13.5 million euros was due within one year (2021: 14.4 million euros), 52.0 million euros at between one and five years (2021: 58,5 million

euros) and 156.3 million euros at more than five years (2021: 159.7 million euros). Rental costs of 14.8 million euros were recognized in the reporting year (2021: 22.8 million euros).

Liabilities in respect of long-term car leases total 5.4 million euros (2021: 6.6 million euros), of which 2.3 million euros due within one year of the end of the financial year (2021: 2.7 million euros) and 3.1 million euros at between one and five years (2021: 3.9 million euros). There are no liabilities due beyond five years. In the reporting year 2.8 million euros of leasing costs inclusive fuel costs were recognized (2021: 3.0 million euros). The leasing liability is determined exclusive the fuel advance.

Liabilities in respect of maintenance and other contracts amounted to 37.7 million euros (2021: 26.6 million euros) of which 17.3 million euros (2021: 9.3 million euros) due within one year of the end of the financial year and 20.3 million euros (2021: 17.3 million euros) 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 3.9 million euros (2021: 11.0 million euros).

Liabilities in respect of derivatives contracted to hedge the financing of foreign subsidiaries amounted at balance sheet date to 191.1 million euros (2021: 149.1 million euros). The fair value of these derivatives at balance sheet date amounted to a positive 11.7 million euros (2021: 2.9 million euros positive). The liabilities have a term of less than one year. The contract conditions include the exchange of collateral to hedge the settlement

risk. The contract terms include the exchange of collateral to cover the settlement risk. Directly related agreements between APG Groep NV and APS Asset Management NV have been formalized by means of back-to-back agreements.

APG Groep NV has committed itself to an annual capital contribution of 0.3 million euros to comply with Campus Management & Development BV until mid-2031.

Related party transactions

APG Group passes on costs to its subsidiaries APG Asset Management and APG DWS en Fondsenbedrijf. No profit mark-up is made on this allocation of costs, since these entities belong to the same tax group. The total amount passed on by APG Group in the year was 181.1 million euros.

Liability statements

The company has issued liability statements for a number of subsidiaries included in the consolidation, as referred to in Articles 2:403 BW and 2:408 BW of the Dutch Civil Code. The liability statements concern APG DWS en Fondsenbedrijf NV.

Liability of a tax group

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

reimburse the parent company for its share in the tax owed in proportion to each party's taxable profit before the application of the loss set-off rules as stipulated in the Corporation Tax Act.

Number of employees

In 2022 APG Groep NV employed an average of 698 people (2021: 685), all in the Netherlands.

Share in the result of participating companies after tax

This concerns the share of the company in the results of its participations, of which an amount of 58.5 million euros (2021: 85.7 million euros) concerns group companies.

Board remuneration

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

List of equity interests

APG Groep NV has the following equity interests:

Consolidated equity interests

APG DWS en Fondsenbedrijf NV

APG Asset Management NV

APG Asset Management US Inc

APG Investments Asia Ltd

APG Business Information Consultancy (Shanghai) Co Ltd

APG Asset Management (Singapore) Pte.

APG Trading BV

APG Infrastructure Asset Owner I GP BV

Entis Holding BV

Entis BV

100%	Heerlen
100%	Amsterdam
100%	Delaware
100%	Hong Kong
100%	Shanghai
100%	Singapore
100%	Amsterdam
100%	Amsterdam
76%	Amsterdam
76%	Utrecht

Non-consolidated equity interests

Campus Heerlen Huisvesting BV

Campus Management & Development BV

Hyfen BV

Vive Group BV

Design Authority BV

Prikkl BV

50%	Maastricht
33%	Maastricht
41.81%	Amsterdam
3.21%	Amsterdam
25%	Amsterdam
40%	Deurne

Amsterdam/ Heerlen, March 9, 2023

Executive Board

Annette Mosman, chairman

Francine Roelofsen-van Dierendonck

Ronald Wuijster

Maarten Blacquière

Supervisory Board

Pieter Jongstra, chairman

Dick van Well, vice-chairman

José Meijer

Sarah Russell

Claudia Zuiderwijk

Other information



Asylum seekers in Ter Apel

The consequences of the bottleneck in the flow of asylum seekers can be seen at the application center in Ter Apel.



Profit appropriation under the Articles of Association

The profit is appropriated in accordance with Article 36 of the APG Articles of Association, which stipulates that APG Groep NV can only distribute dividends to the extent that its shareholders' equity exceeds the amount of the paid-up and called-up part of the issued share capital and the reserves that must be maintained by law.



Independent auditor's report

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

Report on the audit of the financial statements 2022 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 2022 and of its result for the year then ended, in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the financial statements 2022 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 2022;
- 2 the consolidated and company profit and loss account for 2022;
- 3 the consolidated cashflow statement 2022; 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 designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in respect of going concern, fraud and non-compliance with laws and regulations and the key audit matters was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

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

Information in support of our opinion

Summary

Materiality

- Materiality of EUR 9 million
- 0.9% of revenue from management fees

Group audit

- Audit coverage of 99% of total assets
- Audit coverage of 99% of revenue

Fraud/Noclar and Going concern related risks

- Risk related to Fraud & Non-compliance with laws and regulations (Noclar): presumed risk of management override of controls identified
- Going concern related risks: no going concern risks identified



Key audit matters

- Accurate recognition of revenue from management fees
- Reliability and continuity of the electronic data processing
- Preparation for the transition to the new pension system

Opinion

Unqualified

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 9 million (2021: EUR 7.5 million). The materiality is determined with reference to revenue from management fees (0.9%, 2021: 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 identified during our audit in excess of EUR 450 thousand (2021: EUR 375 thousand) would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

162

Scope of the group audit

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

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

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



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

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

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

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

As part of our audit, we have gained insights into APG and its business environment, and assessed the design and implementation of the APG's risk management in relation to fraud and non-compliance. Our procedures included, among other things, assessing the code of conduct, whistleblowing procedures, incidents register and its procedures to investigate indications of possible fraud and non-compliance. Furthermore, we performed relevant inquiries with the Executive Board, the Audit and Risk Committee of the Supervisory Board and other relevant functions, such as Group Internal Audit and Group Risk & Compliance. As part of our audit procedures, we:

- obtained an understanding of how APG uses information technology (IT) and the impact of IT on the financial statements, including the potential for cybersecurity incidents to have a material impact on the financial statements;
- assessed positions outside of APG, held by Executive Board members and/or other employees and paid special attention to APG's procedures and governance with respect to possible conflicts of interest;
- 163 • evaluated reports of Group Internal Audit and the quarterly reports of Group Risk & Compliance on indications of possible fraud and non-compliance;
- evaluated correspondence with supervisory authorities and regulators as well as legal confirmation letters.

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

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



We, together with our forensics specialists, evaluated the fraud and non-compliance risk factors to consider whether those factors indicate a risk of material misstatement in the financial statements.

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

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

Management override of controls (a presumed risk)

Risk:

- Management is in a unique position to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively such as the area of determining several provisions (liabilities).

Responses:

- We evaluated the design and the implementation of internal controls that mitigate fraud and non-compliance risks, such as processes related to journal entries and estimates.
- We performed a data analysis of high-risk journal entries. Next to that, we also evaluated key estimates and judgments for bias by APG’s management, including retrospective reviews of prior years’ estimates, such as personnel related provisions. Where we identified instances of unexpected journal entries or other risks through our data analytics, we performed additional audit procedures to address each identified risk, including testing of transactions back to source information.
- We incorporated elements of unpredictability in our audit, including the use of statistical sampling techniques (in which underlying entries are selected at random) and substantive procedures with respect to investments in the offices of APG during 2022, as incorporated in the account ‘Property, Plant and Equipment’.

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



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

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

Audit response to going concern

As explained on page 86 and 87 of the Executive Board's report, the Executive Board has performed its going concern assessment and has not identified any going concern risks. To assess the Executive Board's assessment, we have performed, inter alia, the following procedures:

- we considered whether the Executive Board's assessment of the going concern risks includes all relevant information of which we are aware as a result of our audit;
- we analyzed the company's financial position as at year-end and compared it to the previous financial year in terms of indicators that could identify going concern risks; and
- analyzing the budgeted operating results and related cash flows compared to the prior financial year, developments in the industry and our knowledge obtained throughout the audit.

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

Our key audit matters

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

Compared to last year a key audit matter with respect to preparation for the transition to the new pension system was added.



Accurate recognition of revenue from management fees

Description

APG receives management fees for its pension administration activities, asset management and other advisory services provided to its clients. The management fees amount to EUR 951 million for the financial year 2022 (2021: EUR 852 million) and is the largest caption in the consolidated financial statements of APG Groep N.V. Due to the size of the management fees, we determined that the accurate processing of the management fees is a key audit matter in our audit.

Our response

Among other things, we have performed the following procedures:

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

Our observation

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

Reliability and continuity of the electronic data processing

Description

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



Our response

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

- evaluation of the controls around changes to the IT infrastructure and applications (change management);
- evaluation of the controls around logical access to systems and key data;
- inspection of the outcome of and controls performed by APG itself, mainly aimed at the IT general controls (including cyber security) and IT application controls and evaluation of the impact on our audit;
- evaluation of APG’s IT controls related to cybersecurity by means of a penetration test performed by us on a selection of applications and evaluation of the results in the context of our audit of the financial statements; and
- inspection of the service organization reports (SOC) which APG prepares for its clients.

Our observation

Based on our procedures performed as part of the financial statements audit of APG Groep N.V., we have not identified significant findings related to the reliability and continuity of the IT infrastructure and the security of the data of pension funds and the participants. In our management letter we reported a number of findings aimed at further strengthening the IT environment and in the auditor’s report, we have included findings from the substantive procedures performed. We refer to page 86 in the Annual Report where these findings are described by APG.

Preparation for the transition to the new pension system

Description

Depending on the political decision-making in the ‘Tweede Kamer’, the ‘Wet toekomst pensioenen’ (Wtp) is expected to enter into force on 1 July 2023. The Wtp will lead to a transition from the current pension system to a new pension system. The chapter ‘Transition to the new pension system’ of the Executive Board’s report explains the progress of APG’s preparation for the transition to the new pension system. The transition has a major impact on APG because of the inherent risks associated with such an impactful transition, its impact on APG’s (change) capacity and the significant costs associated with it.

Due to the relevance of this matter and its potential effect on the financial statements as a whole, we paid specific attention to it during our audit.



Our response

Among other things, we have performed the following procedures:

- inspected the set-up and governance of the ‘Pensioen van Straks’ project, including the management of risks and the application of the ‘three lines of defense model’ within the project;
- inspected the progress reports of the project to the Executive Board and the Supervisory Board;
- evaluated the impact of the ‘Pensioen van Straks’ project on APG’s internal control environment. As part of this we made use of specialists in the field of behavior and culture (soft controls);
- inspected the contract that APG has signed with an external party for the development of a new pension administration system;
- evaluated the impact of the contract mentioned above on the financial statements. We have evaluated whether the costs related to the transaction mentioned above qualify for capitalization on the balance sheet (or whether they should be recorded directly as costs in the profit and loss account) and tested the appropriateness of the accounting for the loan provided to the external party;
- evaluated the disclosures in the financial statements related to the preparation for the transition to the new pension system by APG as included in the Executive Board’s report and, where relevant.

Our observation

The results of the procedures performed did not lead to significant findings and we consider the disclosures regarding the preparation for the transition to the new pension system as included in the Executive Board’s report and the financial statements to be appropriate.

168

Report on the other information included in the annual report

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

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

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

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

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



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

Description of responsibilities regarding the financial statements

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

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

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

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

169 *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, 9 March 2023

KPMG Accountants N.V.

N.C. Paping RA

Appendix:

Description of our responsibilities for the audit of the financial statements



Appendix

Description of our responsibilities for the audit of the financial statements

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

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

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

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

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

Non-financial information



Symbolic protest against nitrogen plans
 Farmers hand out cubes of cheese on the market square in Maastricht as they protest against the government's nitrogen plans.



About this report

In this annual report, the Executive Board of APG Groep NV renders an account for the financial and non-financial performance during the 2022 financial year, which runs from January 1 until December 31. The annual report has been prepared in accordance with Dutch reporting regulations. The Executive Board renders account for the core activities carried out by APG, both in the Netherlands and through its foreign subsidiaries. APG is based in Heerlen and Amsterdam and has offices in New York and Hong Kong, as well as satellite branches in Brussels, Singapore, and Beijing.

In our annual report, we describe our achievements in the reporting year concerned, but more importantly, we explain how we fulfilled our role in society, and how we created value for our stakeholders, that is to say our clients, staff, and shareholders, and society as a whole. We outline the dilemmas and challenges we are facing as we prepare for the pension transition.

Sustainable long-term value creation

The annual report sets out our vision on long-term value creation. The first building block for creating value is the activities we carry out for our clients – the pension funds for which we work.

Our clients have entrusted us with their pension administration and communication, and some of them have given us their assets to manage. Leading on from this, we provide help and support to enable participants to become financially fitter. It is to a significant extent due to our specialized staff and our high degree of innovation and information technology that we are able to do so. Our networks and partnerships are essential for us as a knowledge company. And as a major social organization, we also need a solid, healthy financial basis.

The global environmental and social challenges are enormous, too big, in effect, for the government to solve on its own. APG is keen to contribute by making headway in the area of sustainable development. We consider our efforts in the area of sustainability to be

extremely important and relevant. The annual report for 2022 includes insight into our impact on the environment and our society.

Comprehensive reporting

We have taken steps forward in our non-financial reporting. In an important step in the direction of comprehensive reporting, we have improved the connectivity model. This model provides the guidelines we need to steer the stakeholder analysis, right up to APG's impact on society. We are working toward structural reporting on the connectivity and interdependence of the aspects that are relevant to our long-term value creation.

Materiality analysis

In addition to regular contact with all our stakeholders, we also carry out regular materiality analyses. The materiality matrix created through this analysis helps to ensure that the strategy, the policy, and the accountability of APG correspond with the expectations, requirements, and wishes of our stakeholders and with our long-term value creation. For the purposes of this analysis,

in 2020 we held a survey among our internal and external stakeholders, which included twenty statements on topics such as returns, investment, costs, pension system, customer experiences, digitalization, and innovation. After the review in 2021, we updated

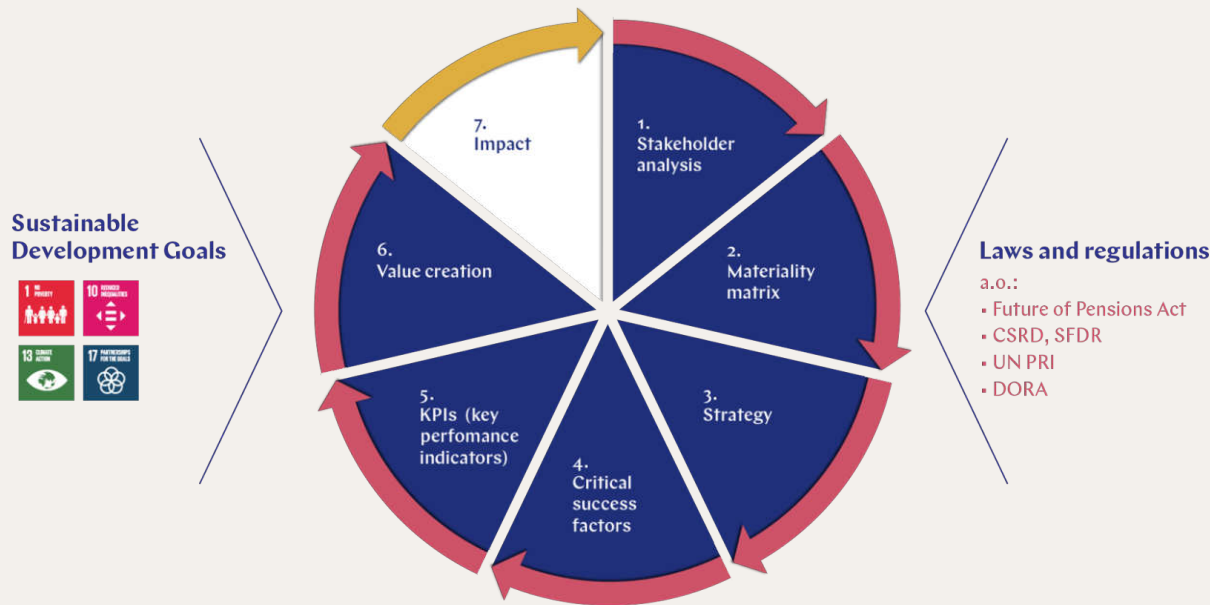
the materiality analysis again in 2022. The developments and discussions that arose over the course of the year, and the subjects that were raised during dialogue with our stakeholders, served as the basis for the update. The results of the qualitative update

were validated by the Executive Board and discussed with the Audit and Risk Committee of the Supervisory Board.

The eight main material topics that ensued constitute the basis for section 2: Our results in 2022. The connectivity matrix that follows further below illustrates the connectivity and interdependence of the aspects relevant to long-term value creation.

Engagement with our stakeholders

Our stakeholders are the parties who can directly influence our strategy and core activities. They include our clients (pension funds and the employers and participants affiliated with these funds), our staff and our shareholders. We also play an important role as a social organization within the sector to which the legislators and regulators, our strategic partners, and the companies in which we invest belong. This means that all these parties also fall within our stakeholder domain. We constantly scan the market for organizations or institutions that might make suitable stakeholders. We maintain a constant dialogue with all our stakeholders, so that we are continuously aware of the things they consider



to be important. We will give a brief outline of how we stay in touch with our stakeholders.

Clients

- Eight pension funds, and their directors: APG closely engages with the pension funds, on both a formal and an informal basis. We hold intensive consultations with them on the material topics. These include the transition to the new pension system and other topics that are relevant to the pension funds in terms of implementing their policy, such as regulation and international developments. For instance, we pool our knowledge through our client teams and share this with the pension funds.
- Employers registered with these eight pension funds: we engage on a daily basis with employers registered with these pension funds. This contact takes place through personal visits, video calls, by phone, and via email. We offer them support where they offer the pension scheme as a part of the employment package or as a supplementary part of their staff policy.
- Participants accruing pension via these eight pension funds: our Customer Contact Centre engages daily with the participants accruing pension via the funds, by phone, email, and

chat. We ask customers for an evaluation after every contact. We conduct regular surveys. For example, we test our range of services via customer arenas and customer validations, and use the findings to make improvements.

Staff

- Directors: in addition to the regular board meetings, we also engage on an ad hoc basis with our directors, for instance during the regularly scheduled senior leadership event. These talks mainly revolve around strategic subjects and the progress of the strategy.
- Managers: our managers have an important role in translating strategy into feasible goals. They ensure that the teams work well together, motivate them, and help the team members attain the team goals. Managers are supported in this through a tailor-made leadership program.
- Employees: we hold work and team meetings with our employees and regular meetings with the team leaders. Through (global) online Townhall meetings, employees are updated on the strategy and key developments within APG. Staff and managers regularly discuss ways of increasing the sustainability of our own business operations, including accommodation

and travel arrangements. This all helps to strengthen the basis of APG's long-term value creation. Staff are also kept informed through news items, blogs, and vlogs on the intranet.

Works council

Regular meetings are held with the works council, and there are consultation meetings at which the works council and directors are present. A general meeting attended by the Supervisory Board is held twice a year to discuss the course of affairs within APG. Among the topics discussed are requests for advice and requests for approval, the development and well-being of staff, and the strategy. Negotiations on terms of employment are held with the trade unions.

Shareholders

Our shareholders are the Stichting Pensioenfondsen ABP (92.16% of the shares) and the Stichting SFB (7.84% of the shares). In addition to the Annual General Meeting of Shareholders, we also hold half-yearly meetings to discuss remuneration, governance, strategy, dividend, and the annual report. Shareholders are updated about the latest developments every quarter.

Strategic partners

APG has long-term partnerships with various parties. We hold bilateral business meetings with all these parties. The subjects under discussion depend on the nature of the partnerships.

Parties in which we invest

We engage with the parties in which we invest through our portfolio managers. The long-term investment strategy is high on the agenda in the meetings with their management.

Annual report guidelines

This annual report is based on the guidelines of the Value Reporting Foundation and the Global Reporting Initiative (GRI). The framework of the International Integrated Reporting Council has been implemented in full. The main indicators for measuring our added value and making the appropriate adjustments are given in the section The World of APG. The GRI content index, additional sustainability information, and information about staff are included in the Non-financial information section. The EU rules – those in effect now and those in the pipeline – state that non-financial information is an important instrument in annual reports

to enable companies to render account for their policies and actions at the social and environmental level.

The Greenhouse Gas Protocol (GHG Protocol) and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) also constitute an important part of our integrated accountability system. Our annual report provides transparency about how we act on the financial industry’s best-efforts obligation to implement the Climate Agreement. Once again, we endorse the climate goals. By 2030 we want to achieve climate-neutral business operations and the assets that we manage will be in line with the provisions of the Paris Agreement. By 2050, the emissions of the investment portfolio that we manage will be net zero.

Reporting process

The owner of the annual report within the Executive Board is the Chief Finance & Risk Officer (CFRO). The CFRO has passed the process of compiling the report to the Group Finance Director who has, in turn, formed a steering group representing the key departments at APG. Meeting once a

month, the steering group determines the basic principles, the structure, the synopsis, and the content of the annual report. The report is compiled on the basis of interviews with the Executive Board and various other key figures, as well as on written input and reports. A project team oversees the further preparation of the report.

The information and data are gathered using the regular reporting process at APG. By integrating risk management into the primary processes and the reporting process, the reliability of both the financial and the non-financial information is guaranteed. In this way, we ensure that the information included in the report is accurate. Performance indicators for the key strategic topics are determined throughout the business plan cycle and periodically used to steer the course via the performance report. These are discussed during the performance dialogues organized across all tiers of the organization.

The Supervisory Board’s Audit and Risk Committee is actively involved in reviewing content for the annual report, which is

then submitted to the Executive Board for its approval.

Scope and degree of assurance by the auditor

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

KPMG has audited the consolidated financial statements from the 2022 annual report. On March 9, 2023, KPMG issued an unqualified audit opinion on the financial statements. The audit opinion is included in section 8, Other details.

The audit also explicitly looked at certain non-financial information. On March 9, 2023, KPMG issued a declaration providing a limited degree of assurance for this non-financial information. This assurance report is included below.

Report on non-financial information

Performance indicators

In scope

	2022	2021
Reputation score	72.2	71.6
Net result	€ 49 million	€ 78 million
Excess return (5 years) in basis points	33	54
Return on equity	13.9%	19.5%
Carbon footprint of operations (in metric tons) gross ¹	5,390	6,537
Carbon footprint of operations (in metric tons) net ¹	1,989	2,412
Benchmark UN Principles for Responsible Investment	4 out of 5 stars	4 out of 5 stars
Gender diversity %	64 / 36	64 / 36
Number of employees	3,405	3,193
Sickness absence	4.2%	3.5%
Employee engagement	7.7	7.6

Out of scope

Average price per participant	95.00	81.00
Participants with insight into their income later	2,300,000	1,995,000
Participants with insight into pension assets	1,075,000	1,040,000
Net promoter score	+3	+3
Assets managed in Sustainable Development Investments	€ 102 billion	€ 112 billion

178

¹ CO₂ footprint of business operations: as a result of the recalibration of the Carbon footprint target to Net Zero in 2022, scope 3 is no longer included. The comparative figures for 2021 have therefore been adjusted. This means a change in gross emissions in tonnes of -680 (before: 7,417) and net emissions in tonnes of -682 (before: 3,094).

Assurance report of the independent auditor

KPMG has provided an assurance report on the non-financial information included in this annual report. This report provides limited assurance on the 10 applicable performance indicators applicable in 2022. The external auditor tested these 10 elements based on the indicator files compiled by Group Finance. The report is reproduced below.



Assurance report of the independent auditor

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

Our conclusion

We have reviewed the non-financial information related to the below themes as included under the header 'In scope' in the table on page 178 (hereafter: the 'non-financial information') of the Annual Report of APG Groep N.V. for the year ended 31 December 2022. A review is aimed at obtaining a limited level of assurance.

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

The sustainability indicators in scope consist of the following indicators:

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



Basis for our conclusion

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

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

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

Reporting Criteria

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

The reporting criteria used for the preparation of the non-financial information are the own criteria as described in 'Other sustainability information' on page 189 and the 'Glossary' on page 197 of the Annual Report.

Materiality

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

Scope of the group review

APG Groep N.V. is the parent company of a group of entities. The non-financial information incorporates the consolidated information of this group of entities to the extent as specified on page 156 of the Annual Report.

Limitations to the scope of our review

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

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



Responsibilities of the Executive Board and the Supervisory Board

The Executive Board is responsible for the preparation of the non-financial information in accordance with the applicable criteria as described in the 'Reporting criteria' section of our report, including the identification of stakeholders and the applicability of the criteria used to the objectives of the intended users.

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

The Supervisory Board is responsible for overseeing the APG Groep N.V. reporting process.

Auditor's responsibilities

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

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

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

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

Our review included among others:

- Performing an analysis of the external environment and obtaining an understanding of relevant societal themes and issues, and the characteristics of the company;
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the Annual Report. This includes the evaluation of the results of stakeholder dialogue and the reasonableness of estimates made by the Executive Board;
- Obtaining an understanding of the reporting processes for the non-financial information, including obtaining a general understanding of internal control relevant to our review;



- Identifying areas of the non-financial information where a material misstatement, whether due to fraud or error, are most likely to occur, designing and performing assurance procedures responsive to these areas, and obtaining assurance information that is sufficient and appropriate to provide a basis for our conclusion. These procedures included, amongst others:
 - Interviewing management and relevant staff at corporate level responsible for the strategy, policy and results;
 - Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures over, and consolidating the data in the non-financial information;
 - Determining the nature and extent of the review procedures to be performed for the components and locations;
 - Obtaining assurance information that the non-financial information reconciles with underlying records of the company;
 - Reviewing, on a limited test basis, relevant internal and external documentation;
 - Performing an analytical review of the data and trends.
- Evaluating the consistency of the non-financial information with the information in the report which is not included in the scope of our review;
- Evaluating the presentation, structure and content of the non-financial information;
- Considering whether the Annual Report as a whole, including the disclosures, reflects the purpose of the reporting criteria used.

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

Amstelveen, 9 March 2023

KPMG Accountants N.V.

N.C. Paping RA

GRI Index including UN Global Compact references

APG Groep NV has reported the information mentioned in this GRI Content Index for the period 1 January 2022 to 31 December 2022 with reference to the GRI standards. GRI 1: Origin 2021.

GRI STANDARD	Disclosure	CROSS REFERENCE/FULFILLMENT/EXPLANATION	Mapping to the Ten Principles of the UN Global Compact
GRI 2 - General Disclosures 2022	2-1 Organizational details	APG Groep N.V.	
	2-2 Entities included in the organization's sustainability reporting	Basis of preparation and accounting policies	
	2-3 Reporting period, frequency and contact point	January 2022 to 31 December 2022, annual and communicatie@apg.nl	
	2-4 Restatements of information	N/A	
	2-5 External assurance	Independent auditor's report	
	2-6 Activities, value chain and other business relationships	About APG	
	2-7 Employees	How we work together at APG and Report on non-financial information	Principle 6
	2-8 Workers who are not employees	How we work together at APG and Report on non-financial information	
	2-9 Governance structure and composition	How we manage our organization	
	2-10 Nomination and selection of the highest governance body	How we manage our organization	
	2-11 Chair of the highest governance body	How we manage our organization	
	2-12 Role of the highest governance body in overseeing the management of impacts	How we manage our organization	
	2-13 Delegation of responsibility for managing impacts	How we manage our organization	

GRI STANDARD	Disclosure	CROSS REFERENCE/FULFILLMENT/EXPLANATION	Mapping to the Ten Principles of the UN Global Compact
	2-14 Role of the highest governance body in sustainability reporting	Corporate governance	
	2-15 Conflicts of interest	Corporate governance	
	2-16 Communication of critical concerns	Corporate governance	
	2-17 Collective knowledge of the highest governance body	How we manage our organization	
	2-18 Evaluation of the performance of the highest governance body	How we manage our organization	
	2-19 Remuneration policies	Our remuneration policy	
	2-20 Process to determine remuneration	Our remuneration policy	
	2-21 Annual total compensation ratio	Our remuneration policy	
	2-22 Statement on sustainable development strategy	How we create value	Statement of continued support for UNGC
	2-23 Policy commitments	Human-rights-policy APG	Principle 1, 2, 3, 4, 5 and 6
	2-24 Embedding policy commitments	Human-rights-policy APG	
	2-25 Processes to remediate negative impacts	Human-rights-policy APG	
	2-26 Mechanisms for seeking advice and raising concerns	Human-rights-policy APG	
	2-27 Compliance with laws and regulations	Risk management APG is, either as APG Group or through its subsidiaries, affiliated with a wide range of associations and interest groups. Most noteworthy are 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, the Investor Leadership Network, CSR Netherlands and UN Global Compact.	
	2-28 Membership associations	How we create value and About this report	
	2-29 Approach to stakeholder engagement	How we create value and About this report	
	2-30 Collective bargaining agreements	CAO APG	Principle 3

GRI STANDARD Disclosure

CROSS REFERENCE/FULFILLMENT/EXPLANATION

Mapping to the Ten Principles of the UN Global Compact

GRI 3: Material Topics 2022 3-1 Process to determine material topics
3-2 List of material topics

[How we create value](#)
[About this report](#)

Effective control of pension administration

GRI 3: Material Topics 2022 3-3 Management of material topics

[Effective control of pension administration](#)

Making the transition to the new pension system

GRI 3: Material Topics 2022 3-3 Management of material topics

[The transition to the new pension system](#)

Focusing services on the customer

GRI 3: Material Topics 2022 3-3 Management of material topics

[Focusing services on the customer](#)

The financial fitness of participants

GRI 3: Material Topics 2022 3-3 Management of material topics
APG-1 Improve the financial fitness of Dutch People

[The financial fitness of participants](#)
[The UN Sustainable Development Goals](#)

GRI STANDARD	Disclosure	CROSS REFERENCE/FULFILLMENT/EXPLANATION	Mapping to the Ten Principles of the UN Global Compact
Earning high returns on a sustainable and responsible manner			
GRI 3: Material Topics 2022	3-3 Management of material topics	<u>Earning high returns in a sustainable and responsible manner</u>	Principle 1, 2, 3, 4, 5, 6, 7, 8, 9 en 10
	APG-2 Setting global industry standards regarding RI	<u>The UN Sustainable Development Goals</u>	
	APG-3 Market adaptation of SDI AOP	<u>The UN Sustainable Development Goals</u>	
	APG-4 GHG emissions in investment portfolio (scope 3)	<u>The UN Sustainable Development Goals</u>	
Keeping costs responsible			
GRI 3: Material Topics 2022	3-3 Management of material topics	<u>Keeping costs responsible</u>	
Keeping our organization meaningful and inclusive			
GRI 3: Material Topics 2022	3-3 Management of material topics	<u>Keeping our organization meaningful and inclusive</u>	Principle 6, 7, 8 en 9
	APG-5 CO ₂ -neutral business operations		
	APG-6 Sustainable travel		
	APG-7 Energy neutral offices		
	APG-8 Circular business operations	<u>Keeping our organization meaningful and inclusive and Report on non-financial information</u>	
	APG-9 Diverse workforce		
	APG-10 Societally engaged workforce		
APG-11 Inclusive workforce			
Digital security and privacy			
GRI 3: Material Topics 2022	3-3 Management of material topics	<u>Digital security and privacy</u>	

Other sustainability information

Working toward demonstrable climate-neutral operations

We are reducing our negative environmental impact by reducing on our energy consumption, making fewer business trips, and recycling our waste. We are also moving toward using renewable resources. Lastly, we are compensating for any emissions that are unavoidable. In 2020, we drew up a policy and associated measures to ensure that the carbon emissions we have to compensate for will be negligible by 2030.

Carbon emissions from operations

We measure the carbon footprint left by energy consumption, transportation, leaked refrigerants, and waste. In 2022, APG emitted 8,152 metric tons of carbon (gross) (7,217 metric tons in 2021). That is 2.5 kilograms per FTE (2.4 kilograms per FTE in 2021). Our net carbon emissions are lower due to the use of renewable resources. APG's net carbon emissions in Scope 1 and 2 are then compensated by buying Gold Standard certificates.

The carbon footprint is expressed in terms of Scopes, in line with the Green House Gas Protocol (GHG Protocol). Scope 1 emissions are direct emissions from own sources or sources over which APG has control, including the fuel used in our lease vehicles (which may be used for private journeys and commuter journeys as well as business trips). Scope 2 emissions are indirect emissions, produced when generating the energy we purchase. Scope 3 emissions are all relevant indirect emissions (not included in Scope 2), which arise in the APG value chain. They include the carbon footprint from business travel, for example, or commuter journeys made by our employees.

The following tables show the flights and business travel that shifted from Scope 2 to Scope 3.

Gross CO₂-emissions in metric tons

		2022	2021
Scope 1	natural gas	587	1,143
	refrigerants	-	-
	fuels - company-leased vehicles	1,022	1,008
Scope 2	electricity	3,770	4,352
	district heating	10 ¹	34 ¹
Scope 3	air travel	1,248	66 ¹
	public transportation - kilometers traveled for business purposes	36 ^{1,2}	1 ^{1,2}
	vehicle fuels - kilometers traveled for business purposes	220 ²	81 ²
	waste	534	367 ¹
	public transport - commuting	48 ^{1,2}	9 ^{1,2}
	vehicle fuels - commuting	668 ^{1,2}	153 ^{1,2}
	wastewater	3 ^{1,3}	1 ¹
	water	6 ^{1,3}	4 ^{1,4}
Total		8,152	7,217

1 excluding New York
 2 excluding Hong Kong
 3 excluding Basisweg 10
 4 excluding Basisweg 30

Net CO₂-emissions in metric ton

		2022	2021
Scope 1	natural gas	587	1,142
	refrigerants	-	-
	fuels - company-leased vehicles	1,022	1,008
Scope 2	electricity	371	228
	district heating	10 ¹	34 ¹
Scope 3	air travel	1,248	66 ¹
	public transport - kilometers traveled for business purposes	36 ^{1,2}	1 ^{1,2}
	vehicle fuels - kilometers traveled for business purposes	220 ²	81 ²
	waste	534	367 ¹
	public transport - commuting	48 ^{1,2}	9 ^{1,2}
	vehicle fuels - commuting	666 ²	153 ^{1,2}
	wastewater	3 ^{1,3}	- ¹
	water	6 ^{1,3}	3 ^{1,4}
Total		4,751	3,094

191

1 excluding New York
 2 excluding Hong Kong
 3 excluding Basisweg 10
 4 excluding Basisweg 30

From March 18, 2020, nearly all Dutch staff started working from home due to the COVID-19 restrictions. Our offices in the Netherlands re-opened in mid-March, whereas our offices in Hong Kong and New York reopened at other times. The restrictions had the following effect on APG's carbon emissions:

This drop in our carbon emissions was largely caused by the drastic decline in commuting and business travel.

Energy consumption, on the other hand, did not drop substantially because the buildings still needed to be heated/cooled for the staff still working there. In the Netherlands, some 100

employees were always present, spread around the buildings.

These factors led to a relative rise in the emissions from energy (gas and electricity) within the total emissions.

APG also maps the carbon footprint of the investment categories shares, corporate bonds, real estate, and private equity. We report on this every year in a separate publication on our [website](#) in line with the recommendations of the Task Force on Climate-related Financial Disclosures and the methodology of the Partnership for Carbon Accounting Financials (PCAF) for corporate investments and Global Real Estate Sustainability Benchmark (GRESB) for real estate investments.

Carbon emission principles

APG uses the “List of emission factors” published on www.CO2emissiefactoren.nl as the basis for most conversion factors. In the Netherlands, APG uses green electricity to power its business operations. The origin and source of this green power is European wind, assured with Guarantees of Origin (GOs). When

calculating net Scope 2 emissions (market-based), this is given an emission factor of zero. All our new leased cars are electric, so the ratio is growing rapidly. However, no distinction was made for the type of energy in 2022, so this was included as Scope 1. Dutch commuter travel for the first months of the year was estimated on the basis of the commuter travel allowance. It was assumed that staff who receive a commuter travel allowance and live more 10 km from the office come to work by car. As the commuter travel allowance was continued during the period of home working that began on March 18, 2020, this may give a distorted picture of our emissions. Based on attendance records, it was therefore assumed that commuter travel dropped by 97.5% in the second quarter. During the last months of 2022, a new registration system was introduced in the Netherlands as part of renewed responsible travel policy,

dispensing with the need for estimates. The carbon emissions were calculated for the entire APG Group.

Energy consumption for accommodation

The Carbon Risk Real Estate Monitor (CRREM) method was used to get an impression of the intensity of energy and greenhouse gases (GHG). This makes use of the energy consumed and, in the case of GHG, refrigerants leaked, divided by the leased floor space. We want to keep our accommodation below the CRREM 1.5-degree pathway, and are trying to reach the targets for 2050 before that date. The methodology is still new, and we expect to make improvements in the methods for measuring and reporting in the forthcoming year[NL1].

Energy intensity in kWh/m²/year

		2020	2021	2022	2022 target 1,5-degree pathway	2050 target 1,5-degree pathway
Netherlands	Heerlen	217	248	227	209	13
	Symphony	67	74	-	-	-
	Basisweg 30	203	205	-	-	-
	Basisweg 10	-	-	31	209	13
US	New York	-	-	-	204	12
China	Hong Kong	120	140	298	265	5

GHG-intensity in kgCO₂e/m²/year

		2020	2021	2022	2022 target 1,5-degree pathway	2050 target 1,5-degree pathway
Netherlands	Heerlen	11.0	16.1	12.9	92.6	2.7
	Symphony	3.0	4.6	-	-	-
	Basisweg 30	27.0	27.9	-	-	-
	Basisweg 10	-	-	0.0	92.6	2.7
US	New York	-	-	-	66.1	2.8
China	Hong Kong	66.0	78.0	211.5	47	3.0

Sorted waste

APG wants to reduce the residual waste it produces to a maximum of 10% in 2022 and close to 0% by 2030. In 2022, residual

waste accounted for 31.5% of the total waste produced (18% in 2021). This is 27.5 kg residual waste per FTE (9.3 kg of residual waste per FTE in 2021). Clearing the old offices in Amsterdam

and making renovations in Heerlen were the main causes of missing our target figure.

Waste in kg

Paper and cardboard
Other seperated waste
Residual waste

	2022	2021 ¹
Paper and cardboard	99,320	51,087
Other seperated waste	93,108	79,699
Residual waste	89,574	28,181

¹ Exclusief New York

Other staff-related information

	2022		2021	
	Male	Female	Male	Female
Male/ female ratio on December 31				
Supervisory Board	40%	60%	40%	60%
Executive Board	50%	50%	33%	67%
Board tier¹	82%	18%	87%	13%
Management tier¹	65%	35%	74%	26%
Mid-management¹	65%	35%	74%	26%
Total (not including the Supervisory Board)	64%	36%	64%	36%

¹ excluding Hong Kong and New York

195

	2022		2021	
	FTE	Employees	FTE	Employees
Number of employees on December 31				
Netherlands	2,977	3,129	2,793	2,942
Hong kong	94	94	82	82
New York	180	180	169	169
Singapore	2	2		
Total	3,253	3,405	3,044	3,193

	2022		2021	
	Permanent contract	Temporary contract	Permanent contract	Temporary contract
Number of employees on December 31				
Male	1,994	187	1,899	152
Non-binary	1	1		
Female	1,100	122	1,021	121
Total	3,095	310	2,920	273

	2022		2021	
	Full-time	Part-time	Full-time	Part-time
Number of employees on December 31				
Male	1,883	298	1,769	282
Non-binary	1	1		
Female	638	584	600	542
Total	2,522	883	2,369	824

Glossary

AIFMD and IFR/IFD: the Alternative Investment Fund Managers Directive (AIFMD) and the Investment Firm Regulation and Directive (IFR/IFD) are European Union (EU) directives and European Banking Authority (EBA) rules that apply to alternative investments. The EU guidelines that apply to alternative investments set standards for marketing relating to acquiring private capital, remuneration policy, monitoring and reporting risks, and general accountability. The EBA is responsible for applying uniform rules with regard to the supervision of the banks in the EU.

Benchmark UN Principles for Responsible Investment: the United Nations supports an international network of investors, who work together to put the six principles for responsible investment into practice. A framework of reference provides information about the consequences of sustainability for investors.

BREEAM-certification: a method for certifying a sustainably built environment.

Carbon emissions: the carbon dioxide emitted into the atmosphere. The gross emissions stem from the use of fossil energy sources, such as coal and gas. Using renewable energy reduces net emissions. Scope 1 comprises the emissions from the company's own production processes as a result of burning oil, coal, gas (direct emissions). Scope 2 comprises the emissions released to produce the energy that a company purchases (indirect emissions). Scope 3 comprises the emissions throughout the lifecycle of products a company buys, produces and/or sells.

Carbon footprint: annual calculation that shows how much carbon and other greenhouse gases are being emitted.

Compliance risk: the risk of material financial losses, damage to APG's reputation, and sanctions imposed by regulators as a result of failing to comply with laws or regulations and/or in response to unethical behavior.

Connectivity matrix: visual showing the connectivity and interdependency of aspects

relevant to long-term value creation. The connectivity model helps to steer the path toward value creation.

Customer Satisfaction Score (CSAT): a customer satisfaction score that indicates our customers' level of satisfaction with our services. The score is a compound average of various individual CSAT scores from the main customer missions and channels for participants and employers of the ABP, bpfBOUW, and SPW funds.

Employee engagement survey: a survey to measure the degree of employee satisfaction with their jobs, and to measure the mental and physical fitness of staff. Alongside engagement, six other topics are measured: mental and physical health, inclusion climate topics, development opportunities, identification with APG, leadership, support and cooperation, and mental safety.

Excess return (five years) in basis points: the returns over and above the benchmark (outperformance); the results that we achieve

measured over an average five-year period. The basis point indicates the smallest of changes and is a hundredth of a percent.

Fiduciary model: model that safeguards the separation of three roles in the investment process the impartial advice given to our customers, the investment of pension capital, and the management of risks.

Financial risk: the risk of an undesirable event that has an impact on the balance sheet and/or profit and loss account of APG as a result of fluctuations in market variables beyond our control or risks of insured losses.

Future of Pensions Act: proposed legislation that would reform the Dutch pension system and be a step toward a future-proof system of pension provision.

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

ICLAAP: European guidelines designed to encourage the financial sector to think about capital and liquidity risks in a structured manner, and to measure and control these risks.

LGBTQIA+: lesbian, gay, bisexual, transgender, queer, intersexual, asexual people, and people with other gender identities and gender orientations.

Liquid investments/Illiquid

investments: liquid investments are readily marketable investments, for which an objective price is almost continuously available. This is not the case for illiquid investments.

Maximum pension value: the most income years for later and high-quality services at a competitive price, whereby we set great store by solidarity between generations, sustainability, and an inclusive society.

MIFID: Markets in Financial Instruments Directive. Designed to improve competitiveness on the European financial markets by creating a single European market for investment services and activities.

Net promoter score: an instrument for measuring customer loyalty. The score that we measure for participants is a compound average of various individual NPS scores of the main customer missions for the ABP and bpfBOUW

funds. The score that we measure for employers is compiled from the scores from the ABP, bpfBOUW, and SPW funds.

Operational risk: the risk of loss caused by external events, failing internal or outsourced processes and IT systems, or inappropriate behavior on the part of employees. Operational risks can have unfortunate consequences for our clients. Managing the risks attached to outsourcing for clients is part of APG's IRM framework.

Pension administration: all administration and communication services that APG provides to employers and participants as a pension administration organization on behalf of the commissioning pension funds (in accordance with Article 1 of the Pensions Act on pension administrators).

Pension administration organization: If a pension fund is the head, the pension administrator is the hands. The pension funds come up with ideas, and the pension administrators put their ideas into practice. Administrators often do this for several pension funds at once. This makes it cheaper and more

efficient. According to the definition used by DNB (the Dutch central bank), APG is a pension administration organization, and a pension fund or pension insurer is a pension provider.

Pension of the Future: project set up by APG to ensure a smooth preparation for the transition to the new pension system.

Reporting risk: the risk of inaccuracies appearing in report due to mistakes in the administrative processes or systems.

Reputation score: the reputation score provides information about the company's reputation according to the RepTrak reputation survey. The method does not only measure the reputation, but also brand awareness and factors that people looking at APG consider to be important. The report shows the average score for the year.

Responsible investment: achieving responsible investment results that not only deliver financial returns but also social returns by paying attention to people, planet, and good governance.

Return on equity: net profit after tax divided by total equity (at beginning of the year, after distribution of the previous year's dividend, less intangible assets) expressed as a percentage.

Risk profile: the risk profile indicates the level of risk our clients, the pension funds, are allowed to take with their participants' capital. APG and the client set the risk profile together. The basis of a client's risk profile forms an Asset Liability model. This is a calculation model that assumes assets and obligations, and based on the pension fund's preferences, identifies and lists the required returns and the associated acceptable level of risk.

Stakeholder analysis: a survey of the most important stakeholders involved with, and with influence over, our organization.

Strategic risk: the risk that the strategic goals will not be achieved as a result of changes relating to competitive conditions, political decision-making, stakeholders, reputation and/or business climate, or the organization's ability to adapt to these changes.

Sustainable Development Goals

(SDGs): global goals for sustainable development formulated by the United Nations.

Value creation model: the effect of the interaction between human capital, the organization, and the customer is referred to as value creation. The value creation model shows the process of creating value as a visual.

Disclaimer

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

The interviews in these publications reflect the opinions of internal and external experts; they do not necessarily reflect the policy or standpoint of APG.

The photos in the annual report are media photos belonging to Dutch News Agency ANP that mark a number of events featured in the Dutch media in 2022.