


Integrated report PGGM Vermogensbeheer B.V.

2022

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Introduction: We are PGGM Investments

We are PGGM Investments (PGGM Vermogensbeheer B.V.). A solid value in health care and welfare. PGGM Investments aims to create good, affordable and sustainable pensions for pension funds - our clients - and their beneficiaries.

At the end of 2022, PGGM Investments managed a total of over €227.8 billion in assets for its clients. We invest the collective pension assets under our management in pursuit of a high and stable return with an acceptable level of risk and, more and more, with a sharp eye on the impact we can make with our investments. We aim for long-term value creation for people and the environment, in addition to good financial results.

In this report we reflect on the most important developments during 2022:

- **The Russian invasion of Ukraine and its effect on the portfolio**
- **The move toward single client asset and fiduciary management**
- **Divestments oil and gas**
- **The transition to the new pension contract**
- **Our strategy 2030**

Message from the board of directors

While the Covid-19 pandemic entered its third year at the beginning of 2022, with society still feeling its full impact, the world was confronted with the Russian invasion of Ukraine on February 24. As an asset manager of capital invested globally, and therefore also in Russia, we were immediately forced into crisis mode. As the shock waves rippled through the financial markets, also affecting the assets of our clients, our Russia crisis team responded swiftly by excluding and selling Russian investments.

The year 2022 was characterised by numerous short-term actions and long-term issues, that were largely related to the war in Ukraine. The rapidly rising interest rates caused major losses in the bond portfolios and in the derivative investments used to hedge clients' interest rate risks. The stock markets also suffered major hits. As a result, we were forced to constantly rebalance client portfolios. Fortunately, we had a strong performance of our private markets platform. Because of the higher interest rate and the more lenient indexation rules all of PGGM's clients were able to raise the pensions for current and future pensioners.

At the same time, this crisis year prompted us to analyse the long-term effects of the geopolitical shifts that became evident in 2022. Issues that come to mind here include energy security relating to the sustainability of our energy system, as well as the more active coordinating role that governments are now adopting in the economy with respect to infrastructure, housing, the food supply and healthcare. Many different social transitions are underway for which we, as an asset manager, must determine our position if we are to be able to combine financial returns as much as possible with positive impact on the world around us. Furthermore, the increasing sustainability legislation demands that we respond to this in a timely manner in order for us to be able to act in the best interest of PFZW.

With this task in mind, we have taken the first steps in looking ahead towards 2030 to determine what effective asset management should look like in the future. We are doing this in intensive dialogue with Pensioenfonds Zorg en Welzijn. And we do this by listening carefully to the social debate, for example the debate concerning the necessity of sustainability and its rate of implementation.

An important development in 2022 in this regard is the completion of phase 1 of PFZW's two-year programme to bring its fossil energy investments in line with the aims of the Paris Climate Agreement and the COP26 Climate summit. This has led to the divestment of 114 companies that proved not to have any CO2 reduction goals.

As of 2023 other fiduciary clients and participants in the PGGM public markets funds will leave, moving PGGM Investments towards a single client firm, PFZW only. The transfer of fiduciary responsibility has been realised in 2022 and the first transitions out of public market funds started as a result of this change in our services. Also, further steps were set to realise the transition to the new pension contract. In close cooperation with the other business units of PGGM and our clients we have been developing and implementing the structure in which we will set up the chosen pension contract. At PGGM Vermogensbeheer several systems and processes have been altered and updated in order to be able to service the possible new pension contracts.

In the report that follows, we account for our actions and results for the exceptional year that is now behind us, realising that the crisis that erupted on February 24 2022, has not yet passed by any means.

AUM:
€ 227.8 bln

Return 2022:
-21.8%
(2021 8.4%, € 14.1 bln)

Additional return above benchmark:
-93 basis points
(Approximately -2.1 billion)

Pensioenfonds Architectenbureaus

BPF Schilders

Pensioenfonds Particuliere Beveiliging

Pensioenfonds Zorg & Welzijn

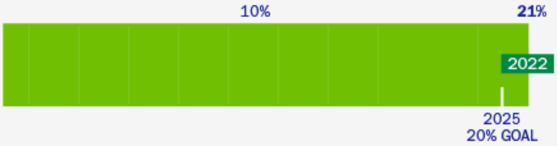
Smurfit Kappa Pensioenfonds

sph Pensioenfonds voor Huisartsen

Positive impact of the investment portfolio:

- SDI: € 46.5 bln (2021: € 52.7 bln)
- SDI Percentage: 21% (2021: 18%)

GOAL 2025 = 20%



Negative impact of the investment portfolio reduced:

- 65 divestments due to negative impact
- 55 engagement regarding negative impact
- Absolute CO_2 reduction of 30%

Voting:
Number of meetings at which we voted:
5,877
Number of agenda items voted on:
61,849

Engagement:
170 Engagement casus
15 engagement results

Return 2022:
Private Real Estate
9.6% return
Credit Risk Sharing
12.5% return

5-year return including interest rate hedging:
1.1%

Exclusions:
360 Companies
114 Russia / Belarus involvement
114 Oil & Gas
54 Coal
2 Tar Sand
4 Arctic Drilling

PGGM Investments as a company

As an asset manager for pension funds, PGGM Investments supports its clients in fulfilling their task of providing a stable and good pension for their beneficiaries, now and in the future. We support our clients in their role as principal. Amongst others, we provide advice on the implementation of their investment policy and management matters; e.g. selection and monitoring of external managers and internally managed portfolio's. As asset manager we invest the pension contributions of several pension fund clients, of which Stichting Pensioenfonds Zorg en Welzijn (PFZW) – the pension fund for Dutch healthcare workers – is the largest client. We invest in, among other asset classes, shares, bonds, private equity, infrastructure and real estate. Our investment teams are primarily responsible for managing these asset classes. In addition, the Investment Management organisation includes Risk Management, Tax, Legal & Regulatory, Operational functions and a Responsible Investments team. For more details regarding our group structure, AIFM license and statutory objectives, please see Appendix 1.

We strive for a high level of quality in our work in order to achieve our and our clients' ambitions. That is why the various asset classes are managed by specialised investment teams at PGGM Investments. Almost 500 professionals work at our office in Zeist or from home. They manage over 41% of the assets of our clients. The rest of the assets are managed by leading external managers worldwide, selected by and under the direction of our own specialists.

Responsible investment is an integral part of our execution. PGGM Investments is convinced that contributing to a sustainable world is an essential part of building a valuable future – not only to fulfil our wider social responsibility or to comply with laws and regulations or other standards, but also to ensure financial results.

We consciously take Environmental, Social and Governance (ESG) factors into account in our investment activities and we refrain from investing in controversial weapons, tobacco, artic drilling and coal and tar sands. Companies that systematically and seriously violate international standards for responsible behaviour are sold. Furthermore, we contribute to developing international standards for responsible and impactful investments, in co-operation with other investors in the Netherlands and abroad.

We consider the impact the companies we invest in have on people and the environment. In doing so, we join in with the 17 interlinked global goals, Sustainable Development Goals (SDG) adopted by the United Nations in 2015 as a universal tool to achieve a better and more sustainable future worldwide. In the investment portfolio we focus specifically on SDG 2 (food security), SDG 3 (health), SDG 6 (water security), SDG 7 (affordable and sustainable energy), SDG 11 (sustainable cities and communities), SDG 12 (responsible production and consumption) and SDG 13 (climate action). These SDGs are the focus of PFZW.

Our mission

It is our mission to help people realise a valuable future. We add value for our clients and beneficiaries by helping them - now and in the future – to realise their pension ambitions. Our objective is to provide a good, affordable and sustainable pension and to provide best-in-class asset management services for our clients within an agile and controllable organisation. With our strategy, 'PGGM Investments, a solid value in health care and welfare', we have made a clear choice. We primarily exist to serve the health and welfare sector. Together with PFZW, we support the financial future of people who work in this sector and also contribute towards a healthy and vital sector itself.

Strategy 2030

More is going to change in the pension industry in the next decade than in the past forty years. Increased legislation and regulations as well as technological possibilities and changing demands from beneficiaries, employers and social partners will drive these changes. With this in mind, PGGM Investments has been preparing for the future and has developed its vision for 2030. During 2022 we have set steps in translating this vision into an actionable strategy. We did this in close cooperation with PFZW as our key strategic partner.

We have delved deeper into the core objective for our asset management activities: sustainable value creation. By this, we mean asset management aimed at generating good financial returns through long-term value creation, with a positive contribution to society and the environment. To successfully deliver on our promises to beneficiaries, we will have to transition to a 3D investment organisation, balancing risk, return and impact objectives. This fundamental change will affect our key investment model, the governance and client model, as well as the people and operating model. Looking ahead, we will execute this strategy in close collaboration with PFZW, setting real world impact objectives and steering organisation and our portfolio's to achieve these.

Our clients

During 2022, PGGM Investments managed (part of) the pension assets of six pension funds: PFZW, Stichting Pensioenfonds voor Huisartsen (SPH), Stichting Bedrijfstakpensioenfonds voor het Schilders-, Afwerkings- en Glaszetbedrijf (BPF Schilders), Stichting Pensioenfonds Smurfit Kappa Nederland, Stichting Bedrijfstakpensioenfonds voor de Particuliere Beveiliging and Stichting Pensioenfonds voor de Architectenbureaus (PF Architectenbureaus).

With the goal of achieving agility in implementing its investment policy, PFZW decided in 2021 to move towards discretionary investment structures and thus to no longer invest in the PGGM multi-client funds. This decision by PFZW has consequences for our other clients. PGGM Investments is no longer able to offer asset management to other clients on attractive terms through the multi-client funds. Therefore, we decided to gradually discontinue asset management services for clients other than PFZW.

PGGM Investments	
Client	AUM per 31-12-2021 (in billion)
PFZW	€ 217.6
BPF Schilders	€ 7.5
PF Architecten	€ 0.4
SPH	€ 1.7
Smurfit Kappa pf	€ 0.1
BPF Beveiliging	€ 0.5

We have reached an agreement with our clients on how to properly transfer these services. In the fourth quarter of 2022, the transfer of fiduciary responsibility has been realised and the first transitions out of public market funds started as a result of this change in our services. These transitions are expected to continue throughout the first quarter of 2023. With regards to private markets funds transitions discussions have taken place in 2022 and will continue in 2023. The exit from both the public and private funds is an impactful development for our clients, employees and organisation which requires good care.

Inputs

Financial Capital Operations
- € 97.5 million equity
- € 64.7 million capital reserve /ICLAAP

Financial Capital Investments
- 1.7 billion net pension premium inflow (to be invested)

Intellectual & human capital
- 494 employees*
- External parties & managers
- Systems & processes
- Data & IT-systems
- Knowledge & experience
- Artificial intelligence

Social capital
- Stakeholders' expectations
- Reputation
- Client relations & policy

Natural and manufactured capital**
- Energy usage
- Data center
- Office

Our mission is to help people realise a valuable future

We are PGGM Investments. A solid value in healthcare and welfare. We are committed to an affordable, good and sustainable pension for our clients and their participants.

Trends, Risks & Opportunities

Russian invasion of Ukraine, New pension scheme, (Cyber)- security, Laws and regulation, Sustainability, Financial risks, Operational risks, Reputational risk, HR risks, Market risk, Credit risk, Required capital, Climate change

Output

Stable financial performance investments:
- AUM €227.8 billion
- -21.8 % overall return
  € -63.7 billion (return)
- -93 basis point outperformance

Financial results PVBV
- € 12.6 million profit

Active shareholder
- 5.877 meetings voted
- 61,849 votes
- 170 engagement activities
- 15 engagement results

Limiting negative impact
- absolute CO_2 reduction of 30%
- 180 product exclusions
- 65 OECD-divestments

Trusted and reliable asset manager
- Stable and strategic partnerships
- Excellent client services
- Best in class execution

Inclusive workplace
- 21% women in management functions
- 20% women in board
- Transparent remuneration

Impactful investments
- 21.3% portfolio is SDG aligned (46.5 billion Euro)

Outcomes

A good, affordable and sustainable pension for our clients and their participants

More sustainable and future-proof companies and markets

Attractive, stimulating and inclusive working environment

Accelerating the transition to a more sustainable and livable world

Contributing to a strong health & welfare sector

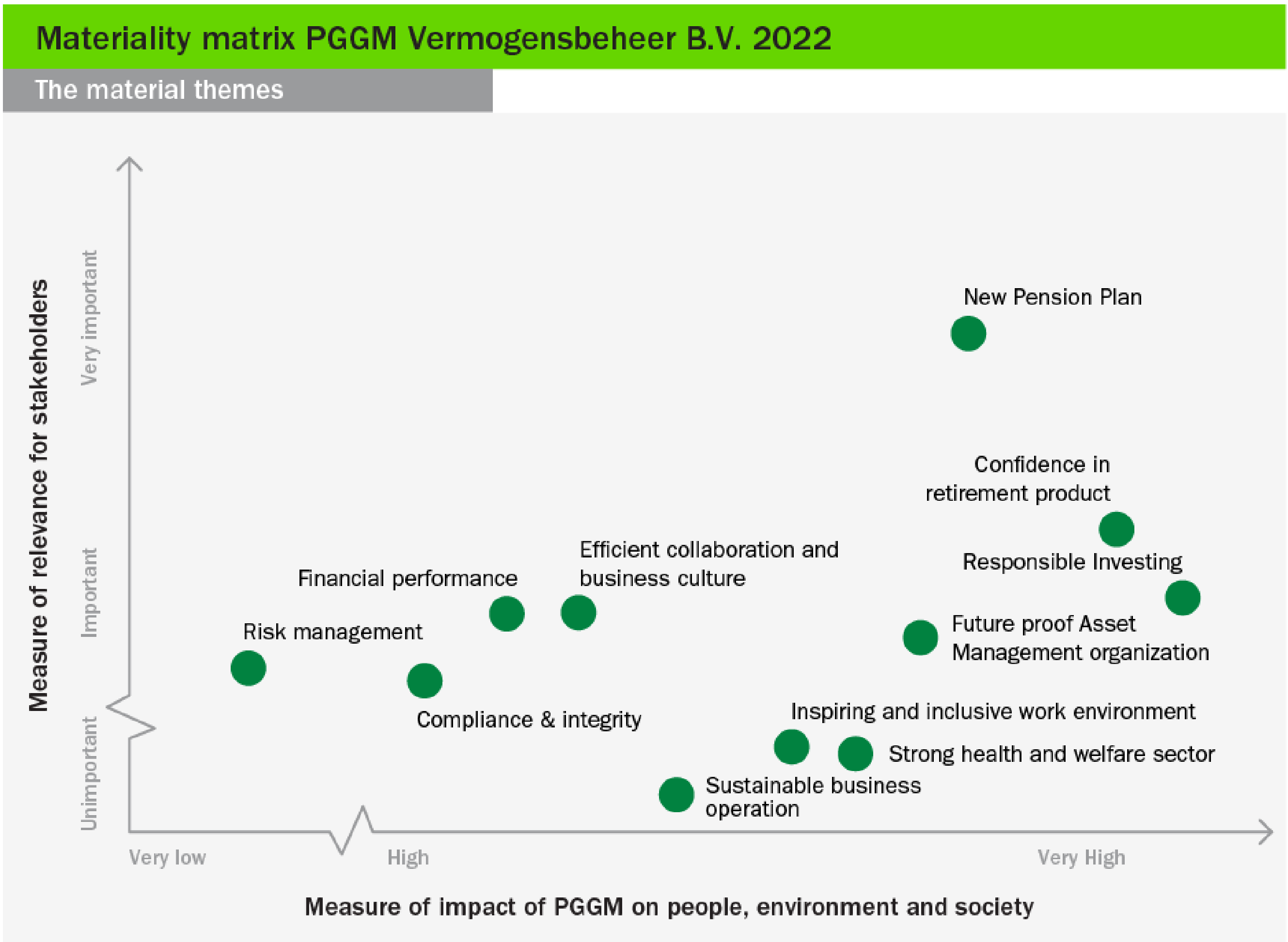
Impacts

*Please note that all employees working for PGGM Investments are contracted by PGGM NV
** This information is reported in the 2021 PGGM NV annual report

Our material topics

When consulting our stakeholders, we focus on people or groups who are influenced by our actions and who have an influence on our organisation and service provision. We have asked our most important stakeholders about their interests and needs and remain in dialogue with them about our material topics.

In order to safeguard that our policy is fully aligned with the requirements and wishes of our most important stakeholders (our clients, peers, employees, external managers, etc.), we make use of a materiality matrix. The matrix shows our 11 most material themes. The horizontal axis of the matrix describes what impact PGGM Investments has on a particular topic. The vertical axis refers to the importance of the topics for our key stakeholders, which shows that the New Pension Plan is the most important topic at the moment. Please see 5.1b for more details regarding this.



Part 1 Our investments – 3D investing

At PGGM Investments, we strive to achieve good financial return and to offer a positive contribution to society and the environment. We call this 3D investing, with a focus on return, risk and positive impact.

The fiduciary role is changing, with increasing demands being made by the legislator, beneficiaries and society. Beneficiaries are increasingly stressing pension funds to reflect upon the impact their investments are having on the world. Since financial risk and opportunity is intricately intertwined with the contribution to solving a problem like climate change, we put emphasis on this topic as well. Also, there is a growing trend among academics, moving away from the more narrow-minded risk/return approach to one where long-term financial returns are only persistent if they're also offering a clear contribution to society, and not negatively impacting society.

We continuously assess and develop our own ability to measure all investments against the 3D yardstick: return, risk and impact. The balance between these three outcomes is important and we are implementing it throughout our investment process.

As we fulfil the financial ambitions of our clients, we continuously try to answer questions arising from balancing return, risk and impact. We do this by combining the right people, expertise and technology to manage the assets of our clients. In 2022, we have set further steps in developing our capabilities to measure and steer the impact of our investments.

Chapter 1: Return: the direct value we create

We invest the contributions paid by employers and employees with a long-term time frame in mind and at acceptable risks and costs. In this part of the report, we present our financial results and reflect on our performance in the context of market developments.

1.1. Financial performance

Good financial performance and a stable cover ratio for the beneficiaries is a material topic for us. The pension assets of our clients' beneficiaries are invested in various asset classes, and are managed on the basis of mandates issued to us by our clients. A benchmark is selected for every mandate. This is an objective measure against which the portfolio's performance is evaluated. We seek to achieve even better results for our clients over the longer term, i.e. returns exceeding the benchmark. Below we reflect on the performance in 2022.

1.1.a Key figures

The year 2022 resulted in very negative returns for all our clients, due to rising interest rates and falling equity markets. Central banks pushed interest rates up to fight inflation. As a result, the 30-year euro swap rate moved from 0.48% to 2.53%. Our pension fund clients suffered big losses from their liability hedging programs. The assets PGGM Investments managed decreased by €65.7 billion in 2022, bringing this to €227.8 billion. The return on the investments was -21.8% (-€63.7 billion) in 2022 (2021: 8.4%). Over the past five years (2018-2022), we achieved an annual return of 1.1% (2017-2021: 7.3%). Our private markets investments proved their diversification value with mainly positive returns.

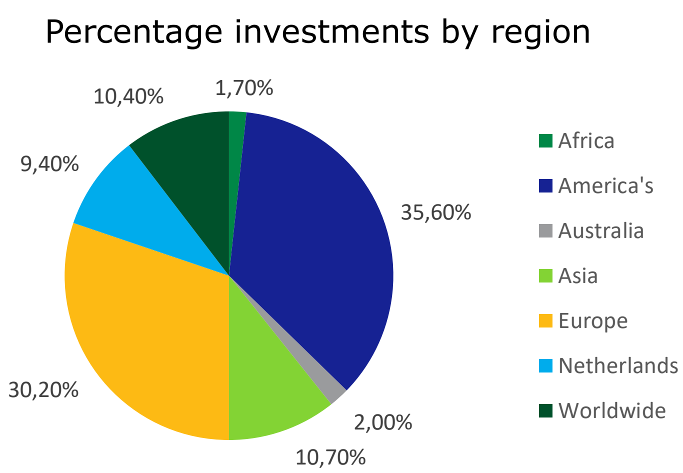
In table 1.1 the annualised returns of PGGM Investments funds after deduction of external management fees and performance fees are presented. The spread of investments by region is shown in the diagram.

	2022	2021		2018 – 2022	2017 – 2021
Weighted net return for all of PGGM Investments' clients	-21.8%	8.4%	5-year return including interest rate hedging	1.1%	7.3%

Table 1.1 Weighted net returns PGGM Investments

Investment category	Assets under management (in mln €)	Return (in mln €)	Return (in %)	Benchmark return	Out-performance
Public Markets					
Listed shares	€ 43,787	-8,757.9	-11.2%	-11.4%	0.3%
Government bonds	€ 56,467	-17,604.2	-25.3%	-25.4%	0.2%
Corporate bonds	€ 23,545	-2,290.7	-9.5%	-9.9%	0.4%
Listed real estate	€ 12,144	-3,343.1	-20.4%	-19.9%	-0.6%
Private Markets					
Private Equity	€ 23,332	1,412.4	6.6%	5.6%	1.0%
Private real estate	€ 22,057	1,841.6	9.6%	6.0%	3.4%
Infrastructure	€ 13,992	691.0	5.3%	14.7%	-8.1%
Credit risk sharing transactions	€ 7,040	693.4	12.5%	8.8%	3.3%
Insurance linked investments	€ 8,141	576.7	7.7%	12.7%	-4.4%
Mortgages	€ 4,130	-830.9	-17.9%	-13.3%	-5.3%
Cash & Other					
Other	€ 501	-7.5	n/a	n/a	n/a
Treasury (and overlays)	€ 12,682	-36,055.7	n/a	n/a	n/a
Total	**€ 227,818**	**-63,691.2**	**-21.8%**	**-21.0%**	**-0.9%**

Table 1.2 assets under management and performance per investment category.



In 2022, we achieved a relative return of minus 93 basis points. Measured in euros, this is approximately -2.1 billion euro's. Liability hedging mandates, represented by our government bond and overlay portfolios, suffered the largest losses. Interest rates on government bonds rose faster than the swap rates and the spread effect explains approximately 2/3rd of our overall underperformance. The interest hedge mandates of our clients witnessed sharp losses of more than 50% in market value. However, these mandates served their goal, which is to reduce the volatility of the balance sheet of the pension funds. Also Emerging Markets faced rising interest rates and losses in Emerging Market Debt mandates, although less extreme than in the eurozone. The Investment Grade Fund managed to record a strong outperformance against this backdrop due to a relatively cautious positioning and limited exposure to companies directly impacted by the Ukrainian conflict.

In 2022 the return on listed shares was the worst since the financial crisis. Reasons were the sky-high inflation, the war in Ukraine, the exclusion of Russia and the lockdowns in China. This was particularly detrimental to growth stocks and more speculative investments. Listed shares incurred a loss of 11.2%, with 0.3% outperformance. The portfolio benefitted from the relative high exposure to the energy sector in combination with rising energy prices. The alternative equity fund outperformed its benchmark by 4.6%, mainly as a result of the exposure to stock selection styles. Among these, the Value factor made the largest contribution.

The internally managed sustainable investments equity portfolio performed considerably better than most ESG- and impact funds, and outperformed the broad FTSE index by over 3%. It did, however, underperform its 'own' sustainable equity benchmark, also by more than 3%. The climate change theme in particular was under pressure from the energy crisis.

Infrastructure realised an absolute return of 5.2% over 2022 which is significantly under the benchmark of 14.7%. The underperformance is largely explained by the exceptional high inflation (the benchmark is equal to inflation plus 5%). Insurance linked investments lost 4.4% versus the benchmark. The main reason was Hurricane Ian. This 4th category hurricane caused much damage in Florida and led to losses for this portfolio.

Our credit risk sharing portfolio returned 3.3% above the benchmark. This portfolio gained from stable coupon returns and lower than expected defaults.

Our mortgages portfolios also had a difficult year. Rising interest rates on mortgages led to a negative return of almost 18%. Mortgage rates followed the swap rates closely and rose during the entire year. This lead to losses on the marked-to-market value of the portfolio, but we witnessed no defaults in the portfolio. Mortgages are benchmarked versus an investment grade credits index. Because mortgages have a longer duration then credits, the portfolio underperformed with 5.3%.

Private real estate was the best performing category in 2022 with an outperformance of 3.4%. The relative high allocation to logistics and residential and the overweight to the United States led to a return above the benchmark.

Our Treasury & Trading team ensured that there was always sufficient liquidity available to make the rebalancing possible and that at all times there was sufficient cash to meet the collateral obligations. As in previous years, our trading strategy produced a positive result in 2022. During 2022 PGGM Investments rebalanced approximately € 37 billion out of listed equities, to compensate for losses on our liability and currency hedges.

1.1.b Market developments

In 2022, a "perfect storm" of inflation factors emerged. Price growth was already high at the beginning of the year as a result of problems on the supply side of the economy caused by COVID-19, while the demand side recovered rapidly from the pandemic. Inflation accelerated further when Russia invaded Ukraine in February. This not only had serious humanitarian consequences, but also caused a sharp rise in energy and food prices. Russia is an important energy supplier to many countries, while Ukraine counts as a major global food exporter. This cocktail of factors caused inflation to increase further and to reach record highs in many places. To combat the high inflation and to prevent price growth from spilling over into expectations and wages, central banks tightened their policy.

Inflation and increasing interest rates

A year earlier most of us believed that inflation in the US and the euro area would fall in the course of 2022. On February 24th, the Russian invasion of Ukraine changed this dramatically. Energy prices shot up higher on looming shortages, giving inflation an extra boost and causing economic growth prospects to deteriorate again. Even prior to the invasion the US central bank, the Fed, had been preparing financial markets for an initial rate hike of 25 basis points in March, but as a result of this, the size of its rate hikes increased throughout the year. The fact that growth prospects deteriorated further and that risky assets fell sharply in value was accepted, which was apparent from speeches by various central bankers. They all indicated that fighting excessive inflation has absolute priority. The ECB was a lot more conservative than the Fed, with the first rate hike taking place in July. The ECB hiked rates a couple of times during the rest of the year, but did not go as far as the Fed in its hiking. The 10-year yield on German and US government bonds rose. Also the 30-year swap rate climbed. All this translated into a bad year for financial markets. The invested assets of pension funds came under pressure as a result. Not only did the investment portfolio shrink, but there were also large losses on interest rate hedging. Meanwhile, however, rising interest rates also caused a sharp drop in the present value of pension liabilities. Therefore, despite the drop in invested assets, on balance coverage ratios increased.

1.2 Our investments

Broadly speaking, our investment categories can be divided into public market and private market asset classes which make up about 66% and 34% of the asset mix respectively.

In this part of the report we zoom in on the developments within PGGM Investments. We reflect on the developments in the private markets (1.2.a) and then in the public markets (1.2.b.).

PFZW's new investment beliefs

At the end of 2021 PFZW came to the conclusion that the existing investment beliefs had to be updated. PGGM therefore organised six dedicated sessions with members of the investment committee and the board of PFZW in which all kinds of topics were discussed. In all of these sessions an external view was given by professors and other thought leaders.

The meetings resulted in six new investment beliefs and its implications for PFZW's investment policy:

1. Taking investment risks leads on the long term to a higher return for our beneficiaries
2. Financial market developments are very difficult to predict, especially on the short term.
3. Diversification improves the risk-return profile of our investment portfolio, but there are diminishing returns.
4. Taking into account ESG-opportunities and risks in investment decisions leads to a better portfolio.
5. As a long term investor PFZW can deliver a valuable contribution to a more sustainable world.
6. We strive for low costs. High costs are only acceptable if they are in the interest of our beneficiaries.

Based on these new beliefs, PGGM will assist PFZW to transform its portfolio

1.2.a. Private markets

PGGM Investments has built a strong and elaborate private markets platform since 2008. Within the private markets platform, we actively invest in non-listed asset classes for our clients: private equity, private real estate, infrastructure, credit risk sharing, insurance linked investments and residential mortgages. We do this either through direct investments or by mandating external managers. Private investments contribute to diversification and contribute to achieving our clients long term return targets while also achieving a tangible impact on the real economy. Due to their long-term character, private investments are a good fit with the longer investment horizon of pension funds. In 2022 we completed 77 transactions in private markets.

Private real estate had a strong year with an absolute return of almost 10%. Although all 3 regions (US, APAC and EMEA) contributed positively, US and APAC outperformed. The main contributor regarding the sectors were Logistics and Residential. However all sectors, including Retail that reached the bottom in 2021, had positive returns.

The Infrastructure team realised multiple new investments with an investment value of around € 3 bln. Commitments have been made both to add-ons for existing portfolio assets as to new acquisitions. The growth of the portfolio is spread over all four infrastructure sectors.

PGGM Infrastructure invests in a water company

The PGGM Infrastructure fund bought, together with DIF Capital Partners, 50% of the shares of French Saur. Saur delivers drinking water services to local governments and industrial companies. Saur manages a quarter of a million kilometres of waterpipes and serves 20 million inhabitants with 700 billion litres of water. Also they develop innovative solutions like the promotion of water savings and the protection of water quality.

For PGGM this is an investment that delivers a long term stable income. It is an investment that not only provides us with a financial return, but also actively contributes to a solution of sufficient clean water in the world. This is therefore an impact investment in the category of Sustainable Development Investments, of which PGGM has 1,52 billion euro's in water related investments.

The PGGM Private Equity portfolio was able to make a positive contribution to PGGM's returns. It is sufficiently diversified in particular being invested in the top four sectors; Information Technology, Consumer Staples and Services, Industrials and Healthcare. The portfolio diversification will dampen the impact of any specific macro development. The Private Equity market is seeing elevated fundraising levels in 2021-2023 due to an high investment pace in 2021. PGGM made 22 new commitments in 2022.

The Credit Risk Sharing team has completed 12 new transactions in total and started new risk sharing relationships with the Bank of Poland, Helaba of Germany and BMO of Canada. These new relationships bring valuable diversification into unique credit risks to the portfolio.

In 2022 the Insurance Linked Investments portfolio's Nightingale Re platforms infrastructure grew with three additional investments. Nightingale Re is a separate platform we have set up to invest more cost efficiently for PFZW.

PGGM CILI team wins Investor of the Year and Innovation awards

Structured Credit Investor (SCI), the securitisation market's No.1 news and market data service, has bestowed PGGM Investments with the "Investor of the Year 2022" award for its Credit Risk Sharing mandate. The SCI awards are covering the global credit risk sharing market.

"We find it important to be there for our risk-sharing partners, both in good and bad times," Barend van Drooge, Deputy Head of CILI says. "We have demonstrated this during the global financial crisis of 2008, the Covid-19 crisis and we continue doing so during the current situation of inflationary pressures and geopolitical unrest as well.

1.2.b Public markets

PGGM Investments has a long and successful track record with benchmark-aware implementation. Our core contribution is creating portfolios that have a return (at least) comparable to the benchmark, yet with reduced risks. We build better portfolios that might remain close to the index, but which mitigate the risk of undesirable exposure and which integrate ESG factors. Investments in public markets, account for the majority of our client portfolios. We invest our clients' assets in several asset classes such as listed equities, government bonds and corporate bonds.

The listed real estate markets experienced an eventful and volatile year. Although the real estate fundamentals across many sectors and markets remained solid overall, the sharp rise in borrowing costs against all-time low cap rates resulted in significant revaluations of portfolios held by real estate companies. In anticipation of these negative revaluations, the investor community had lost interest in listed real estate resulting in negative total returns across the board.

Segment-wise the real estate sector came under a significant amount of pressure, with the higher refinancing costs and expected significant revaluations of properties resulting in these companies losing access to capital markets for a large part of the year. Within the fund, exposure to this segment was reduced materially during the year. Due to the departure of other clients than PFZW at the end of 2022, the current fund will be terminated and will transition into a segregated mandate for PFZW. Within this mandate, the team will get access to various new instruments, including dollar bonds and CDS. The team has developed tooling to look at relative value across these new instruments and has taken steps to integrate this in the investment process ahead of the launch early 2023.

The Emerging Markets Credit team experienced an eventful and volatile year as well. Total and relative returns were negative (although the official relative return is positive due to the valuation of Russian corporates at the time of the benchmark exit) which was largely driven by increasing interest rates and several idiosyncratic situations. The mandate was able to sell all its Russian exposure before the end of June. The mandate needed to divest close to 10% of its portfolio, mainly because of the first phase of the fossil fuel exclusion program. New investments include companies such as Transmantaro and Transmission Austral both of them transmission companies in Latin America. Another new investment is Comcel, a telecom company in Guatemala. The team signed an agreement with EBRD, the European development bank, to source more impact investments.

The internal credit teams (Investment Grade Credit and Emerging Markets Credit) spent a significant amount of time on further integrating ESG and impact elements in their credit analysis framework. Collectively, we performed studies on the largest sectors in order to identify the main sustainability factors and to determine how to evaluate companies in these sectors on their sustainability contribution.

Chapter 2: Our impact – Generating value for stakeholders and society

As a pension fund asset manager our core belief is that sustainable development is essential to generate good and stable investment returns. We invest for the long term which means considering the impact of our investments on people and the environment. Directly or through market indices we are exposed to a large number of entities. As such, we have influence on many businesses worldwide. We use that influence to push sectors where there is still potential for sustainability improvements, with special attention for climate, health and well-being. We report on both sustainability risk factors affecting our investments (financial materiality) and on the impact our investments have on society and the environment (outward materiality/impact).

2.1. How our clients' investments contribute to the SDGs

The long-term orientation and the volume of assets managed by PGGM Investments present an opportunity to contribute to a more sustainable and just world. PGGM Investments uses this opportunity by investing in scalable solutions for the Sustainable Development Goals that matter most to our clients. Through these Sustainable Development Investments (SDIs) we generate social and environmental value in addition to a solid financial return.

'We cannot trade financial return for social and environmental impact. We want both, and we think we can have both.'

Piet Klop *Head of Responsible Investment*

With Sustainable Development Investments we aim for greater alignment of the investment portfolio with the SDGs. We call this inside-out impact. Outside-in ESG factors that may pose material risks to the portfolio are discussed in chapter 2.4 and 3.1.

2.1.a SDI method and developments in 2022

Our objective is to increase portfolio alignment with the SDGs by standardising the way companies' positive contributions to the SDGs are assessed. To this end, PGGM Investments, together with other pension funds and administrators, developed the SDI taxonomy in 2017. On the basis of that taxonomy (and its refinements) we earmark companies' revenues for their contribution to one or more of the SDGs. For an investment to be classified as an SDI that contribution must be substantial. The total SDI volume is expressed in euros or share of Assets under Management (AuM). **At year-end 2022, 21.3% (€ 48.5 bln) of the total investment portfolio was classified as SDI (2021: 18 %, € 52.7 bln).**[1]

The SDI volume grew as a percentage because of new SDIs and because of a much lower AuM (the denominator). In the fixed income markets, for example, more green, social and sustainability-linked bonds were issued. Growing market demand for these bonds resulted in divestments of existing portfolio positions based on relative value analysis.

A long-term investment with positive impact

Sjoerd van Krimpen, Infrastructure Investment Director:

'Entrepreneurs face major challenges regarding their energy supply. Not only grid congestion, fluctuating energy prices, but also changing laws and regulations play a role. The Dutch energy technology company Fudura develops solutions to meet these challenges. The company thus fits perfectly into our strategy to make long-term investments that are not only financially profitable, but also help accelerate the energy transition. With the expansion of its capital, Fudura will develop solutions in the areas of mobility (charging infrastructure for electric transport), generation (solar energy) and storage (batteries). This will allow companies to continue to grow while becoming more sustainable.'

We intend to allocate more assets to companies that contribute positively to the SDGs through their products and services with a goal to invest 30% of the total investment portfolio in SDIs in 2030, half of which in climate solutions.

SDI asset categories	Percentage of total SDIs
Private real estate	24.0%
Equities	16.1%
Insurance linked investments	14.4%
Listed real estate	9.3%
Infrastructure	8.8%
Sovereign bonds & SSA	8.1%
Corporate credits	7.3%
Private Equity	3.1%
Real assets	0.5%
Credit risk sharing transactions	0.1%
Treasury and overlay	8.1%
Total categories	**100.0%**

Table 2.1. % SDI per asset class

[1] During 2022 we introduced a more conservative method to calculate the SDI volume.

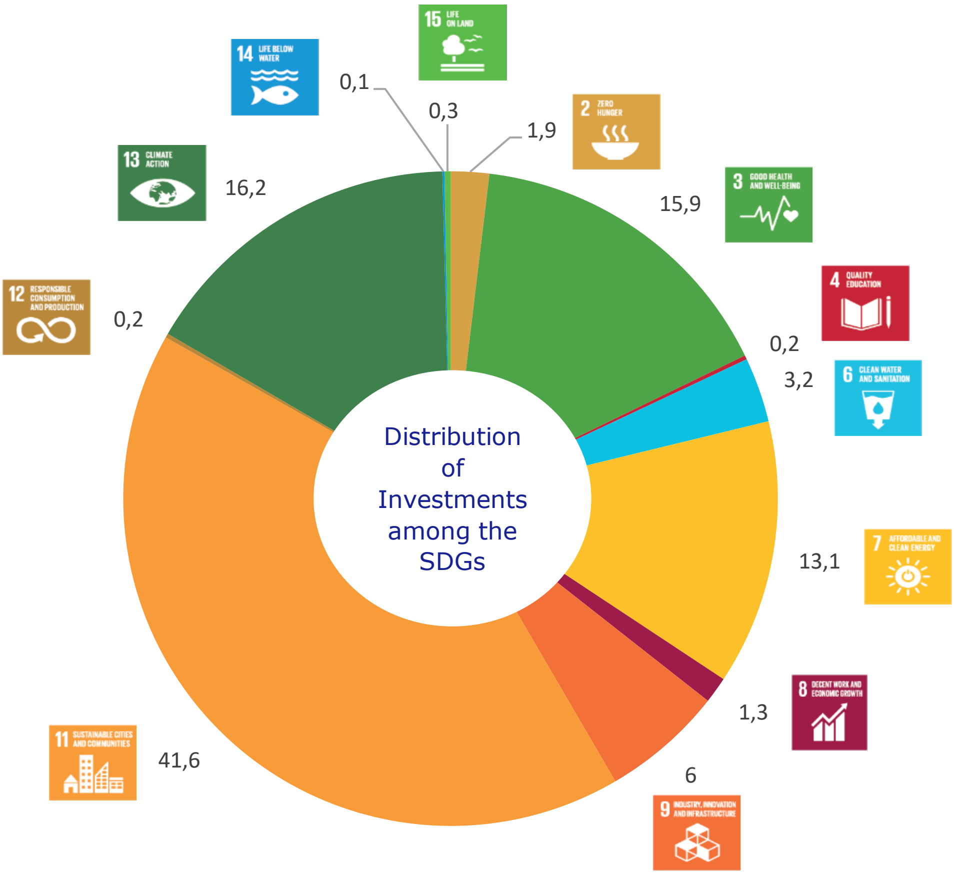


Table 2.2 % Invested assets per SDG per 31-12-2022

2.1.b Standardisation: the Sustainable Development Investment Asset Owner Platform

Together with APG, Australian Super and British Columbia Investment Management, PGGM Investments established the SDI Asset Owner Platform in 2020 in order to standardise the assessment of companies' contribution to the SDGs. Data science partner Entis analyses more than 9,000 listed companies on their positive and negative contribution to the SDGs using the SDI taxonomy. This classification is made available to other financial institutions through distribution partner Qontigo. The SDI taxonomy (see section 2.1.a) is continuously refined based on new insights and availability of better data. In 2022 new modules were added to the existing SDI classification of listed stocks and bonds: negative contributions to the SDGs and the SDI Outlook. If more than 10% of the revenue of a company has a distinctly negative contribution to one or more of the SDGs (e.g. tobacco, landfills, coal mining), it is classified as a Non-SDI. The SDI Outlook is a forward-looking analysis of companies' potential contribution to the SDGs based on global patent data, e.g. for battery storage or hydrogen technology. A future module will add real-world outcomes or impact data to the revenue-based assessment of companies contribution to the SDGs. SDI data will be used for regulatory reporting (such as SFDR) as a first step to define sustainable investments.

2.1.c Moving from Euros invested to real-world impact

Increasingly, investments are defined by their real-world impact in addition to their risk and performance characteristics. The SDI volume per se is merely a first step towards understanding that impact. Expressing impact in tangible terms supports the integrity and communication of the notion of 'pensions with purpose'.

PGGM Investments measures the impact of (its share of) SDIs, where possible. In addition to its goal of 20% of AUM in SDIs in 2025, our biggest client, PFZW, aims to double the measured impact on the focus areas Climate and Health & well-being, with the underlying SDG7 and 12 (climate and pollution), SDG11 (sustainable real estate) and SDG 13 (climate action), and SDG2 (food), SDG3 (health) and SDG6 (water).

TOTAL INVESTED		RESULTS	IMPACT
CLIMATE	**€ 34.4 billion**	9.9 million MWH of renewable energy generated	Average electricity consumption of 2.9 million households per year
		28.2 million tons of CO_2 emissions avoided	The avoided CO2 emissions are equivalent to the average CO2 emissions of more than 1.2 million households per year
WATER	**€ 1.6 billion**	2 million m^3 water saved	Average water consumption of 20 thousand households saved
		184 million m^3 water treated	1.9 million households supplied with treated water
FOOD	**€ 0.9 billion**	48,000 ton yield improvement	2,000 Trucks filled with food
HEALTH	**€ 7.7 billion**		14 million fewer sick days 16.8 million patients treated

The impact data (lagging holdings data by one year) is a combination of published data from companies, as well as impact models. Because it is impossible to add up a variety of impacts, we normalised for the year 2019=100 (which is to be doubled to at least 200 in 2025). The impact indicators used are in line with the impact indicators as defined by the Working group on Impact Measurement on DNB's Sustainable Finance Platform. The volatility in the normalised impact is largely due to changes in the number and quality of SDI investments: new investments or divestments of high-impact SDIs make for fluctuations in the normalised, total impact on portfolio level. During 2022 we have been able to increase the number of SDIs (also in the index portfolios) as well as the number of impact datapoints. The result is an increase in the normalised, total impact from 81 in 2021 (on the basis of 2020 impact data) to 134 for 2022 (on the basis of 2021 impact data).

With SDI, we look at portfolio alignment with contribution to the SDGs. We call this inside-out impact. On the other side, there is outside-in risk: ESG factors can form material risks to the portfolio. Read more about the impact of ESG factors on the portfolio in chapter 2.4.

2.2 How we mitigate our negative impact

Through our asset management activities, we invest all over the world, both directly and indirectly in nearly all business sectors, through a range of different asset classes and using different investment strategies. This means that through our investments we are exposed to many different aspects of the global economy. Adverse impacts can be a result of, or be linked to, the economic activities of the assets we invest in. Besides our ambition to positively contribute to a sustainable world, we also have the responsibility to minimise negative impact. Negative impact can be described as negative effects for individuals, workers, communities, and/or the environment. PGGM Investments tries to prevent negative impact and considers this as a highly material topic. Where negative impact cannot be prevented, we aim to limit this to the absolute minimum.

2.2.a. OECD-Screening and UN Global Compact

In order to mitigate negative impact by our investments, PGGM Investments has implemented a portfolio-wide screen for (potential) violators of the OECD Guidelines and Principles of the UN Global Compact. In the spirit of the OECD guidelines, PGGM Investments first engages the company or fund manager in talks. If this engagement fails, divestment could be a next step.

In 2022 PGGM Investments excluded a total of 360 companies, of which 65 companies were excluded as a result of the OECD screening. Over the course of 2022, the OECD-engagement program encompassed 55 companies.

OECD-Screening and Active Ownership

We have engaged with a total of 55 companies under the OECD engagement program, one of which was Tyson Foods Inc. Tyson has been named in several antitrust cases, linked to price fixing of its products. We entered into dialogue with the company's Chief Compliance Officer to learn how, after settling past cases, it would prevent any future incidents from happening. The company explained how it was improving its Global Antitrust Policy, based among other things on guidance from the United States Department of Justice Antitrust Division. After PGGM's recommendations, the company published the renewed Global Antitrust Policy on its website, resulting in a positive outlook on the OECD screen. We continue to monitor the implementation of the policy by the company.

2.2.b. Product based exclusions

PGGM implements several product based exclusions on behalf of its clients. We exclude companies that are involved in controversial weapons and tobacco activities from the PGGM Investments' funds and internally managed mandates. Early 2021 we added coal and tar sand to these *product based exclusions.* Companies that derive a large part of their revenues from coal extraction, coal powered energy generation and tar sand oil extraction have proven to be unable or unwilling to embrace the energy transition. In 2022 the revenue thresholds for production of coal and tar sand oil have been made more stringent to 5% and 1% respectively. In 2022 PGGM has divested from 54 coal-producing companies and 2 tar sand oil companies.

Total Product based exclusions	**180**
Arctic Drilling	4
Coal production	54
Tar sand oil production	2
Tobacco	4
Controversial Weapons	2
Oil and Gas	114

In 2022 investments involved in oil and gas drilling in the Arctic were excluded if they derive more than 1% of their turnover from this activity. Finally, we sold 114 oil and gas companies that we believe are not taking sufficient steps to commit to the Paris Climate Agreement.

In addition, we do not invest in government bonds from countries that are the subject of sanctions by the UN Security Council and/or the European Union (EU).

Russian and Belarus investments excluded

Following the Russian invasion of Ukraine on Feb. 24, 2022 PFZW decided almost immediately to sell all investments in Russia and Belarus. In doing so, we tried to limit the damage to the investment portfolio adhering to international economic sanctions. Russian and Belarus investments represented about 0.4% of the total portfolio at the start of the war. This has been fully divested where possible and PGGM is investigating the feasibility of selling the few remaining positions.

2.2.c. Our journey on fossil investments

Interest in the climate policy of large investors is growing rapidly. PGGM Investments and PFZW are being approached frequently about why we remain invested in oil and gas companies.

We implement an approach that combines engagement, voting, and divestment. By the end of 2023, PGGM will only remain invested in fossil fuel companies that have a convincing and verifiable climate transition strategy in line with the Paris Agreement. During the program's two-year period, PGGM will be engaging with the leading oil and gas companies that can play a role getting us to a low carbon future because of their expertise, scale, and capital.

If progress is not fast enough, we use our shareholder rights to vote to encourage ambition. In 2022, we voted in favour of 54 of 74 climate-related proposals and resolutions that were assessed. The majority of the 20 we voted against were so-called "Say on Climate proposals", where a company's management asks for approval on the energy transition plan. Most we assessed were not considered ambitious enough.

As a final resort, we will divest from companies that we have completely lost faith in. Although divestment does not typically have a material impact on a company's cash flow, it sends a message to the market that we have lost faith, which can add broader pressure to the company, and it frees up engagement and financial resources to invest in more willing companies. In 2022, PGGM divested 114 companies in Q2 and 78 in Q4 (implemented in Q1 2023), totalling approximately EUR 772 mln of exposure. These companies failed to progress fast enough despite our encouragement.

Looking forward to 2023, significant challenges remain, particularly due to the increased focus on energy security after Russia's invasion of Ukraine. We have already seen that oil and gas companies scale down their climate commitments and it is likely that many more companies will be divested by the end of the year. However, there are companies that still have potential and many like-minded investors that are now engaging with increased intensity. Furthermore, PGGM will expand its engagement efforts to target significant consumers of fossil fuels, because it is crucial for demand, as well as supply, to reduce.

2.3. Active ownership

PGGM Investments uses its influence as a shareholder for more sustainable companies and markets. Engagement with and voting on the shares we hold in companies (together: stewardship) is how we implement the Dutch Stewardship Code and European Shareholder Directive (SRD II).

2.3.a. Engagement

Successful stewardship requires perseverance and issue, sector and company knowledge. Companies benefit from a critical but constructive dialogue on sustainability issues and impact.

In this context, we also work to form engagement coalitions with other institutional investors. This increases our impact because our total share is greater.

For positive impact we focus our engagement activities on Climate and Health & wellbeing and the underlying SDGs (see above). We also run a reactive engagement program with companies that are implicated in various negative impacts. This reactive engagement has been expanded as a result of the new OECD-Screening which we have implemented as of 2021. This screening is used to identify companies with the most significant negative impact and associated ESG risk in the index portfolio. During 2022 we engaged with 170 companies for 15 tangible sustainability improvements. Examples of sustainability improvements achieved in 2022 are the inclusion of living wage as an indicator for a sugar certification scheme and the introduction of rigorous anti-money laundering procedures at a large Swedish financial institution. Other examples are shown below. For a full list of all engaged companies please see our website.

Distribution of engagement activities at companies by theme 2022	
Anti-competitive behaviour	7
Business ethics	15
Corporate governance	7
Human rights	38
Labour rights	11
Land use	54
SDG 1 Poverty	7
SDG 3 Health	10
SDG 6 Water	20
SDG 13 Climate Action	19
Total	**188**[2]

[2] At some companies multiple topics were addressed leading to a higher amount of engagement activities by theme then by region.

2.3.b. Voting

By voting at shareholder meetings we exert our influence on the strategic, financial and social direction the company takes. For each company we publish a voting record via the website. In some cases (mostly Dutch companies) PGGM Investments also addresses shareholder meetings (AGMs) to reinforce our vote and publicly engage in a debate with company directors. We also submit shareholder proposals, often with other investors, to spur a company into action.

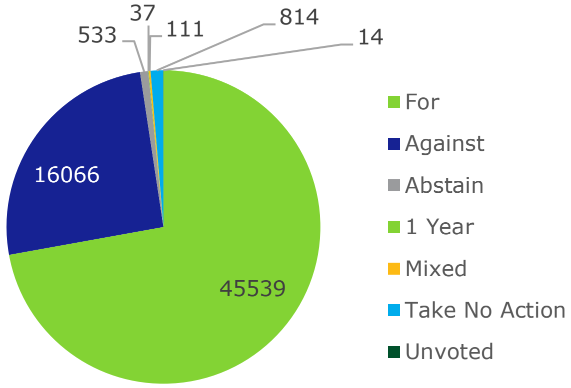
In 2022 we voted at 5,877 shareholder meetings of listed companies in which assets of our clients are invested. Based on our clients' voting policy, votes were cast on 61,849 shareholder proposals.

The figure below shows in what regions and on what topics we voted in 2022.

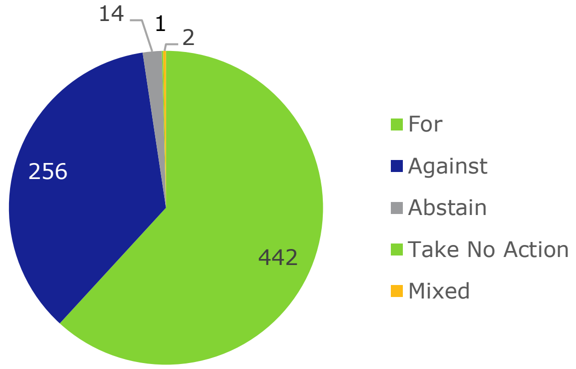
Distribution of engagement activities at companies according to region in 2022	
Europe (excl. the Netherlands)	41
North America	50
Asia	37
Rest of the world	32
The Netherlands	10
Total	**170**

Voting figures 2022	
Number of shareholder meetings	5,880
Number of shareholder meetings at which we voted	5,877
Number of shareholder meetings at which we did not vote	3
Number of agenda items voted on	61,849
Percentage voted on	99.95%

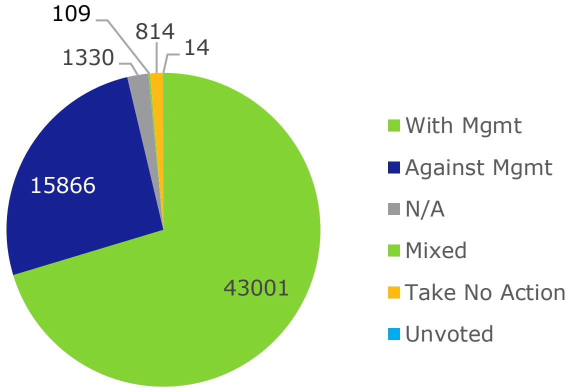
Managment Proposals - Votes Cast



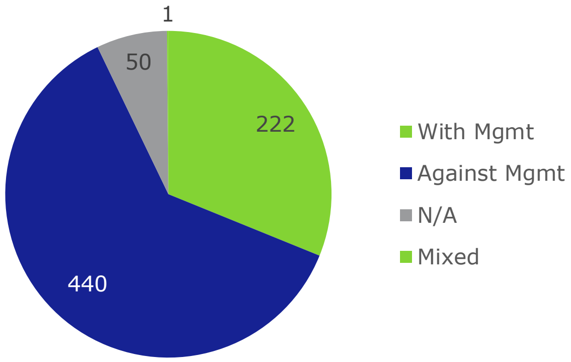
Shareholder Proposals - Votes Cast



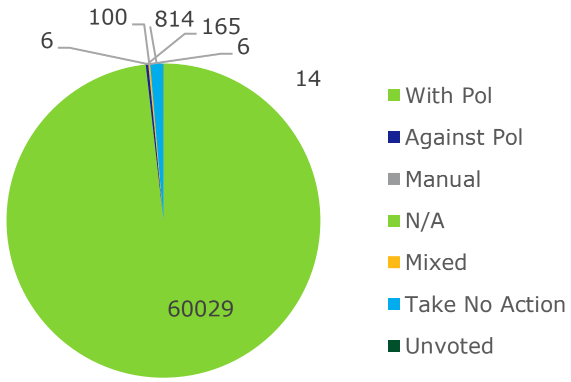
Management Proposals - Votes versus Management



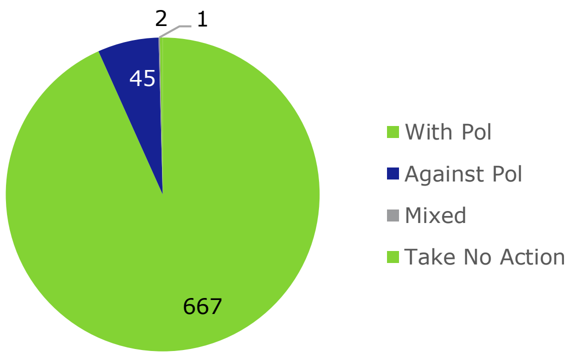
Shareholder Proposals - Votes versus Management

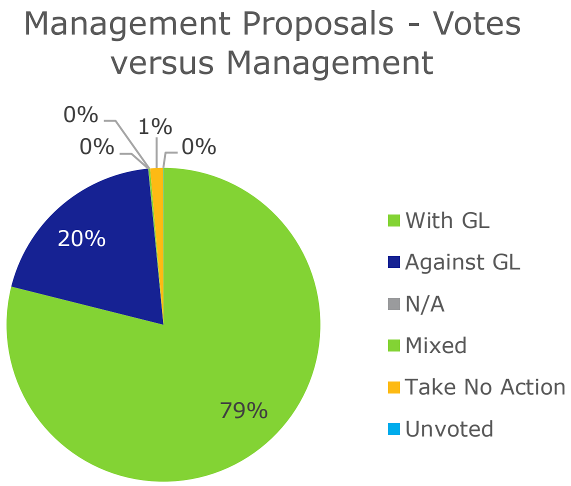


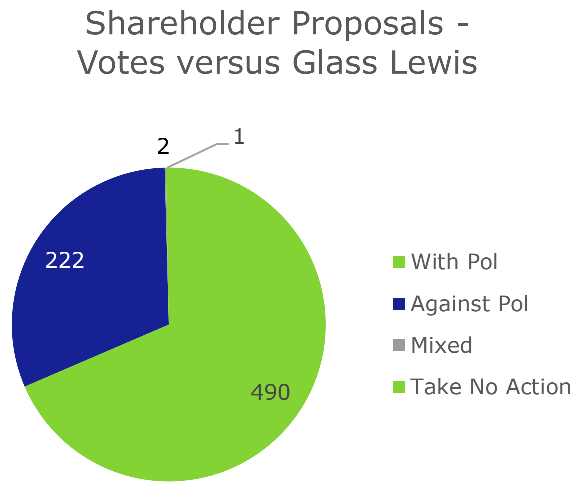
Management Proposals - Votes versus Policy

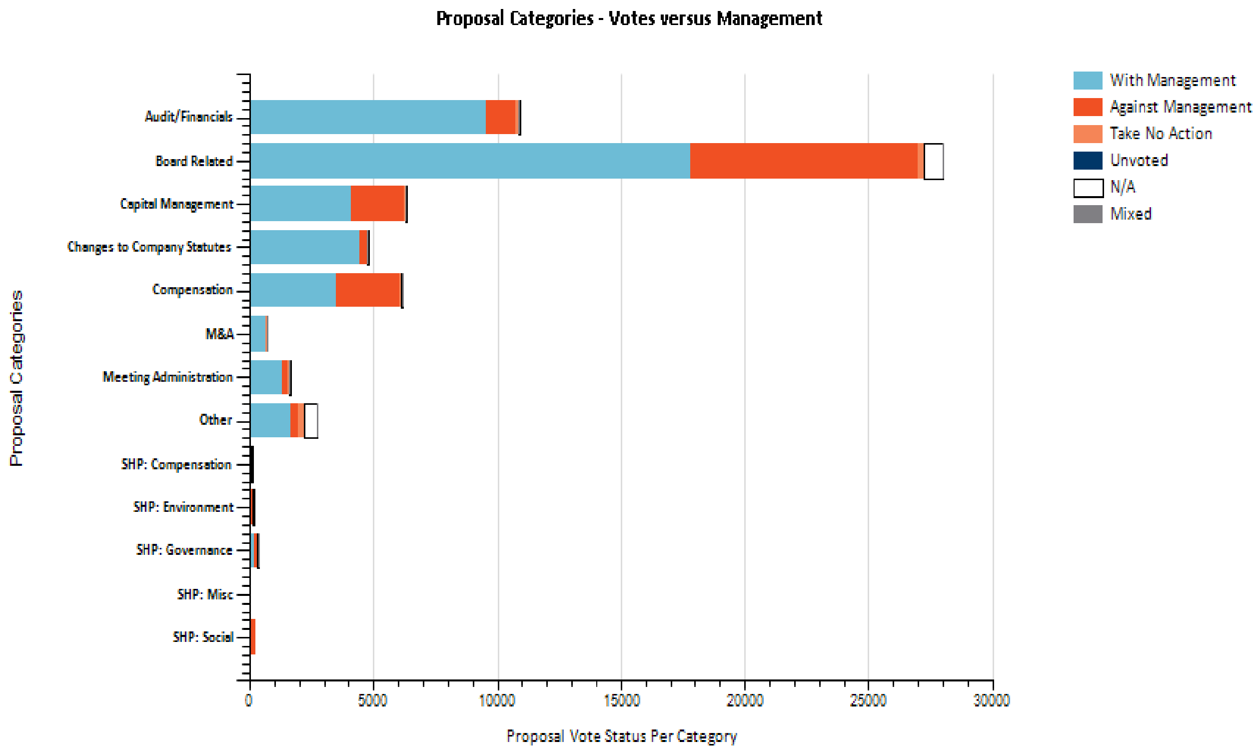


Shareholder Proposals - Votes versus Policy









In 2022 PGGM reinforced its voting guidelines and became more stringent on company management regarding ESG-related shareholder proposals which in practice led to more support for the proponents. In 2023 we will build on that by including escalation steps in the guidelines.

Throughout the year we increasingly used voting to show our dissent over lacklustre progress of our engagements on climate but other themes too, and paid special attention to individual shareholder proposals. For example at the shareholder meeting of Alphabet Inc. (the parent company of Google) we voted against the (re)election of the entire board of directors for the company’s unwillingness to enter into a dialogue on our ESG concerns regarding anti-competitive behaviour.

2.3.c Legal proceedings

PGGM Investments conducts legal proceedings on behalf of its clients for example to recover investment losses and enforce good corporate conduct. In 2022, PGGM Investments was involved in 15 active legal proceedings, including against Volkswagen, Porsche and Daimler seeking compensation for losses incurred by diesel gate'. We also participate in proceedings against BHP Billiton and Vale for their involvement in the collapse of poorly maintained dams. Apart from the ecological and human tragedy, shareholders suffered substantial financial losses for which they seek compensation. In 2022 PGGM Investments recovered over €8.2 million for its clients.

2.3.d Tax behaviour in the portfolio

International legislative initiatives continue to emphasise greater tax transparency and reducing aggressive tax planning. Our clients are responsible for the design, operation and evaluation of their tax policy and the legal structures used in the investment portfolio. For certain existing investments there may be legacy deviations from the current policy. With portfolio turnover these investments will eventually disappear. Within private markets legal structures in jurisdictions that may qualify as 'tax haven' are still frequently used by externally managed funds for investments for various reasons, including organisational, infrastructural and commercial reasons. PGGM generally invests in externally managed funds of reputable top tier managers with an established and thorough commercial track record, which makes such funds easily oversubscribed, PGGM's stake relatively small and PGGM's control over the legal structure and/or jurisdiction of such fund rather limited. Where possible PGGM proactively discusses the legal structure and/or jurisdiction of such externally managed funds with such managers and requests managers frequently to consider using a legal structure and/or jurisdiction that meets the tax policy requirements. Since the funds PGGM invests in typically are fiscally transparent there are no fiscal advantages for PGGM to use certain legal structures and/or jurisdictions.

2.4. ESG integration

ESG integration focuses on the identification and mitigation of potentially material environmental, social and governance -factors in investment decisions and activities. For instance, climate-related risks such as more extreme weather events may result in higher insurance claims and energy companies can be sued for complicity in human rights violations and lose drilling licenses.

At PGGM Investments, the investment teams are responsible for the integration of ESG factors in investment decisions. The Risk Analysis department performs an ESG risk analysis and challenges the assessment by the investment teams. The Responsible Investment team assist Risk Analysis as well as the investment teams by providing subject matter guidance, training, and coordination.

2.4.a ESG integration in practice

For effective ESG integration data quality is key and still a challenge. Improvement of ESG data quality is a first objective of our ESG integration activities. In 2022 we build an internal ESG database that will be operational early 2023. This database will enable the investment teams to easily access, use and report the most relevant ESG data for ESG integration purposes, and meet various regulatory requirements , voluntary commitments, and client demands.

PGGM Investments has joined various initiatives, in private markets in particular to standardise and improve ESG data quality, such as the ESG Data Convergence Project in Private Equity and GRESB in Real Estate and Infrastructure. In 2022 we have developed an additional screening tool to pro-actively identify companies with high ESG risks in specific priority areas, such as biodiversity, land rights and labour rights. This screen will support effective communication, help target company engagements, and possibly exclusions from the investment portfolio.

In 2022 PGGM Investments has continued its internal training programs to support investment teams in public and private markets for more effective and consistent ESG integration.

A 'green star' for our selected real estate investments

Stan Bertram, associate director ESG:

'Our Private Real Estate real estate portfolio shows that financial returns and sustainability can go hand in hand. This portfolio has now beaten the global financial benchmark for years, and the same picture is visible in the field of ESG: this year too, our private real estate funds and joint ventures score very high in the Global Real Estate Sustainability Benchmark (GRESB). 97% of real estate investments (22 billion euros are GRESB 'Green Stars’. 35% have the highest possible score for policy and results in terms of energy use, CO2 emissions, water use and waste management.`

By entering into joint ventures with real estate managers, the real estate team can focus on the generation and use of more renewable energy at or near the properties we own. The philosophy here is to not just buy green buildings, but to actually make buildings greener.

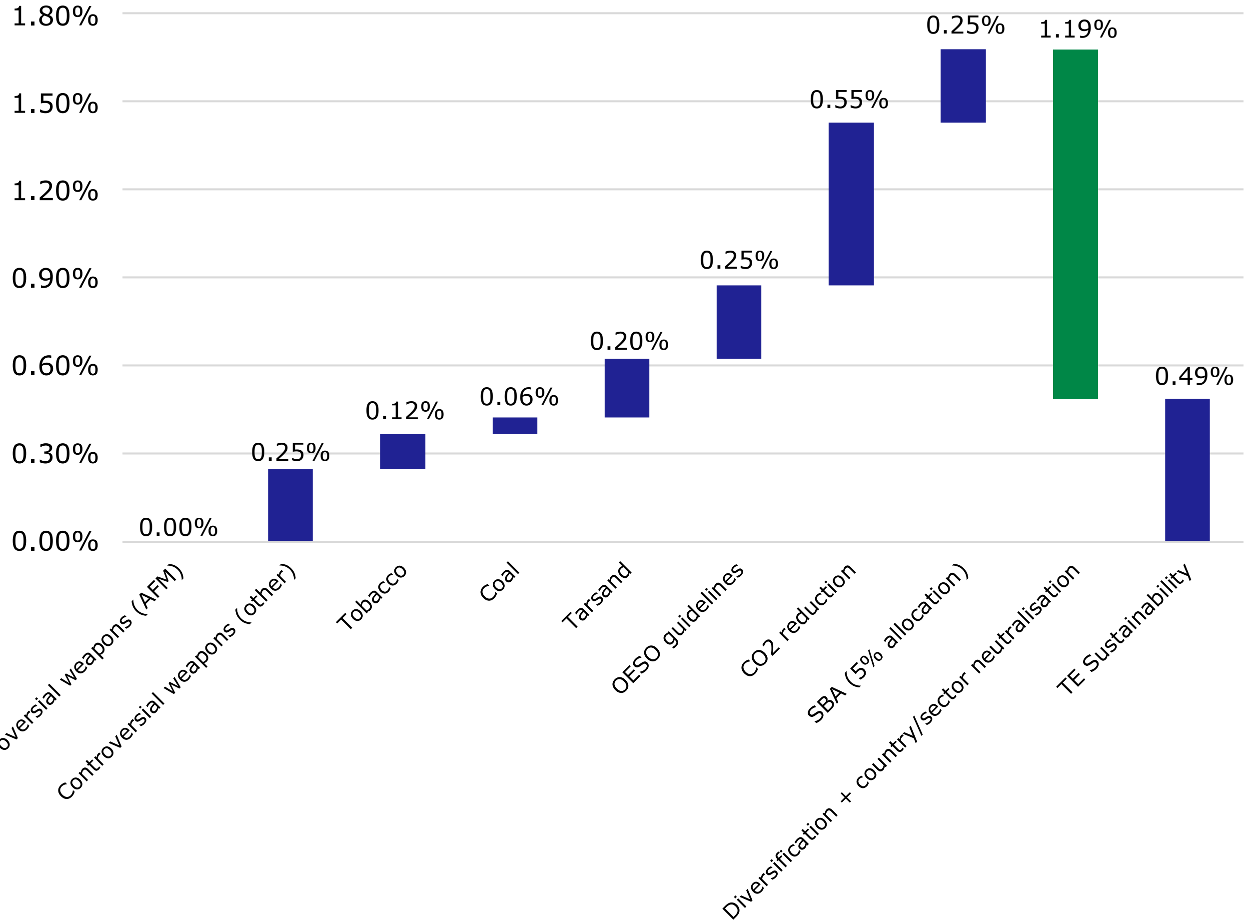
2.4.b ESG integration in numbers

What is the relative investment risk of ESG integration on our listed equity investments? PGGM Investments uses standardized measures and deviation analyses to measure this. The size of the difference between return fluctuations of an investment portfolio against return fluctuations of a benchmark is measured by a tracking error. A tracking error is a measure of the size (not the direction) of performance differences. The benchmark is the FTSE All World Index, a broad market index reflecting the global stock market performance. A large tracking does not necessarily imply underperformance of a portfolio compared to its benchmark but a higher chance that the performance will be significantly different.

With our ESG integration policies we want to achieve the best ESG performance while achieving market-level returns. Therefore, we strive for a low tracking error in all our ESG integration policies which represents reduced risks. To understand the impact of different ESG integration measures, we compute the tracking error per measure as well as the total tracking error relative to the benchmark, the FTSE All World Index.

The CO_2 reduction program generates the biggest tracking error (0.55%). Overall, ESG integration measures lead to a modest tracking error of 0.49%, after correcting for overlaps and country and sector effects.

Tracking Error Sustainability 31 december 2022



Chapter 3: Risk management

We make a distinction between risks to which our clients are directly exposed via their investments and risks to which PGGM Investments is exposed. In order to determine whether and to what extent there is exposure to specific risks, the risk appetite is determined periodically. This risk appetite constitutes our framework for decision making and contributes to an active and conscious risk culture. In this chapter we reflect on the most significant risks of 2022 and how we dealt with these risks.

3.1. Optimal risk management of investments

Our investment teams select the investments and are responsible for managing the investment risks. The Risk and Compliance teams independently supervise that 1) the risks in the investment portfolios are consistent with the desired risk-return profile and 2) they satisfy the preconditions stipulated by our clients.

3.1.a Financial risks

The financial risks of the investment portfolios are continuously measured, analysed, discussed with the investment teams and compared to the predetermined risk limits and risk tolerances. The financial risks that the investment teams manage and the Risk and Compliance teams monitor can be divided into 1) market risks, 2) liquidity risks and 3) counterparty risks.

During 2022, COVID-19 related market risks still received significant attention, mainly in the first quarter when various restrictions were applied to minimise the continuous spreading of COVID. From a credit risk perspective, a continuous focus was on our counterparties, as well as liquidity risks and volatility in client mandates.

The main risk topic of 2022 was the war in Ukraine. Besides, the country risk exposure was a topic. PGGM Risk set up monitoring of sanction regulations to make sure no investments were conducted in entities that are on the sanction lists.

Developments in China continuously received extra attention. The Chinese Government more strongly enforced control in the tech and the real estate sector, with several real estate firms (most notably Evergrande) on the brink of default. The risks appear to be contained for now, but potential impact on global markets and counter parties could be large and are therefore monitored closely.

During 2022 a number of liquidity-related topics received extra attention within PGGM Investments. The developments in the UK pension market, where high interest rate and FX volatility lead to enormous margin calls for UK pension funds, have been thoroughly analysed and compared to the Dutch situation. As these developments resulted in new stress scenarios, PGGM Risk models have been adjusted to reflect these potential large market moves. Besides, the rising interest rate environment in general has resulted in substantial collateral outflows and hence continuous focus on robust liquidity management. The steerability of the investment portfolio was also impacted by a rising interest rate environment. Asset classes sensitive to rate rises decreased in value, and increased attention was paid to relative weights within the investment portfolio. PGGM Risk has developed a framework to assess potential risks of large deviations in weights of asset classes, resulting in a more thorough view on steerability.

In 2022, PGGM Investments began developing key risk indicators (KRIs) to evaluate the potential impact of climate risks on its assets and portfolios. These KRIs will be incorporated into an internal ESG risk policy. PGGM aims to reduce the transition risks by decreasing the carbon footprint of the PFZW portfolio. 2022 saw the introduction of external tools and data to evaluate the potential impact of transition and physical risks, as well as increasing involvement of investment teams in addressing climate risks. PGGM prepared the 2022 TCFD report to summarise its approach to managing climate risks.

3.1.b Carbon emission monitoring and climate stress testing

This year we increased our systematic ESG risk monitoring. In order to facilitate the discussion of ESG risks sustainability risks are now reported to the PGGM Investments Risk Committee, on a quarterly basis. Our new 'Sustainability Risk Report' is a result of the implementation of new regulations (AIFMD and MIFID II). It evaluates ESG risk metrics for all public market portfolios, both stand alone and against benchmarks, on carbon emissions, biodiversity and land use, water abstraction, waste disposal, human rights, labour rights, diversity of company boards. The most important climate risk metric is carbon emissions which gives a good idea of the level of climate transition risk in the investment portfolios. PGGM aims to reduce the transition risks associated with assets with high carbon intensity by decreasing the carbon footprint of the PFZW portfolio.

In 2022 we started with the implementation of a new forward looking climate risk stress testing tool to more accurately calculate the impact of both transition risk and physical risk on the value of the investment portfolio for different climate scenarios. We do this in collaborating with DNB, the Pensioenfederatie and other organisations. This year we also performed regulatory climate stress testing for PFZW based on the methodology and parameters prescribed by EIOPA and engaged with DNB, the Pensioenfederatie and peers to further improve the quality and usefulness of future regulatory climate stress testing for the pension sector.

3.1.c Reporting and steering on CO_2 emissions

PGGM Investments provides a report on the greenhouse gas (GHG) or carbon emissions linked to its managed investments, as presented in table 3.1a. This information helps us to better comprehend the risks related to the transition to a low-carbon economy within our portfolio. Furthermore, we can assess whether the process of reducing carbon emissions in our investment portfolio is progressing as planned to satisfy our clients' objectives.

To increase comparability with reporting of other investors and to comply with the SFDR, PGGM reports on three GHG emission metrics:

- Absolute emissions (measured in tons of CO_2e)
- Carbon footprint (measured in tons of CO_2e per EUR million invested)
- Carbon intensity (measured in tons of CO_2e per EUR million revenue)

Only asset classes with adequate data availability and quality are included in the emissions report. Currently, this applies to listed equities, credits, real estate, and infrastructure, which collectively represent 51% of PGGM's total assets under management. The calculations of CO_2 emissions conform to the PCAF Standard[3] and the Sustainable Finance Disclosure Regulation (SFDR).

In 2022, the absolute emissions of the included asset classes dropped by 30% in comparison to 2021, primarily due to reduced emissions in listed equities. The decline in emissions from listed equities is attributable to a lower allocation to the asset class than at the end of 2021. However, the reported emissions for listed real estate increased because a different data vendor was used for CO_2 data. Furthermore, a larger portion of the assets is passively managed by an external manager, which tracks a benchmark with a higher carbon intensity than the assets managed internally. At present, the reduction in absolute emissions for infrastructure has not been analysed.

Asset class	AuM 31 dec 2022 (in mln €)	Absolute emissions 2022 (ton CO2e)	Absolute emissions 2021 (ton CO2e)	Change	Data coverage 2022	Source
Listed equities	€ 43,787	1,892,091	3,447,206	-45%	98%	Trucost
Credits	€ 23,545	3,584,541	4,222,114	-15%	75%	Trucost
Listed real estate	€ 12,144	103,546	55,178	+88%	68%	GRESB
Private real estate	€ 22,057	80,951	97,436	-17%	66%	GRESB
Infra-structure	€ 13,992	816,372	1,386,799	-41%	74%	GRESB
Total	**€ 115.524**	**6,477,501**	**9,208,733**	**-30%**	**81%**	

Table 3.1a: Absolute footprint (in CO_2 equivalents) of AUM

[3] https://carbonaccountingfinancials.com/standard

Asset class	Absolute emissions 2022 (ton CO2e)	CO2 footprint 2022 (tCO2e/€M invested assets)	CO2 intensity (tCO2e/€M revenue)
Listed equities	1,892,091	43.2	110.2
Credits	3,584,541	152.2	402.2
Listed real estate	103,546	12.6	n/a
Private real estate	80,951	5.0	n/a
Infrastructure	816,372	79.3	n/a
Total/average	**6,477,501**	**53.7**	**n/a**

Table 3.1b: Key figures CO2 emissions (Scope 1 and 2)

When calculating GHG emissions, we have only considered scope 1 and 2 emissions from our investments. While scope 3 emissions are available for a section of the investments, the data's coverage and quality are limited. Consequently, we have not yet included scope 3 emissions in this report[4].

PGGM is focused on managing CO2 intensity in listed equities and credits since its primary client aims to decrease CO2 intensity in these asset classes. In 2022, the carbon intensity of listed equities rose by 7% YoY, primarily due to the sector of energy having a higher weight in the portfolio. This increase in energy stocks' weight was due to rising share prices and a greater allocation to energy stocks in one portfolio. In contrast, the carbon intensity of credits decreased by 19% YoY due to the divestment of various bonds with a high carbon intensity in the energy sector.

3.2 Enterprise Risk Management

For the implementation of risk management, we use the PGGM risk framework to structurally provide insight into, monitor and report on risks. PGGM’s Risk Framework is based on the COSO Enterprise Risk Management methodology. Risk management at PGGM is organised in accordance with the generally accepted ‘Three Lines Model’. Management (first line) has the primary responsibility to own and manage risks. The Risk Management and Compliance teams (second line) monitor and report on the risks. Internal Audit (third line) assesses whether the management demonstrably complies with the different requirements stipulated in relation to risk management.

[4] As European regulation requires the inclusion of scope 3 emissions, these emissions are included in SFDR reporting.

3.2.a Risk and risk appetite

With every decision, risks are taken, consciously and unconsciously, in order to realise certain objectives. In order to decide whether we are willing to run a particular risk, and to what extent, it is necessary to determine our risk appetite. If a risk is assessed as greater than the limits of the risk appetite, extra control measures are necessary to reduce this risk within the limits of the risk appetite.

The risks identified are generally subject to a 'low' risk appetite. A different risk appetite is substantiated for specific risks. PGGM also conducts a systematic integrity risk analysis (SIRA) throughout the company each year. PGGM therefore has a well-formalised and measurable process for identifying and assessing the risks of fraud, including bribery and corruption.

A risk assessment is drawn up every quarter, which is then compared to the predetermined risk appetite. Operational incidents and other disruptions are also considered with the purpose of learning from them, discovering trends, and discussing underlying root causes. Based on the current risk assessment, it is determined whether additional measures are necessary and where future risks might occur. Line management issues a quarterly In Control Statement (ICS). Our annual target and ICS was issued every quarter in 2022.

External developments affected the risk profile in 2022. Please see chapter 3.3.c for more details regarding the key risks and uncertainties in 2022. Some of these risks were outside the risk appetite during the year. Additional control measures have been identified for these risks and included in a risk plan. These results have been considered while determining the risk appetite for 2023, resulting in tightened definition and control instruments for a number of risks.

3.2.b Risk culture and assessment

A healthy risk culture is essential in effective risk management. Therefore, our risk culture focuses on risk-conscious actions in an open and honest environment. We hold each other accountable for responsibilities and results, but also reflect on behaviour in relation to our values, standards and objectives. An important tool for strengthening the risk culture and management is the introduction of management based on Objectives, Goals, Strategies, Measures (OGSM). This method is known to be useful for reaching higher levels of ownership and accountability, which translates into more specific quantitative and qualitative results and improvements, and greater risk awareness. In addition, the learning process has been partly formalised through the incident management process. This process aims at limiting the impact of incidents and learning from them, in order to help preventing the occurrence of similar incidents in the future.

3.2.c Key risks and uncertainties in 2022

In addition to the outlined development of the overall risk picture, a number of specific risks and uncertainties that left a significant mark on the risk picture in 2022 are explained below. Here we reflect on our risk appetite and on the measures taken to mitigate the risks.

Key risks and uncertainties in 2022	
	Risk cluster Corporate
Russian invasion of Ukraine	In February 2022, the Russian invasion of Ukraine started, resulting in a humanitarian crisis and with strong consequences for the financial markets. The potential impact of the Ukraine crisis on PGGM has been identified right after the invasion started. In addition to the analysis of the financial markets, including the exposure of investment portfolios to Russia & Ukraine, ERM has performed an impact analysis on the non-financial risks. The increase in the threat of generic risk types, such as Cyber risk due to an increased risk of Cyber war and ransomware attacks, the specific risks and consequences of the Ukraine crisis were identified and assessed for each business unit. The risk appetite for Cyber is low. Additional measures have been identified and actions have been initiated, this includes increasing awareness about cybersecurity among our workers with education and test cases. With regard to compliance, measures have been taken to ensure timely compliance with tightening sanctions legislation. The risk appetite for Compliance is low.
Covid-19	The impact of the Covid-19 pandemic on business operations was less significant in 2022 than in 2021. In 2022 we successfully introduced remote working that allows an employees to work together from both home and the office.
(Cyber) security	Current market events of ransomware attacks and data thefts underlines the importance of PGGM Investments adequately securing itself against cyber risk. Security measures are divided into detection, prevention, and response. Embedding the improved PGGM Investments Security Control Framework, PGGM Investments is actively monitoring the maturity and demonstrability of our security processes. The risk appetite for Cyber is Low. PGGM has taken various control measures in the field of IT, including cyber security, such as maintaining an information security policy, an information policy and a business continuity policy. Under these policies, for example, the Business Continuity processes and products are assessed and certified on the basis of ISO22301 BCMS, authorisations are granted on the basis of Rule Based Access Control and the security of systems is in line with the security architecture and classification. PGGM Investments also has an off-site disaster recovery location.

Fraud Risks

PGGM has a robust integrated Control Framework in place to prevent fraud risks. PGGM's Risk Framework is based on the COSO Enterprise Risk Management methodology. PGGM also conducts a systematic integrity risk analysis (SIRA) throughout the company each year. PGGM has a well-formalised and measurable process for identifying and assessing the risks of fraud, including bribery and corruption. No fraudulent activities have been identified in 2022 for PGGM Investments. Fraud risk can arise of fraudulent action of persons internal or external to the firm. Examples of fraudulent activities may include unauthorised payments or deals for personal gain, entering into a contract that is not in the best interest of our clients or being exposed to investment fraud. On top off all checks and balances, PGGM continuously improves awareness of fraud risks among their employees (soft controls). This includes education (e-learning), making a moral ethical statement and the availability of a whistle blower policy. Within PGGM we agreed that each year all our colleagues confirm that they have read and understood the Code of Conduct. The risk appetite for Compliance risk is low.

The PGGM Incidents Policy is part of the PGGM Risk Framework and used to manage, watch over and report risks in a transparent and structured manner. (Suspected) misconduct like fraud must be reported to the Risk and Compliance teams, in line with Incidents Policy. In a case of fraud the Corporate Security Officer will be involved and the CFRO of PGGM is informed. Fraud is labelled as a severe incident. If deemed necessary, the CFRO will form a Task Force. The Task Force acts independently and non-partial during investigations and enquiries. The CFRO chairs the Taskforce and can involve other experts, besides the Risk and Compliance teams, for instance the Chief Investment Management in case of fraud within PGGM Investments.

Credit risk

Credit risk is defined as the risk that counterparties cannot meet their contractual obligations. This mainly concerns the management fees to be received that have been contractually agreed with our clients. As PGGM Investments' clients have a strong financial position that is subject to supervision, the risk resulting from bankruptcy is low. The maximum credit risk amounts to the carrying amount of financial fixed assets, receivables and cash. Approximately 76% of the assets of PGGM Investments consists of cash and cash equivalents. To minimize the credit risk on its cash position, PGGM Investments takes part in a cash pooling construction with its parent company PGGM N.V. The liquid assets held by PGGM N.V. are deposited with both banks as well as money market funds. The use of money market funds decreases the credit and counterparty risk.
With respect to the financial assets, the carrying amount recognised in the balance sheet approximates fair value. Counter parties are subjected to a thorough ODD when entering into a relationship. Periodic reviews also take place. In addition, active relationship management takes place for existing relationships. The financials of the counterparties are monitored.

Laws and regulations

In order to comply with legislation and regulations, a great deal of attention was paid in 2022 to the Markets in Financial Instruments Directive II (MiFID II), Alternative Investment Fund Managers Directive (AIFMD), the Sustainable Finance Disclosure Regulation (SFDR) the Money Laundering and Terrorist Financing (Prevention) Act (abbreviation in Dutch: Wwft) and the Sanctions Act 1977 (abbreviation in Dutch: Sw). Please see chapter 3.4 for the important developments.

The Legal Committee presents quarterly the regulatory update report to the Board of Directors, including an overview of new (EU) legislation which will have impact on PGGM Investments. PGGM Investments aims to be well placed to demonstrate compliance with legislation and regulations from the perspective of market supervision. The risk appetite for legislation and regulations is Low. Within PGGM Investments, various control measures have been set up and policies have been drafted. To name a few: Tax, Legal & Regulatory charter, Shareholder Litigation Policy, PGGM Compliance handbook Asset management chain and Policy dealing with Regulators.

These policy documents ensure that:

- new contracts and amendments to existing asset management contracts are always made under the direction of legal specialists;
- the Legal Committee advises on identifying and monitoring follow-up/implementation of (new) legislation and regulations for PGGM N.V. and its legal entities, including PGGM Investments;

internally executed transactions on public markets are preventively checked against relevant investment guidelines.

Financial

PGGM Investments has a healthy financial position. Total costs developed in line with the budget and the forecast. The risk appetite is medium. The investment portfolios are managed on behalf of and at the risk of our clients. This means that the financial risks arising from these investment portfolios have no direct impact on the financial position of our organisation. Annually, PGGM Investments has the obligation from DNB to prepare an Internal Capital and Liquidity Adequacy Assessment Process (ICLAAP) to determine the required capital and liquidity position. The capital and liquidity position held is considered adequate according to DNB.

Continuity

The continuity risk is the risk that the entity must liquidate and goes bankrupt or has to terminate all business activities. Continuity is a basic condition for an institutional investor like PGGM Investments. PGGM Investments has included in its continuity policy that it has sufficient resources of its own to be able to continue operations for at least a year in the event of a (total) loss of income. We estimate this risk as low for our company. Based on our equity policy, we aim to maintain sufficient equity to meet capital requirements:

- based on legislation and regulations (and supervisory requirements);
- to cover our working capital;
- to finance the business transformation / innovation and
- to be able to absorb unexpected (financial) risks.

Equity amounted to € 97.4 mln as at 31 December 2022 (year-end 2021: € 102,8 mln). The solvency as at 31 December 2022 amounted to 92% (2021: 90.9%) and amply meets the capital requirements. PGGM Investments does not have any loans on its balance sheet. In 2021 PGGM Investments made the decision to move towards servicing PFZW only. Our turnover in the near future will therefore be dependent on our customer PFZW. With PFZW we have a contract until the year 2026 for the agreed upon services provided by PGGM Investments. In order to strengthen our partnership with PFZW, we explored a joint strategy in 2022, which will be made operational in the coming years. For 2023, we expect an increase in our turnover to approximately €180 million (2022: €175.9 million). We also expect positive financial margins in our multi-year forecast. We are currently implementing new tooling to improve our insight into our long-term financial forecast and profitability.

Application of our Risk Framework ensures that the continuity risk is managed in an unambiguous manner as efficiently and effectively as possible. A number of risks that could have a significant potential impact on our equity are explained below and how we hedge them:

- We may receive potential claims for damages from our customers in the event of attributable errors in our services. We are insured for attributable errors with a maximum amount per year. In addition, it has been contractually agreed with most customers that the amount to be paid out in the event of an attributable error is limited to the payment we receive from the insurer.
- We aim for a positive margin in our customer fee agreements. This positive margin has also been achieved at group level in recent years.

Over a period of 12 months after signing this annual report, we do not expect any new relevant risks that will materially change the picture with regard to continuity.

Risk cluster service

Operational risk	We are exposed to operational risks in the performance of our clients' assignments. In order to mitigate these risks, PGGM Investments has structured its processes in such a way that it is demonstrably in control. PGGM Investments issues Standard 3402 and 3000 reports on its asset management services. In 2022, except a qualified opinion in the Assurance Report of the independent auditor for Standard 3000A, PGGM Investments has a clean opinion for Standard 3402. The qualified opinion relates to providing a report to one of our clients and on their behalf to the central bank. In the fourth quarter, we corrected the omissions in the reports and took measures to prevent a recurrence in the future. There is no material impact on the financial reporting of the client. We continue to improve the data quality, data governance and the associated risk management, with process digitalisation including straight-through processing. We continue to strive for transparency of our primary processes and to ensure that control and management measures are incorporated and continually monitored and kept up to date. As part of the operational risk control process, a framework has been developed that contributes to PGGM being demonstrably "in control", both internally (corporate) and externally (on behalf of the clients).
HR risk	Being able to attract, develop and retain talent is of strategic importance to PGGM Investments. In 2022, PGGM Investments increased attention to HR risks. To manage the war on talent in a tightening labour market additional measures has taken by PGGM Investments. For example, in 2022 the HR capacity is increased and a new leadership program is introduced. To recruit new talent, PGGM Investments seeks and uses alternative recruitment methods wherever possible. For instance, PGGM Investments has its own trainee and quant trainee program for which PGGM Investments managed to recruit talent in 2022. The risk appetite on HR is Middle. Some of the control measures include the presence of: a recruitment and selection policy; a remuneration policy manual; performance & development and a products & services catalogue.
Revision Control Framework	In 2021 we decided to improve the Revision Control Framework (as part of continuous improvement). To this end a project was started to further improve the Standard 3402/3000A. Progress has been made on the project in 2022 and the project is expected to be completed in the second quarter of 2023. The risk appetite for Proces is low.

Business risk

For PGGM Investments, the threshold of the capital held is subject to requirements of the Internal Capital & Liquidity Adequacy Assessment Process (ICLAAP). To this end, PGGM Investments has drawn up a specific capital adequacy policy. The requirements set by DNB have been incorporated into this policy. It is important for the continuity of PGGM Investments that sufficient capital is held to be able to deal with the possible financial consequences of the identified risks. The Finance & Control department monitored the adequacy of the capital held in 2022. In an annual ICLAAP process, we determine for each risk whether it gives rise to the retention of additional capital over and above the minimum required capital buffers for an asset manager. DNB assesses the adequacy of the capital annually. For 2022, DNB's conclusion is that the capital surcharge and liquidity position calculated by PGGM Investments are sufficient.

PGGM Investments' revenues depend on the agreements with clients. The risk of falling revenues due to declining assets is limited because our revenues largely consist of fixed fees. Fees were stable in 2022 but will decline in 2023, when several mutual fund and fiduciary client will have left. The financial effects of several clients leaving has been taken into account in the multi-annual plan and the profit margin remains positive.

The risk appetite is Low. One of the management measures is working with Service Level Agreements (SLA’s) for multiple years. The capital requirements, as determined during ICLAAP 2022, are in effect till new capital requirements are set by the central bank mid-2023. A lower AuM and fees have no significant impact on the amount of capital needed, the current capital levels can be seen as a prudent capital buffer.

In order to be able to absorb the financial impact resulting from one or more risks, we took several extra measures. First of all, we made agreements with our clients about liability. In addition, we have an insurance policy against various forms of damage. In addition to insuring the physical property, damage can arise from liability or cyber-attacks, for example. For impacts not covered by insurance, or financial impacts arising from other risks, we maintain equity. The specific guidelines for this are set out in the Own Funds Policy. Where applicable, our liability to our clients is limited. We aim to have a sufficient buffer to absorb the impact of worst case scenarios for as long as possible, without immediately endangering business continuity. With regard to operational business continuity, appropriate measures have been taken. The adequacy of these has been tested, among other things, in the annual update of the worst-case scenarios.

New pension system

In 2020, the main principles of the new pension system were established. It is clear that the new pension system will impact PGGM Investments proposition and its operations. Initiatives were started in 2021 and continued in 2022 to prepare the organisation for various future scenarios. These initiatives are aimed at improving the organisation's agility and steerability. A project is ongoing in which we prepare for the new pension system.

Risk Cluster Reputation	
Reputation risk	PGGM Investments actively monitors the media exposure of PGGM Investments and its clients. Periodically, the reputational risks and opportunities are specifically discussed, as well as the measures to mitigate these risks and exploit opportunities. In order to manage reputation risk, PGGM Investments works closely with PFZW. PGGM Investments also actively manages its stakeholders, constantly monitoring the client relationship and measuring client satisfaction. The risk appetite with respect to reputation is Low. Some of the management measures include: active relationship management with the press; monitoring and interpreting media exposure; internal dynamics and internal advice and guidance to relevant stakeholders.

3.3 Compliance

PGGM Investments conducts an active policy with regard to compliance and integrity in line with its core values, and is aware that culture plays an increasingly important role in the management of risks. For this reason, it focuses on 'soft controls' (factors that influence behaviour) in the management of risks and the realisation of objectives, as well as 'hard controls' (demonstrable measures in processes and systems).

3.3.a PGGM Code of conduct

PGGM Investments has a great responsibility toward society to act with care, transparency and integrity. Ensuring there is clarity about how we interact with one another helps us to fulfil this responsibility. Increased requirements and demands from society and regulators in particular place an continuous commitment on us to keep track of all the requirements, and to where necessary update current rules of conduct and agreements. PGGM has combined these updated agreements and guidelines in a single document: the PGGM Code of Conduct. Our Code of Conduct is set up to be more than a set of rules and instructions designed to maintain trust in the services we provide. The mandatory compliance with the underlying principles and criteria in the Code of Conduct offer guidance in our interaction with clients, suppliers, colleagues and society in general.

3.3.b Important developments in laws and regulations

PGGM Investments operates in a highly regulated sector as a licensed institution supervised by the Netherlands Authority for the Financial Markets (AFM). In addition to the AFM, PGGM Investments also needs to comply with rules and regulations from the Dutch Central Bank (DNB) as well as the European Securities Markets Authority (ESMA), since a large proportion of the applicable laws and regulations are enacted at European level. This requires continuous attention by the Board of Directors and a structured supervision on remaining compliant with applicable laws and regulations. Below we give a summary of the most impactful developments in 2022.

Sustainable Finance Disclosure Regulation (SFDR)

As of March 10, 2021, the Sustainable Finance Disclosure Regulation (SFDR) is in effect. SFDR sets new, mandatory standards for disclosures regarding Environmental, Social and Governance (ESG) aspects of investments. The aim of SFDR is to provide more transparency on sustainability in a standardised and structured way, ensuring comparability and preventing 'greenwashing'. SFDR is implemented in multiple steps, of which the first wave of regulation ('Level 1') came into effect in 2021, and subsequent waves over the course of the next years.

In Level 1, we issued qualitative disclosures and classified our products according to the standards set forth by SFDR, and to the best of our knowledge at that time. We augmented our reports, as needed. For more information about the adoption of Level 1, see the PGGM VB Annual Report 2021. As of January 1 2023, financial institutions also need to implement the more detailed level II requirements of the SFDR regulation, especially for products that are classified as article 8 products. In our current product portfolio we have classified 22 products as article 8. The rest of our products are classified as article 6. We currently have no article 9 products.

For all products classified as article 8 we focused our efforts in 2022 on timely compliance with these requirements which in particular entail:

- Augmentation of the pre-contractual information regarding E/S characteristics of our products through Annex II such as the applicable responsible investment policies, exclusions, quantitative targets and if and how Principle Adverse Impacts ('PAI') are considered. Our products have not made any commitment to "sustainable investments" (in the strict definition of SFDR) and "taxonomy aligned investments" yet, because of regulatory unclarity on definitions and data constraints. Our intention and focus is on increasing that commitment in 2023.
- Augmentation of the website disclosures around article 8 products along the format of the level II specifications.

In 2023 we will also focus on SFDR-aligned reporting through:

- Periodic reporting along the format of SFDR Annex IV for 'Article 8' products: detailed report about the actuals in 2022 for the E/S-characteristics mentioned in Annex II;
- Entity Level PAI Statement: report about the principal adverse impacts of our total portfolio in 2022 and how PGGM limits and/or mitigates the most important adverse impacts of how we conduct our business.

As mentioned above we encountered significant data challenges, in particular around the availability of adequate data. Therefore, PGGM continuously works with its existing and new partners to improve data quality and availability.

MIFID II

The AFM conducted a sector enquiry into MiFID II compliance at investment firms in 2018-2019. This study specifically examined compliance with the MIFID II requirements in the areas of cost transparency, product governance and commissions. Partly as a result of this sector-wide survey, PGGM Investments conducted a self-assessment focusing on all the requirements of MiFID II. This resulted in an improvement process during 2021 and 2022. Furthermore, in 2022 various regulations pertaining to MiFID II were relaxed, in particular regarding the servicing of professional clients. As such, we were able to make new reporting agreements with our clients, and tailor investment reports more specifically to our clients' needs.

Wwft-Sw

The introduction of new legislation and regulations on the 'Money Laundering and Terrorist Financing (Prevention) Act (in Dutch: the 'Wet ter voorkoming van witwassen en financieren van terrorisme' (Wwft) and the Sanctions Act 1977 (abbreviation in Dutch: Sw) in 2020-2021 and forthcoming legislation and regulations inspired PGGM Investments to take a critical look at its own processes for compliance with these laws and regulations in 2020. The importance of adequate compliance with these laws and regulations has also increased socially in the asset management sector, with stricter supervision and enforcement. The resulting outcomes were incorporated in our processes. In order to comply with the Wwft and Sw, PGGM Investments successfully introduced a new board approved CDD Policy. The CDD Policy encompasses multiple processes, for example, analysing new relations (identification, verification, risks, KYC process) as well as reviewing these parties periodically based on a risk score. A newly created CDD department has implemented these processes and will develop a firm broad policy in accordance with the Wwft, Sw, and CDD Policy.

CSRD

The European Union adopted the Corporate Sustainability Reporting Directive (CSRD) in 2021. This directive aims to provide more transparency on the positive and negative impact that companies make on ESG factors. All large companies - such as PGGM - must report over their 2025 annual reports according to the European sustainability reporting standards (ESRS). Another requirement of the CSRD is mandatory (limited) assurance on sustainability reporting. To comply with the CSRD, organizations must report on the impact of their business activities on people and the environment. The reporting standards of the CSRD are thereby still under development. The CSRD does not apply for PGGM Investments; the implementation is only mandatory at a corporate level. PGGM Investments will provide its parent company, PGGM N.V., the necessary information to comply with the regulatory requirements.

Part 2
Our organisation

As mentioned before, PGGM Investments is facing several challenges. In order to be able to meet these challenges we need to organise PGGM Investments accordingly. We must become 'future proof'. We do this by creating an agile and manageable organisation, while limiting execution costs and by ensuring healthy business operations. We embrace the opportunities offered by new technologies and optimise our processes and digital systems. Additionally, we invest in high-quality teams that are aware of their responsibilities and experience PGGM Investments as being a great place to work.

In this part of our integrated report, you will learn about our organisation; about the diversity of people that work at PGGM Investments and how we remunerate them for their contributions to our goals. We will describe how we strive for maximum value creation for our stakeholders. We provide an overview of our different programmes that help us create future-proof business operations and explain why we focus on innovation and data driven research.

Chapter 4: Our people

Our people are our most important asset. That is why at PGGM Investments, we make sure that our employees enjoy their work, are able to develop and feel involved and appreciated. In order to attract, retain and develop talent, we are continuously working on creating an inspiring, innovative and inclusive work environment.

4.1 Our organisation in numbers

As a company, PGGM Investments has no employees. The number of people seconded from PGGM N.V. as at 31 December 2022 amounted to 494 (as at 31 December 2021: 463). PGGM Investments also uses the staff services available within PGGM N.V., such as Compliance, Enterprise Risk Management, Finance, IT and HR.

PGGM Investments - our people				
Total amount of people employed	**2022 Headcount**	**FTE**	**2021 Headcount**	**FTE**
PGGM Investments	494	509	463	476
Distribution by fulltime/parttime				
Full-time	441	89%	412	89%
Part-time	53	11%	51	11%
Total	**494**	**100%**	**463**	**100%**
Distribution by gender				
Male	369	75%	350	76%
Female	125	25%	113	24%
Total	**494**	**100%**	**463**	**100%**
Distribution by age				
Younger than 25	14	3%	11	2%
25-34	163	33%	139	30%
35-44	128	26%	126	27%
45-54	134	27%	130	28%
55 years and older	55	11%	57	13%
Total	**494**	**100%**	**463**	**100%**
Distribution by gender - management				
Male	29	76%	33	79%
Female	9	24%	9	21%
Total	**38**	**100%**	**42**	**100%**

4.1 Our management

The management described consists of the Board of Directors, department managers and team managers. Team managers have a smaller span of control than department managers. The statutory management layer (five in total) consists of one woman and four men, the management layer (nineteen in total) consists of five women and fourteen men, and the team management layer (fourteen in total) consists of three women and eleven men.

PGGM Investments is managed by a five-member Board of Directors, in a new division structure (Top Structure VB). The management team, led by the Chief Investment Management, is collectively responsible for the whole business. Within this collective responsibility each director has his/her own focus area. In 2021, two directors stepped down. Their positions have been filled in the beginning of 2022.

Board of Directors PGGM Investments	
Name	**Function**
Geraldine Leegwater	Chief Investment Manager (Head Board of Directors)
Frank Roeters van Lennep	Chief Investment Officer
Arjen Pasma	Chief Fiduciary Officer
Erik van de Brake	Chief Transformation Officer
Danny Slots	Chief Financial & Risk Officer

PGGM Investments operates in a continuously changing environment. Legislation and regulations, as well as technological possibilities and changing customer demand from beneficiaries, employers and social partners are causing this. This requires a top structure that is capable of guiding our organisation in the right direction. This new Top Structure has been implemented at the beginning of 2022. The new Top Structure VB and its revised division of responsibilities creates an organisation that can meet the challenges ahead of us, and successfully execute these challenges and realise needed changes. Top Structure VB has led to a new composition of the Board, with four new management positions.

4.2 Great Place to work

Management at PGGM Investment is continuously investing in high-quality, diverse teams. PGGM Investments aims to be a progressive employer in this regard and has created various programs for this purpose. PGGM Investments aims to pay more explicit attention to employee development. Employability wide adjustments have been introduced in the performance and development cycle in recent years. PGGM Investments encourages its employees to continuously develop themselves. Our PGGM Academy is engaged in developing courses in collaboration with various departments, which apply to all function levels (from junior to senior). In addition a Management Development-program has been launched under the heading of 'Leading 2030'. Strategic workforce planning is becoming more important for us, as is attracting new talent. The trainee program is a good example of how we like to attract young employees.

4.3 How we remunerate our people

The employees who work for PGGM Investments are employed by PGGM N.V. and are therefore subject to PGGM N.V.'s remuneration policy. Our remuneration policy is part of the material topic of good employment practices. It is careful, controlled and sustainable and fits with our strategy, risk appetite, cooperative objectives (including ESG) and core values. The interests of the client are key and the long-term interests of PGGM Investments and relevant laws and regulations are taken into account. As a manager of investment funds, we hold an AIFM licence, which means that we must comply with European regulation (such as the Alternative Investment Fund Managers Directive (AIFMD) and Resolutions (AIFMR)). This applies alongside the provisions in relation to remuneration policy contained in the Financial Supervision Act (abbreviation in Dutch: Wft).

4.3.a Responsible remuneration policy

We aim for healthy financial business operations, in which we are conscious of our societal responsibility. This is reflected in our remuneration policy, which is transparent and responsible. It is our policy objective to remunerate at the median of the appropriate reference markets. These reference markets for PGGM Investments are: the Dutch asset management market and the back- and mid- office market of Dutch asset managers. PGGM Investments benchmarks its internal remuneration levels periodically against these reference markets.

One-year Variable Income

We use one-year variable income only for employees working in a front-office position in the investment chain. This type of variable income is capped at 20% of the base salary of an employee. Other employees are not eligible for this type of variable income. Every year, each front office employee draws up a target sheet in which measurable result agreements must be stated. The target sheet prepared must include at least one measurable ESG-target.

Deferred Variable Income

In addition to the one-year variable income there is the possibility of granting deferred variable income (DVI) to employees with a front-office position. DVI is a long term incentive. This is paid out after a multi-year deferral period after the year in which the key performance indicators (KPIs) applicable to attaining the DVI were achieved. The to be awarded DVI on an annual basis is kept at maximum of 80% of the base salary of an employee. The KPIs for the one-year variable income and DVI must be aligned to the objectives of the clients, PGGM Investments, the business unit and the department, and must be based on at least 50% non-financial criteria.

Collective Labour Agreement

A CLA pay rise of 2.75% took place on 1 July 2022. It was agreed with the trade unions in the CLA for 2022 and 2023 that salaries will be collectively increased in July 2023 with 2.75%.

Gratuity

Employees who do not receive any form of individual variable income can be awarded a gratuity on account of exceptional dedication and/or performance.

4.3.c Renumeration in figures

The table shows the remuneration paid out to our employees in 2021 and 2022. The remuneration policy can be found on PGGM Investments' website.[5]

Variable renumeration paid out (x €1,000)		
Distribution of variable renumeration per type	**2022**	**2021**
One-year variable remuneration paid out *	5,069	4,514
DVI paid out **	867	1,351
Gratuity paid out	66	260
Total amount of variable remuneration paid out * **	6,003	6,125

Number of variable renumerations paid		
Distribution number of variable remunerations paid	**2022**	**2021**
One-year variable remuneration	257	227
DVI	26	38
Gratuity	21	80
Total number of variable renumerations paid	304	345

* This concerns paid one-year variable remuneration that relates to the previous financial year. Therefore, one-year variable remuneration paid in 2022 relates to performance year 2021 and one-year variable remuneration paid in 2021 relates to performance year 2020** Amounts do not include pension and social security contributions.

Average amount of variable renumeration paid		
Distribution per variable renumeration	**2022**	**2021**
One-year variable remuneration	20	20
DVI	33	36
Gratuity	3	3

2022					
Amounts paid out in 2022 (x €1,000,-)	**Fixed remuneration**	**Employer's share of social insurance and pension costs**	**Variable remu-neration**	**Total remu-neration**	**Number of employees**
Senior management	1,790	173	277	2,240	6

[5] The Wft and the Bgfo Wft (Section 1:120(2)(a)) stipulate that the directors' report must mention any employees who received more than €1,000,000 in remuneration. No employee received more than €1,000,000 in remuneration in 2022.

Employees with a significant influence on the risk profile	32,898	6,275	4,487	43,660	221
Other employees	20,310	5,304	1,239	26,853	257
Total remuneration paid out	54,998	11,752	6,003	72,753	484

2021					
Amounts paid out in 2021 (x €1,000,-)	**Fixed remuneration**	**Employer's share of social insurance and pension costs**	**Variable remu-neration**	**Total remu-neration**	**Number of employees**
Senior management	1,803	173	382	2,358	6
Employees with a significant influence on the risk profile	31,946	5,723	4,660	42,329	215
Other employees	17,870	4,480	1,083	23,433	236
Total remuneration paid out	51,619	10,376	6,125	68,120	457

2022 vs 2021					
Amounts paid out (x €1,000,-)	**Fixed remuneration**	**Employer's share of social insurance and pension costs**	**Variable remu-neration**	**Total remu-neration**	**Number of employees**
Senior management	-13	-	-105	-118	-
Employees with a significant influence on the risk profile	952	552	-173	1,331	6
Other employees	2,440	824	156	3,420	21
Total remuneration paid out	3,379	1,376	-122	4,633	27

4.4 Diversity, Equity and Inclusiveness

We believe diversity, equity and inclusiveness (DE&I) in our organisation is important and we are convinced that the more diverse the employees are in an organisation, the more talent and competencies it has at its disposal. Therefore DE&I is one of our topics of good employment practices.

Within the context of the diversity policy of PGGM N.V. (Diversity of Thinking), PGGM Investments has drawn up an action plan which is further targeted towards the challenges faced by PGGM Investments. PGGM has a Diversity Board, which monitors the progress of increasing diversity at PGGM Investments and shares common practices within the business units.

In order to create more awareness on DE&I related matters within the organisation we have organised several DE&I workshops (Unconscious Bias) in 2022 and developed a management program (Creative Interchange), to actively create more awareness of the ideas of inclusiveness and diversity within the organisation.

PGGM Investments performs well on the topic of cultural diversity. We attract employees from around the world and the day-to-day language in many front-office teams is English. We still face challenges on gender diversity and equality. At the end of 2022, 25% of the working force of

PGGM Investments are women (24% at the end of 2021). During 2022, we have increased the percentage of women in management positions with 3%, from 21% at the end of 2021 to 24% at the end of 2022 (29 men and 9 women). We aim to increase the percentage of women in management positions to 30% in 2023. We do this, for example, by actively offering open vacancies to potential female management-talent and writing (management) job advertisements that appeal to women.

The percentage of women in positions scale 11 and up is 19% by the end of 2022 (18% 2021). PGGM Investments pursues a conscious recruitment and selection process in which we try to ensure that at least half of the future candidates for management positions are women. Next to this we actively stimulate our female employees to participate in our development program at junior, medior and senior level.

The current composition of the Board of Directors does not satisfy the requirements for a balanced distribution of seats from the Dutch Corporate Governance Code, (at least 30% of seats are held by women and at least 30% by men). In the current composition 20% of the seats of the Board of Directors of PGGM Investments are held by women (1 out of 5 seats). In previous years, the Director of Tax, Legal & Regulatory was included as a non-voting member of the board of directors. As of this year, the Director of Tax, Legal & Regulatory is no longer counted as a member of the board of directors; partly because of this, the percentage of women on the board of directors has decreased compared to last year. However, on a like for like, the percentage remained the same. In the three-member Supervisory board, 33% of the seats are held by women.

4.5 Hybrid Working

Corona had a significant impact on our work experience in recent years. As a result of this PGGM decided to start with hybrid working in March 2022, allowing our employees to work partly at our office and partly at home. With hybrid working, we maintain the productivity and effectiveness of working from home and combine it with meeting each other physically in the office. Over 75% of our colleagues indicated that working from home has a positive impact on their own well-being, compared to 40% in 2021.

Chapter 5: Future proof organisation

It is essential for us and our clients that our performance is always of the highest quality. By investing in the growth and development of our people and optimising our processes and digital systems, we keep pace with the rapidly changing markets and are able to add value for our stakeholders in the long term as well. In this chapter we elaborate on our focus on innovation and the challenges we face in making our operations future proof.

5.1 Future-proof business operations

Since PGGM faces many new developments, we have to be ready and flexible for the future. We do this by creating an agile and manageable organisation and by ensuring healthy business operations.

5.1.a Financial results

The financial result after taxes over the period under review amounted to € 12.6 mln (2021: € 19.9mln). Total revenue increased by € 2.5 mln in 2022, from € 173.4 mln in 2021 to € 175.9 mln in 2022. The increase in the total revenues is caused by adjustments and expansion of the services provided compared to 2021. The operating expenses of € 158.3mln (2021: € 146.9mln) largely relate to increased costs on employee expenses, IT costs and additional costs charged on to PGGM Investments, concerning an increase of the subscription prices of data vendors, maintenance expenses of IT applications and expenses related to the formed provision (for expected transition costs resulting from the strategic decision to move away from the multiclient strategy). Equity amounted to € 97.4mln as at 31 December 2022 (year-end 2021: € 102.8mln). The solvency as at 31 December 2021 amounted to 92.0% (2021: 90.9%). The solvency is determined as the ratio of equity to the balance sheet total. The cash balance was € 80.7mln as at 31 December 2022 (31 December 2021: € 88.6mln). In 2022 the liquidity position of PGGM Investments was sufficient to cover all cash outflows from operating, investment and financing activities and there were no additional finances required. Furthermore, PGGM Investments does not have any loans on its balance sheet.

5.1.b Control of costs

With our cost efficiency program, we want to optimise our cost performance. We want to realise small and bigger changes, short and long run improvements in order to use money, time and resources in a smarter way. In 2022 significant attention was given to cost effectiveness in every step of the portfolio allocation process (or 'PAP'). We focusses on optimising cost effectiveness in the execution of asset management (the last step in the PAP), within the limits and targets set by the investment policy of our clients. Note that the latter is important in how we conduct our ongoing operations: higher costs *may be* acceptable, as long as this befits the investment policy of our client, and the choices made are reasonably expected to increase *net* returns for the client.

In 2022 we started a project to improve our extensive and complex Control Framework, which includes all Investment Management processes and provides insight into which control measures are used. Our goal is to reduce complexity and reduce the time spent on controls without compromising the quality of our current processes and controls. The final result of the project, an improved control Framework, will be implemented in 2023.

5.1.c Impact of the new pension agreement

The new pension system brings major challenges and changes to PGGM Investments. Our clients will transition to a new pension scheme by January 1, 2027 at the latest. As a result many business operations need to be adapted in order to ensure excellent execution within the new pension system. We have identified potential consequences for our investment chain, which we expect to be primarily operational, and multiple in-depth research questions. Questions which are related to the potential impact of the reform on investment allocation, asset management administration and the cooperation between PGGM Pension Administration and PGGM Investments. We will continue in 2023 with our preparation initiatives on the pension reform, which will result in a proposal for the implementation of the pension reform in the next coming years. Currently the largest change project is the implementation of the new pension agreement requirements in our systems and processes.

5.2 Our focus on data and innovation

Data and the availability of tooling opportunities to analyse data (for example machine learning, Artificial Intelligence (AI) is progressively growing. New techniques and data sources offer many opportunities across the various asset classes and will support us in our goal of reaching the best possible investment decisions for our clients, while at the same time improving sustainability.

5.2.a IT roadmap

To keep our asset management chain future-proof, we use an IT roadmap in which we manage change projects. An example of a change project is the implementation of the new IRPA tooling (IRPA: Integrated Risk & Performance Analysis). This tool gives us more extensive possibilities for risk analysis on the investment portfolio. Among other things, this gives us insight into climate risks, ESG risks and the performance attributes of the portfolio. With this, we are implementing a future-proof system that gives us an integrated view of the risks and performance of the investments.

5.2.b Innovation and Research

Our Innovation & Research department focuses on developing new business models, new products, services and optimising processes for our clients and their beneficiaries. We use new technologies, learn from using them and incorporate them into daily business. The main focus last year was on enabling analysts and portfolio managers to build their own solutions and to enable them to analyse markets more quickly. By providing sandbox environments for development or by using one of the developed platforms, we enabled analysts and portfolio managers to experiment with their self-built solutions. Looking ahead, our focus will shift more to developing algorithms that add value by realising higher returns against lower risk, based on data insights. These algorithms will eventually become part of the platforms available for end user computing.

Smart search & text mining platform

During last year a central platform has been built in which search & text mining becomes available for all investment departments. Based on the needs from various departments a designated team has been building a customised search & text mining environment in which portfolio managers can quickly filter large amounts of qualitative data. The platform enables portfolio managers to use more and better information to support their decisions.

Responsible investments team

The responsible investment team developed a tool which determines whether a company has taken measures to comply with towards the Paris climate agreement, based on web scraping and text mining. These results were used to determine in which companies we should divest. In 2023 we will work on the next step, which is to determine whether a company's strategy aligns with the Paris climate agreement.

Currency trading desk

A new collaboration project between PGGM & MN has started in 2023. This project aims at conducting research on whether algorithmic trading would add value to realising higher returns against lower risks. This project is started after a previous collaboration between PGGM & MN, which focused on creating an algorithm to gain higher returns during volatile timeframes in the currency market and which proved to be successful.

DDI (Data Delivery Infrastructure)

DDI is a data platform, which consists of 3 systems: Data Virtuality, Snowflake and Collibra. With the help of this platform, we can access, integrate data from various sources (e.g. for use in analytics, reporting and portfolio monitoring). All data on this platform is "under governance"; this means that it is clearly defined what each data point is, which systems the data comes from, who owns the data and who is allowed to use the data. With DDI we managed to automate manual actions and in addition we also improved the data quality.

5.2.c Investment Analytics

Over the year 2022 the Investment Analytics team has been build up. The team develops investment models and related tooling in close cooperation with the various investment teams in both Asset Management and Fiduciary Investments. The team aims to provide an impulse to the use of AI/Machine Learning techniques and alternative data in the investment process, and serves as a centre of expertise on these topics. Through working on specific projects with the investment teams, the Investment Analytics team is at the same time building the analytics platform for investments. This platform consists of an effective data layer, a toolkit for investment analysis and innovative solutions such as Machine Learning and Natural Language Processing (NLP).

Outlook 2023: the year of transition

After an eventful year, it is time to look ahead to 2023 and beyond. We look ahead to a year that holds much uncertainty in financial markets. Inflation is still high and interest rates are increasing. Significant uncertainties remain and volatility on financial markets is expected to remain elevated. For one, there is a distinct risk that the war in Ukraine will continue to escalate. The risks to the investment portfolio are multi-faceted, and possibly intrusive.

Financial outlook

The financial principles for 2023 remain largely the same as they were in 2022. In 2023 the other pension funds besides PFZW will no longer participate in the PGGM public markets funds. Missing fees from these activities will lower operating revenue in 2023 by 3-4%. Other pension funds in the PGGM private market fund will still participate and contribute to fees in 2023. We will continue our services for PFZW. Fees from PFZW are not dependent on assets under management and are indexed for inflation and change in costs due to by changes in collective labour agreements. As a result we expect total operating revenue to increase slightly in 2023.

The transition to a single client organisation leads to less employees needed for services for other pension funds. It also enables us to optimise the investment chain and reduce operating costs in 2023 through automating and simplifying processes. We expect these cost savings to largely offset the missing fees in 2023.

In 2023 we focus more on IT and data. This will also lead to an increase in number of employees in this area. The number of employees will increase slightly in 2023, this means that there will be a shift of FTE to IT and data. We therefore expect the operating expenses to also increase in 2023 due to employee expenses and IT costs. The increase in operating expenses will be larger than the increase in operating result resulting in positive but lower result after taxes in 2023.

2023: the year of transition for PFZW and PGGM

In the past months, PFZW and PGGM have jointly determined their strategic objectives towards 2030. The investment approach used to realise this ambition for 2030 is 3D investing. This means the entire investment portfolio and all investment categories within it are managed on appropriate conditions in terms of return, risk and impact. Implementing 3D investing for the entire investment portfolio entails major challenges, both in terms of content and organisation.

In 2023 further steps will be taken to including the integration of ESG and climate risks and impact opportunities throughout the investment chain. The focus on impact concerns our various efforts at avoiding and mitigating negative impact by the investment portfolio, as well as the standardisation and quantification of (net) positive outcomes.

In addition, becoming a single-client organisation for investment management services entails important changes that will also affect the investment management chain. In 2023 the other participants in the PGGM public markets funds will leave, moving PGGM Investment Management further towards being a one client firm, PFZW only. In the Infrastructure and Private Real Estate Funds other pension funds still do participate. In 2023 further steps will be set to fully realise this transition towards a single-client organisation.

Also, further steps will be set to realise the transition to the new pension contract.

As PGGM Investments, we must continue to comply with all legal and regulatory requirements. For 2023, we expect the rise of ESG related regulatory requirements to continue. An extra focus for 2023 will be the completion of the implementation of Level 2 of the Sustainable Financial Disclosure Regulation (‘SFDR’). Also, the Digital Operational Resilience Act (‘DORA’) and the AIFMD-review will have our full attention.

In 2023 we will continue to work on cost efficiency initiatives, both in terms of easy wins in the short run and more strategic choices for the long run. We are reviewing our portfolio administration and aim to remove unnecessary repetition of steps. Additionally, we carrying out cost benchmarks, in order to compare our costs with those of our peers. This helps us define new cost saving projects for the coming years.

Zeist, 30 March 2023

The Board of Directors,

Geraldine Leegwater

Arjen Pasma

Frank Roeters van Lennep

Danny Slots

Erik van de Brake

Chapter 6: Report of the Supervisory Board

In this report, the Supervisory Board explains how the supervisory and employer role was shaped in the past year and how the Supervisory Board assisted the Board of Directors with advice. The most important substantive matters in which the Supervisory Board has been involved this year are also discussed. The Supervisory Board looks back on a year in which the focus was on a number of central topics.

Report of the Supervisory Board

Supervision of the policies of the Board of Directors and of the general course of PGGM Investments affairs and its business enterprise shall be carried out by the Supervisory Board of PGGM Investments. The Supervisory Board shall support the Board of Directors with advice. In fulfilling their duties the Supervisory Board shall serve the interests of PGGM Investments and the business enterprise which it operates.

The supervision of the Board of Directors by the Supervisory Board included:

- Achievement of the objectives
- Execution of the strategy
- Risks associated with the business activities
- Financial reporting process
- Design and operation of the organisation and processes
- Compliance with laws and regulations
- The social aspects of its activities relevant to PGGM Investments

In 2022, the Supervisory Board held periodic meetings with the Board of Directors about PGGM Investments' strategy and long-term value creation, as well as about the main risks, their assessment by the Board of Directors and the operation of the internal risk management and control systems, as well as changes therein. The Supervisory Board also discussed, without the Board of Directors being present, the functioning of the Board of Directors as a board, as well as the functioning of the individual members of the Board of Directors and the conclusions that are attached to this. Finally the Supervisory Board has a task and responsibility for the annual evaluation of the renumeration policy and supervision of its execution. The annual evaluation took place in consultation with HR. Results of the evaluation are discussed in 2023.

The independent member of the Supervisory Board of PGGM Investments has a standing invitation as observer into the Supervisory Board of PGGM N.V. for agenda items concerning PGGM Investments. Vice versa, members of the Supervisory Board of PGGM N.V. have a standing invitation as observer into the Supervisory Board of PGGM Investments. The independent member of the Supervisory Board has participated in all relevant Supervisory Board meetings of

PGGM N.V. where applicable. In each regular Supervisory Board meeting of PGGM investments a representative of the Supervisory Board of PGGM N.V. has been present.

The activities of both Supervisory Boards are being guided by an Information and Governance Protocol to safeguard good governance while maintaining sufficient information sharing in the interest of PGGM Group.

The Supervisory Board of PGGM Investments will meet the People & Organisation Committee of the Supervisory Board of PGGM N.V. twice a year. Due to changes in the Supervisory Board, these meetings did not take place in 2022.

Board of Directors Composition

As of April 1, 2022 Danny Slots has been appointed Chief Financial & Risk Officer (CFRO). Prior to his appointment, Mr. Slots held various management roles within PGGM Investments over a period of more than fifteen years. As CFRO he is statutory director of PGGM Investments.

As of April 1, 2022, Frank Roeters van Lennep has been appointed Chief Investment Officer. Prior to his appointment, Mr. Roeters van Lennep held various roles within PGGM, including Chief Investment Officer Private Markets. As CIO he is statutory director of PGGM Investments.

As of April 1, 2022. Arjen Pasma has been appointed Chief Fiduciary Investments. Prior to his appointment, Mr. Pasma held various roles within PGGM, including Chief Financial & Risk Officer. As CFI he is statutory director of PGGM Investments.

As of May 1, Erik van de Brake has been appointed Chief Transformation Officer (CTO). Prior to his appointment, Erik held various roles within the Infrastructure team of PGGM Investments, including Head of Infrastructure. As CTO he is statutory director of PGGM Investments.

Supervisory Board Composition

The Supervisory Board consists of three members. The members are appointed by the General Meeting of Shareholders. As of April 1, 2022 Daniëlle Melis was appointed in the Supervisory Board. She has extensive experience in supervisory positions in the Dutch financial sector. Mrs. Melis succeeded Roderick Munsters as the independent member of the Supervisory Board.

After the appointment of Mrs. Melis the Supervisory Board consists of:

Chair: Mr. Edwin Velzel (60), CEO PGGM N.V., first appointed at May 3, 2018, non-independent member;

Mr. Willem Jan Brinkman (50), CFRO PGGM N.V., first appointed at January 27, 2020, non-independent member; and

Mrs. Daniëlle Melis (50), independent director in the financial sector, first appointed at April 1, 2022, independent member.

All the Supervisory Board members have the Dutch nationality. With this composition the requirements of independence, as referred to in art. 18, paragraph 2 of the Articles of Association, have been met.

Attendance regular meetings

The Supervisory Board met seven times in 2022, four of which were regular meetings and an extra meeting was called three times to keep the Supervisory Board informed on current developments. The regular meetings of the Supervisory Board are held in the presence of the members of the Board of Directors of PGGM Investments. The relationship with the Board of Directors is good and transparent. The suggestions from the Supervisory Board are taken into account. There were constructive discussions during the meetings, whereby the Board of Directors and the Supervisory Board are receptive to each other's arguments.

In addition, the Supervisory Board held three closed meetings. The topics discussed in these closed meetings included the assessment and remuneration of the Board of Directors.

All appointed Supervisory Board members attended 100% of the Supervisory Board meetings. During all four regular meetings, a Supervisory Board member of PGGM N.V. attended the meeting as an observer.

The independent member of the Supervisory Board of PGGM Investments observed the Supervisory Board of PGGM N.V. for agenda items concerning PGGM Investments.

The independent auditor responsible for the audit of the Integrated report was present during the discussion of the Annual Report 2022, the auditor's report and the management letter in the meeting of the Supervisory Board. The Supervisory Board has not established any committees.

Highlights

The most important substantive matters in which the Supervisory Board has been involved this year were:

1. **PFZW decision to rearrange the investment structure**

In 2021, PFZW decided to move towards its own investment structures and thus no longer invest in the PGGM multi-client funds. Due to this decision PGGM Investments is unable to continue to offer fund and asset management services to other clients on attractive terms. In consultation with our clients, PGGM is in the process of terminating and transferring asset management services for clients other than PFZW. PGGM will make every effort to do so in a proper and careful manner.

2. **Change trajectories within PGGM Investments: Strategy 2030**

The world around us is changing rapidly and this places new demands on the organisation, the teams and the people. The Supervisory Board of PGGM Investments has regularly discussed the status of the various change programs within PGGM Investments and the implementation thereof. The environment of PGGM Investments is also changing rapidly and customers are making increasingly higher demands. In 2022 PGGM has further elaborated Strategy 2030. An important milestone that has been achieved is the establishment of new investment beliefs in collaboration with PFZW.

3. **Investment Performance**

Due to the war in Ukraine and the ongoing economic challenges the value of the investments has decreased considerably. The portfolio's decline was € 65.7 billion euros. The Board of Directors regularly updated the Supervisory Board on the Investment Performance during the year. The Supervisory Board doesn't supervise the Investment Performance, since it falls outside the scope of the Supervisory Board.

4. **War in Ukraine**

The Russian invasion of Ukraine is a massive setback to the global economy. The toll on Ukraine is immense. PFZW has decided to sell all Russian investments. PGGM investments went through a careful process to sell the Russian investments. The Supervisory Board has been informed about the consequences of the war in Ukraine.

Topics regular meetings 2022

Fixed agenda items in every regular meeting are the business update and reports on customers, business operations and the regulators. The financial results and the main risks associated with business operations are reviewed, based on the various risk management and performance reports and the quarterly responsible investment report.

The Supervisory Board is regularly informed by the Board of Directors about developments in the financial markets. To this end, the Supervisory Board receives the PGGM Investments Highlights every quarter with developments in the financial markets and at PGGM Investments. In this context, consideration is given to special investments that may have a (positive or negative) effect on business operations or reputation. The business update of PGGM Investments is provided by the Board of Directors and comprises of a view on the investment results, the financial status, the risk profile and employee satisfaction, supplemented with varying topics such as the progress on the annual targets (as derived from our strategic objectives) and findings from Internal Audit.

In addition, so-called in-depth sessions are regularly held in the presence of both the Board of Directors and the Supervisory Board, during which specific subjects are discussed in detail. The subjects may relate to current legal or regulatory subjects for the purpose of maintaining professional competence as well as specific current developments that are relevant to PGGM Investments. Topics of the in-depth sessions that took place in 2022 included: the Money Laundering and Terrorist Financing (Prevention) Act (abbreviation in Dutch: Wwft), insight into a healthy risk culture and criminal implications of economic crimes, such as corruption, money laundering and sanction violations. The Sustainable Finance Disclosure Regulation (SFDR), insight into regulation on information provision on sustainability (ESG) in the financial sector.

Furthermore, the legislation and regulations and their possible impact on the business of PGGM Investments are discussed in each meeting. The training plan (which started in 2020) was continued in the context of the permanent training of the supervisory directors.

In the second half of the year, the Supervisory Board conducted a self-evaluation. The Supervisory Board also asked the Board of Directors for input on the functioning of the Supervisory Board. The results of the evaluation have been discussed with the Board of Directors. The actions that followed from this self-evaluation are taken up by the Supervisory Board in close cooperation with the Board of Directors.

The Supervisory Board would like to thank the members of the Board of Directors and the employees of PGGM Investments for their efforts in the 2022 reporting year.

Zeist, 30 March 2023

Supervisory Board,

Edwin Velzel

Daniëlle Melis

Willem Jan Brinkman

Appendix 1 Information about PGGM Vermogensbeheer B.V.

PGGM Vermogensbeheer B.V. (PGGM Investments) was founded on 20 July 2007. PGGM Investments has its registered office and principal place of business at Noordweg Noord 150. 3704 JG, in Zeist, the Netherlands.

Objective

In accordance with Article 2.1 of the articles of association, the statutory objectives of PGGM Investments are:

- To act as a manager of investment institutions in the widest sense of the word, in any case including portfolio management, risk management, administration, marketing of participations and share and activities related to the assets of investment institutions;
- To provide investment services including discretionary asset management, investment advice and the reception and transmission of orders in relation to financial instruments;
- (to ensure) the safe-keeping and administration in relation to participations or investment institutions;
- To offer and have offered financial instruments to employees who are employed in the care and welfare sector and to their partners, as well as to former employees who in that capacity have been employed in the aforementioned sector and to their partners, as well as to members of the cooperative: PGGM Coöperatie U.A.; and
- To participate in, to take an interest in any other way in, to conduct the management of other business enterprises of whatever nature, and to finance third parties, to grand security in any way, and to bind itself for liabilities of third parties, and finally all activities which are incidental to or which may be conducive to any of the foregoing.
- Furthermore, in accordance with article 2.2 of the articles of association, the purpose of the company is to manage and finance its subsidiaries, group companies and associated companies, and to provide security and guarantees for its own debts and for the debts of its subsidiaries, group companies, and associated companies.

AIFMD licence

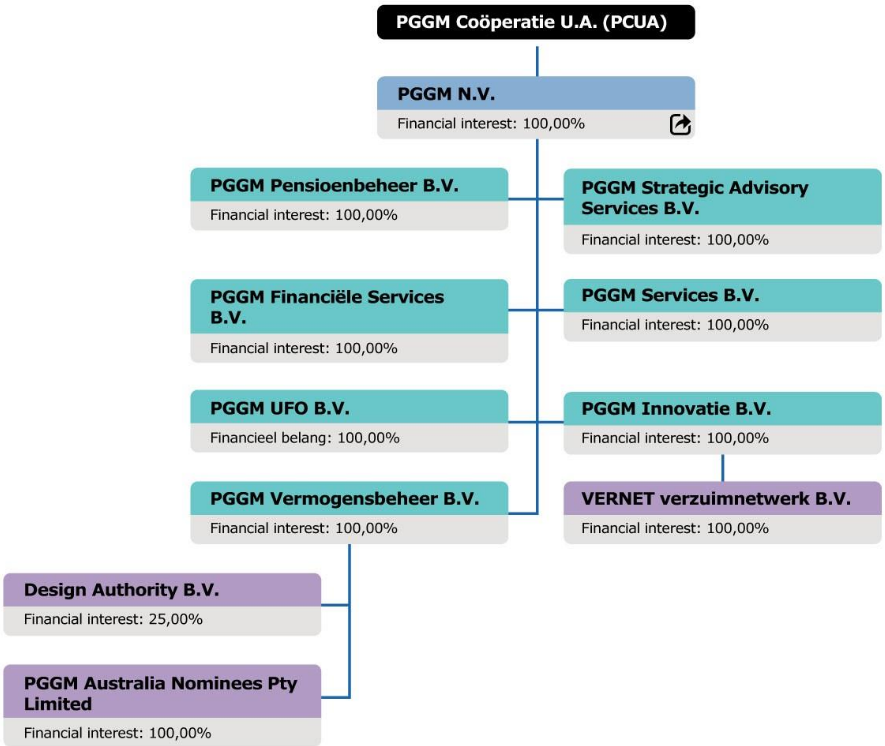
Pursuant to Section 2:67 of the Financial Supervision Act (in Dutch: Wet op het financieel toezicht (WWft)), the Authority for the Financial Markets (in Dutch: Autoriteit Financiële Markten (AFM))has granted PGGM Investments an AIFMD licence allowing it to act as the manager of an investment fund as defined in Section 1:1 of the Wft, effective from 4 April 2014. The license is limited to offering the rights of participation to professional investors.

Pursuant to Section 2:67a(2) of the Wft, PGGM Investments is also permitted to carry out the following activities or to provide the following services:

- Manage individual capital;
- Advise on financial instruments in the context of practicing a profession or conducting a business;
- Receive and transfer orders from clients relating to financial instruments in the practice of a profession or operation of a business.

Group structure

One hundred percent (100%) of the shares in PGGM Investments are held by PGGM N.V. In turn, 100% of the shares in PGGM N.V. are held by PGGM Coöperatie U.A. The following figure shows the legal structure of PGGM Coöperatie U.A., PGGM N.V., its subsidiaries and other participating interests ('the PGGM group') as at 31 December 2021.



PGGM Australia Nominees Pty Limited

PGGM Investments holds all shares in PGGM Australia Nominees Pty Limited (PAN). On this basis, the assets and liabilities as well as the result of PAN is fully included in PGGM Investments' consolidated annual report.

Design Authority B.V.

PGGM Investments held a 50% interest in Design Authority B.V. from 2 June 2020. Subsequent to that date, two other parties participated in Design Authority B.V., as a consequence of which PGGM Investments holds a 25%-interest as of year-end 2021. With this share capital no material influence can be exerted on the operational management, and therefor this participating interest is not consolidated in PGGM Investments' financial statements or the financial statements of PGGM N.V. and PGGM Coöperatie.

Participant’s meeting

The participants’ meeting is important in the decision making on the fund terms and conditions of the investment funds managed by PGGM Investments. The meeting allows us to inform participants about the course of affairs in relation to the investment policy and to include them in a discussion of relevant developments in relation to investment institutions (for example: legislation and regulations and responsible investment).

PGGM Advisory Boards

PGGM Investments has two advisory boards: PGGM Advisory Board Alternative Funds (ABAF) and PGGM Advisory Board Responsible Investment (ABRI).

The ABAF advises the Board of Directors of PGGM Investments on the Private Market funds. It advises both on its own initiative and at the request of PGGM Investments. The ABAF, consisting of three external members, advises the Board of Directors of PGGM Investments on the Private Market funds. It advises both on its own initiative and at the request of PGGM Investments on individual transactions as well as on strategy issues. During 2022 the ABAf has advised on 13 investment propositions. Since 2009, the Advisory Board Responsible Investment (ABRI) has played an important advisory role in the development and implementation of PGGM's responsible investment policy. However, with the far-reaching integration of sustainability factors in the investment processes, PGGM's advisory needs have become increasingly specialised and thematic. Therefore, from the end of 2022, the ABRI has been replaced by an open network of experts for ad hoc advice in the various sub areas of ESG risk management and impact investing.

Part 3
Financial Statements

Consolidated Financial Statements of PGGM Vermogensbeheer B.V.

Consolidated balance sheet as of 31 December 2022

BALANCE SHEET

(before profit appropriation)

(amounts in thousands of euros)

	Ref	*31 December 2022*	*31 December 2021*
Assets			
Fixed assets			
Intangible fixed assets	**3**	607	1,009
Property, plant and equipment	**4**	16	19
Financial fixed assets	**5**	1,530	634
Total fixed assets		**2,153**	**1,662**
Current assets			
Receivables	**6**	23,053	22,913
Cash and cash equivalents	**7**	80,696	88,579
Total current assets		**103,749**	**111,492**
Total assets		**105,902**	**113,154**
Liabilities			
Equity	**8**		
Paid and called-up capital		100	100
Statutory reserve		5	5
Share premium reserve		34,400	34,400
Other reserves		50,309	48,455
Undistributed profit		12,570	19,854
Total equity		**97,384**	**102,814**
Provisions			
Provisions	**9**	2,923	0
Total provisions		**2,923**	**0**
Current liabilities			
Current liabilities	**10**	5,595	10,340
Total current liabilities		**5,595**	**10,340**
Total liabilities		**105,902**	**113,154**

Consolidated income statement for 2022

INCOME STATEMENT

(amounts in thousands of euros)

	Ref	2022	2021
Management fees	***12***	175,876	173,382
Total operating income		**175,876**	**173,382**
Costs of outsourced work and other external expenses	***13***	19,321	20,637
Employee expenses	***14***	96,278	88,857
Depreciation / amortisation of tangible / intangible fixed assets	***15***	2,802	5,600
Other operating expenses	***16***	39,910	31,845
Total operating expenses		**158,311**	**146,939**
Operating result		**17,565**	**26,443**
Financial expenses		-247	-111
Result before taxes		**17,318**	**26,332**
Taxes	***17***	-4,489	-6,562
Result participating interests	***5***	-259	84
Result after taxes		**12,570**	**19,854**

Consolidated cash flow statement for 2022

CASH FLOW STATEMENT

(amounts in thousands of euros)

		2022	2021
Cash flow from operating activities			
Operating result		17,565	26,443
Adjustments for:			
Amortisation, depreciation and impairments	***3,4***	407	489
Financial fixed assets	***5***	-754	0
Changes in receivables	***6***	-140	5,842
Changes in provisions	***9***	2,923	0
Changes in current liabilities	***10***	-9,235	-16,293
Cash flow from operating activities		**10,766**	**16,481**
Paid interest		-247	-111
Corporation tax paid		0	0
		-247	**-111**
Total cash flow from operating activities		**10,519**	**16,370**
Cash flow from investment activities			
Additions and acquisitions of			
Intangible fixed assets	***3***	0	-639
Property, plant and equipment	***4***	-2	-11
Acquisition of participating interests	***5***	-400	-400
Disposals, repayments and sales			
Receipts from disposal of participating interests	***5***	0	0
Total cash flow from investment activities		**-402**	**-1,050**
Cash flow from financing activities			
Dividend paid	***8***	-18,000	-15,000
Total cash flow from financing activities		**-18,000**	**-15,000**
Net cash flow		**-7,883**	**320**

Changes in cash and cash equivalents

Cash and cash equivalents at the beginning of the period	*7*	88,579	88,259
Cash and cash equivalents at the end of the period	*7*	80,696	88,579
Changes in cash and cash equivalents		**-7,883**	**320**

Notes to the consolidated financial statements for 2022

1 General notes

Information on PGGM Vermogensbeheer B.V.

PGGM Vermogensbeheer B.V. (hereinafter: PGGM Investments) was founded on 20 July 2007. PGGM Investments has its registered office and principal place of business at Noordweg Noord 150 in Zeist, the Netherlands. PGGM Investments is registered with the Chamber of Commerce under registration number 30228490.

In accordance with Article 2.1 of the articles of association, the statutory objectives of PGGM Investments are:

- To act as a manager of investment institutions in the widest sense of the word, in any case including portfolio management, risk management, administration, marketing of participations and share and activities related to the assets of investment institutions;
- To provide investment services including discretionary asset management, investment advice and the reception and transmission of orders in relation to financial instruments;
- (to ensure) the safe-keeping and administration in relation to participations or investment institutions;
- To offer and have offered financial instruments to employees who are employed in the care and welfare sector and to their partners, as well as to former employees who in that capacity have been employed in the aforementioned sector and to their partners, as well as to members of the cooperative: PGGM Coöperatie U.A.; and
- To participate in, to take an interest in any other way in, to conduct the management of other business enterprises of whatever nature, and to finance third parties, to grand security in any way, and to bind itself for liabilities of third parties, and finally all activities which are incidental to or which may be conducive to any of the foregoing.
- Furthermore, in accordance with article 2.2 of the articles of association, the objective of the company also includes to manage and finance its subsidiaries, group companies and associated companies, and to provide security and guarantees for its own debts and for the debts of its subsidiaries, group companies, and associated companies.

AIFM licence

Pursuant to Section 2:67 of the Financial Supervision Act (Wft), the Authority for the Financial Markets (AFM) has granted PGGM Investments an AIFM licence allowing it to act as the manager of an investment fund as defined in Section 1:1 of the Wft, effective from 4 April 2014. The licence is limited to offering the rights of participation to professional investors.

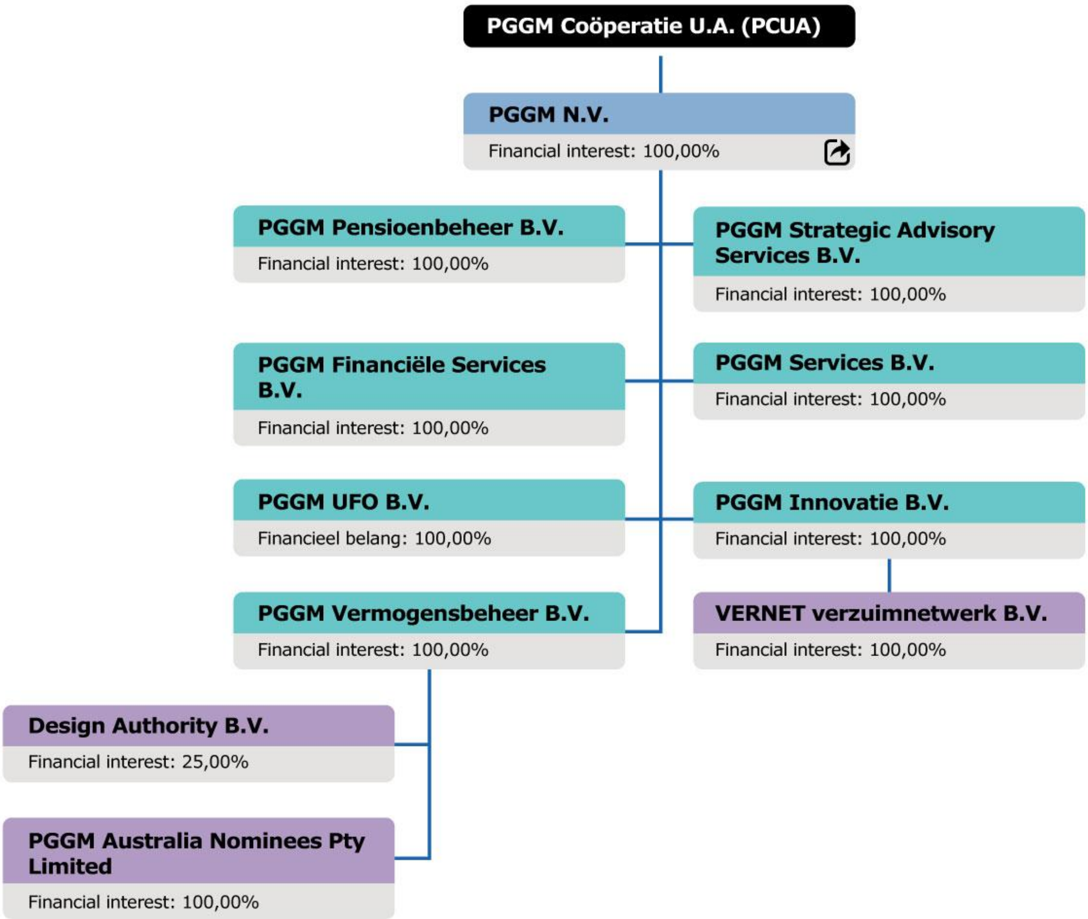
Pursuant to Section 2:67a(2) of the Wft, PGGM Investments is also permitted to carry out the following activities or to provide the following services:

- Manage individual capital;
- Advise on financial instruments in the context of practising a profession or conducting a business;
- Receive and transfer orders from clients relating to financial instruments in the practice of a profession or operation of a business.

Group structure

The company belongs to a group. At the head of this group is PGGM Coöperatie U.A., registered and located in Zeist. All shares in PGGM Investments are held by PGGM N.V. In turn, all shares in PGGM N.V. are held by PGGM Coöperatie U.A. The company's annual accounts are included in the consolidated annual accounts of PGGM N.V. and PGGM Coöperatie U.A.

both available on the website of PGGM. The following figure shows the legal structure of PGGM Coöperatie U.A., PGGM N.V., its subsidiaries and other participating interests ('the PGGM group') as at 31 December 2022.



PGGM Australia Nominees Pty Limited

PGGM Investments acquired the shares in PGGM Australia Nominees Pty Limited (PAN) on 13 May 2009. PAN is a 100% subsidiary of PGGM Investments. On this basis, the assets and liabilities as well as the result is fully included in PGGM Investments' consolidated annual report.

Design Authority B.V.

PGGM Investments held a 25% interest in Design Authority B.V. The assets and liabilities of this participating interest is not consolidated in the financial statements since there is no control.

2 Accounting principles for the valuation of assets and liabilities, determination of the result and the cash flow statement

Basis of preparation

The consolidated financial statements have been prepared in accordance with the statutory provisions of Part 9, Book 2, of the Dutch Civil Code and the firm pronouncements in the Dutch Accounting Standards, as published by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving').

Financial reporting Period

These annual accounts relate to the 2022 financial year, which ended on the balance sheet date on December 31, 2022.

Reporting language

The annual report of PGGM Investments has been drawn up in English with effect from the 2021 financial year. This is based on a management decision taken by the shareholders of PGGM Investments on November 18, 2021.

Applied standards

The consolidated financial statements have been prepared in accordance with the legal provisions of Part 9 of Book 2 of the Dutch Civil Code and the Guidelines for Annual Reporting, issued by the Council for the annual reporting. References are included in the balance sheet, profit and loss account and cash flow statement.

As of financial year 2022, turnover is recognised in line with the revised version of RJ 270 The profit and loss account. Further details are included in the accounting policies. This change in accounting policy is applied retroactively and has no impact on PGGM investments.

Going concern

The financial statements of the PGGM Investments have been prepared on the basis of the going concern assumption.

Comparison to previous year

The accounting principles used for valuations and to determine the result are unchanged with respect to the previous financial year.

Fair value

The fair value of a financial instrument is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties who are independent of each other.

Functional and presentation currency

The financial statements are presented in euros, PGGM Investments' functional currency. All financial information in euros has been rounded off to the nearest thousand.

Use of estimates

The preparation of the annual financial statements requires the Management Board to make judgements, estimates and assumptions that affect the application of the accounting principles and the reported value of assets and liabilities and of income and expenses. The actual results may differ from these estimates. The estimates and underlying assumptions are continuously assessed. Revisions to estimates are recognised prospectively. If it is necessary in order to provide the true and fair view required under Book 2, article 362, paragraph 1, the nature of these estimates and judgements, including related assumptions, is disclosed in the notes to the relevant financial statement item. No significant estimates applied at PGGM Investments in 2022.

Basis of consolidation

The consolidated financial statements comprise the financial data of PGGM Investments, its group companies and other legal entities in which it can exercise control or over which it has central management. Group companies are participating interests in which PGGM Investments has a controlling interest, or in which it has the authority to govern otherwise their financial and operating policies. The assessment of whether it has the authority to govern otherwise their financial and operating policies involves financial instruments which potentially carry voting rights and can be exercised directly. Participating interests acquired for the sole purpose of disposal within the foreseeable future are not consolidated.

Newly acquired participating interests are consolidated as from the date that decisive influence (control) can be exercised. Participating interests disposed of remain included in the consolidation until the date of loss of this influence.

The following company is included in the consolidation:

Name Place of business capital	Share in issued	
PGGM Australia Nominees Pty Limited	Sydney, Australia	100%

Consolidation method

The consolidated financial statements are prepared by using uniform accounting policies for measurement and determination of result of the group.

In the consolidated financial statements, intragroup shareholdings, liabilities, receivables and transactions are eliminated. Also, the results on transactions between group companies are eliminated to the extent that the results are not realised through transactions with third parties outside the group and no impairment loss is applicable.

The application of Article 402

Since the income statement for 2022 of the company is included in the consolidated financial statements, an abridged income statement has been disclosed (in the company financial statements) in accordance with Section 402, Book 2 of the Dutch Civil Code.

Acquisition and disposal of group companies

From the date of acquisition, the results and the identifiable assets and liabilities of the acquired companies are included in the consolidated financial statements. The date of acquisition is the moment that decisive influence (control) can be exercised over the relevant company.

The acquisition price is the sum of money, or the equivalent, agreed to acquire the company, increased by any directly attributable costs. If the acquisition price is higher than the net amount of the fair value of the identifiable assets and liabilities, the excess is capitalised as goodwill under intangible fixed assets. If the acquisition price is lower than the net amount of the fair value of the identifiable assets and liabilities, the difference (negative goodwill) is shown as a liability.

Transactions in foreign currencies

Assets and liabilities denominated in foreign currencies are converted into euros at the exchange rate prevailing on the balance sheet date. This valuation forms part of the fair value valuation. Income and expenses relating to transactions in foreign currencies during the reporting period are converted at the exchange rate prevailing on the transaction date. All foreign currency translation differences are recognised in the statement of income and expenses.

The assets, liabilities, and income and expenses of consolidated participating interests with a functional currency other than the presentation currency are converted at the exchange rate prevailing on the balance sheet date. The resulting translation gains and losses are directly recognised under equity in the statutory foreign currency translation reserve.

2.1 Accounting principles for the valuation of assets and liabilities

Recognition of an asset or liability

Assets and liabilities are measured at historical cost, unless stated otherwise in the further principles. If no specific valuation principle is stated, valuation is on the basis of historical cost.

An asset is recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to PGGM Investments and the asset has a cost price or value of which the amount can be measured reliably. Assets that are not recognised in the balance sheet are considered as off-balance sheet assets.

A liability is recognised in the balance sheet when it is expected that the settlement of an existing obligation will result in an outflow of resources embodying economic benefits and the amount necessary to settle this obligation can be measured reliably. Provisions are included in the liabilities of PGGM Investments. Liabilities that are not recognised in the balance sheet are considered as off-balance sheet liabilities.

An asset or liability that is recognised in the balance sheet, remains recognised on the balance sheet if a transaction (with respect to the asset or liability) does not lead to a major change in the economic reality with respect to the asset or liability. Such transactions will not result in the recognition of results. When assessing whether there is a significant change in the economic circumstances, the economic benefits and risks that are likely to occur in practice are taken into account. The benefits and risks that are not reasonably expected to occur, are not taken in to account in this assessment.

An asset or liability is no longer recognised in the balance sheet, and thus derecognised, when a transaction results in all or substantially all rights to economic benefits and all or substantially all of the risks related to the asset or liability are transferred to a third party. However, in circumstances where the transaction does not significantly change the economic reality of an asset or liability, this asset or liability remains recognised on the balance sheet. In such cases, the results of the transaction are directly recognised in the profit and loss account, taking into account any provisions related to the transaction. If assets are recognised of which PGGM Investments does not have the legal ownership, this fact will be disclosed.

References are included in the balance sheet, income statement and cash flow statement. These references refer to these explanatory notes.

Financial instruments

Financial instruments included in current assets are initially and subsequently measured at fair value, if these are related to securities held for trading or if they relate to equity instruments not held for trading. All other on balance financial instruments are carried at (amortised) cost.

Intangible fixed assets

Software

Software is stated at the acquisition price or at the production cost net of cumulative depreciation and any impairments. These assets are subject to straight-line depreciation over their estimated economic life, taking account of any contractual term. The residual value is zero.

Property, plant and equipment

Other operating assets

The other operating assets comprise of computer hardware. Computer hardware is stated at the acquisition price net of cumulative depreciation and any impairments. These assets are subject to straight-line depreciation over their estimated five-year economic life. The residual value is zero.

Financial fixed assets

Participating interests in which significant influence is exercised

Participations, over which significant influence can be exercised, are measured according to the net asset value method. In the event that 20% or more of the voting rights can be exercised, it may be assumed that there is significant influence.

PGGM Investments' accounting principles are used to determine the net asset value. Results on transactions involving a transfer of assets and liabilities between PGGM Investments and its participating interests and between participating interests themselves are eliminated to the extent these are deemed to be unrealised.

Participating interests with a negative net asset value are stated at nil. A provision is created when PGGM Investments wholly or partially guarantees the relevant participating interest's debts, or has the constructive obligation (for its share) of enabling the participating interest to pay its debts. This provision is primarily formed against the receivables from the participating interest and for the remainder, under the provisions according to the size of the share in the losses sustained by the participating interest, or for the expected payments by PGGM Investments in respect of this participating interest.

The initial valuation of acquired participating interests is based on the fair value of the identifiable assets and liabilities at the acquisition date. For subsequent measurement, the principles applicable to these financial statements are used, with the initial recognition used as the basis.

Third party minority interest

The third party minority interest is shown in the share of third parties in the net asset value determined in accordance with the valuation principles of PGGM Investments.

Participating interests in which there is no significant influence

Participating interests in which no significant influence is exercised are stated at the lower of the acquisition price or realisable value. If there is a firm disposal intention, the participating interest is shown at the lower expected sales value, if applicable.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences between the value of the assets and liabilities under tax regulations on the one hand and the accounting policies used in these financial statements on the other, on the understanding that deferred tax assets are only recognised insofar as it is probable that future taxable profits will be available to offset the temporary differences and available tax losses.

The calculation of the deferred tax assets is based on the tax rates prevailing at the end of the reporting year or the rates applicable in future years, to the extent that they have already been enacted by law.

Deferred income taxes are recognised at nominal value.

Impairments of fixed assets

For fixed assets, an assessment is conducted on every balance sheet date to determine whether there are any indications that these assets may be subject to impairment. If this appears to be the case, the realisable value of the asset is estimated. The realisable value is the higher of the value in use or the net selling price. If it is not possible to estimate the realisable value of an individual asset, the realisable value of the cash-generating unit to which the asset belongs (the asset's cash-generating unit) is determined.

An impairment occurs when the carrying amount of an asset is higher than the realisable value; the realisable value is the higher of the fair value less cost to sell and the value in use. An impairment loss is directly recognised in the income statement while the carrying amount of the asset concerned is concurrently reduced.

The realisable value is initially based on a binding sale agreement; if there is no such agreement, the realisable value is determined based on the active market, whereby usually the prevailing bid price is taken as market price. The costs deducted in determining net realizable value are based on the estimated costs that are directly attributable to the sale and are necessary to realize the sale. For the determination of the value in use, an estimate is made of the future net cash flows in the event of continued use of the asset / cash generating unit; The discount rate does not reflect risks already taken into account in future cash flows.

If it is established that an impairment that was recognised in the past no longer exists or has reduced, the increased carrying amount of the asset concerned is set no higher than the carrying amount that would have been determined if no impairment value adjustment for the asset concerned had been reported.
An assessment is also conducted on every balance sheet date to determine whether there are any indications that impairment losses shown in earlier years have been reduced. If this appears to be the case, the realisable value of the asset is estimated.

Reversal of an impairment recognised previously takes place only in the event of a change in the estimates used to determine the realisable value since the latest impairment loss shown. In that case, the carrying amount of the asset is raised to the estimated realisable value, but no higher than the carrying amount that would have been determined (after depreciation) if no impairment loss had been recognised for the asset in earlier years.

Receivables, prepayments and accrued income

On initial recognition, receivables are stated at the fair value of the consideration received in return. Accounts receivable are subsequently stated at the amortised cost price after initial recognition. If the receipt of the receivable is deferred on grounds of an agreed extension to a payment term, the fair value is determined with reference to the present value of the expected receipts and interest income based on the effective interest rate is taken to the income statement. Provisions for bad debt are deducted from the book value of the receivable.

Cash and cash equivalents

Cash and cash equivalents are stated at nominal value.

Equity

Equity is defined as the balance between the assets and liabilities. Equity is therefore a residual item for which no specific valuation rules apply, but whose carrying amount is indirectly determined by the appreciation of all other balance sheet items.

PGGM Investments holds paid and called-up capital, reserves and undistributed profit. The undistributed profit is added to the reserves at the annual shareholders meeting. The shareholders can also decide to make a dividend payment.

Provisions

Other provisions

Provisions are recognised for legally enforceable or constructive obligations that exist at the balance sheet date, and for which it is probable that an outflow of resources will be required and a reliable estimate can be made.

Provisions are measured at the best estimate of the amount that is necessary to settle the obligation as per the balance sheet date. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, unless the time value of money is not material. Where the effect of the time value of money is not material, provisions are measured at their nominal value.

Other liabilities, accruals and deferred income

Other liabilities, accruals and deferred income are stated at fair value on initial recognition. After initial recognition, the liabilities are recognised at amortised cost (equal to the face value if there are no transaction costs).

2.2 Accounting principles for the determination of result

Recognition of income and expenses

Income is recorded in the statement of income and expenses if an increase in economic potential associated with an increase in the value of an asset or a decrease in the value of a liability occurred, provided that the value thereof can be reliably established.

An expense is recorded if a decrease in economic potential associated with a decrease in the value of an asset or an increase in the value of a liability occurred, provided that the value thereof can be reliably established.

The result is determined as the difference between the net realisable value of the delivered performance and the costs and other expenses incurred over the year. Transaction revenues are recognised in the year in which they are realised. References are included in the balance sheet, income statement and cash flow statement. These references refer to the explanatory notes.

Revenue

These are fees received from third parties for the fund and asset management services that have been provided. The revenues follow from the provision of services and are based on the services rendered up to the balance date in proportion to the total services provided less discounts and levied taxes.

Revenue from the rendering of services is recognized per performance obligation if the amount or the result can be reliably determined.

Revenue is recognised for the amount to which the legal entity expects to be entitled in exchange for the transfer of promised services, i.e. the transaction price. This amount does not include amounts collected on behalf of third parties (including sales taxes). The transaction price consists of a fixed fee and variable consideration such as discounts and performance bonuses. Credit risk is not taken into account when determining the transaction price.

The determination of the transaction price is based on the assumption that the services will be transferred in accordance with the relevant agreement and that this agreement will not be cancelled, extended or otherwise modified.

The effects of variable consideration are taken into account in determining the transaction price. These effects are based on an estimate of the fees. Such estimates are updated at the end of each financial year. Only variable fees that are unlikely to be reversed later on are taken into account.

Operational expenses

All expenses are accounted for in the year to which they relate. The operational expenses consists of costs of outsourced work and other external expenses, employee costs, depreciation/amortisation of assets and other operating expenses.

Amortisation of intangible assets and depreciation of property, plant and equipment

Intangible fixed assets and tangible fixed assets are depreciated or amortised from the date of initial use over the expected future economic life of the asset.
Future depreciation and amortisation is adjusted if there is a change in estimated future useful life.
Gains and losses from the occasional sale of intangible and tangible fixed assets are included in depreciation.

Financial income and expenses

PGGM Investments recognises interest income and expenses relating to its own cash and cash equivalents as a result of the interest set-off system at PGGM N.V. The interest income and expenses are assessed in the financial statements per individual credit institution and the net position is ultimately presented as interest income or expense. Interest income and interest expense is recognised on a time-proportionate basis, taking into account the effective interest rate of the particular assets and liabilities. No interest is settled for the current account relationship between PGGM Coöperatie U.A., PGGM N.V. and its subsidiaries.

Share in result of participations

The share in the result of participating interests consists of the share of the group in the results of these participating interests, determined on the basis of the accounting principles of the group. Results on transactions, where the transfer of assets and liabilities between the group and the non-consolidated participating interests and mutually between non-consolidated participating interests themselves, are not recognised as they can be deemed as not realised.

The results of participating interests acquired or sold during the financial year are measured in the group result from the date of acquisition or until the date of sale respectively.

Taxes

Corporation tax

Within the PGGM Group, corporation tax on the taxable result is calculated for each legal entity, taking account of losses available for set-off from previous financial years (to the extent they have not already been included in the deferred tax assets) and exempt profit components and after the addition of non-deductible costs. Ultimately, PGGM Coöperatie U.A. settles with the Dutch tax authorities.

VAT

In addition, together with its subsidiaries, PGGM Investments forms part of a fiscal unity for VAT purposes, as a result of which it is jointly and severally liable for any VAT liabilities of all entities belonging to the fiscal unity. The fiscal unity for value added tax purposes is entitled to advance deduction of VAT. The effectuated right to advance deduction is recognised within PGGM Investments.

Cash flow statement

The cash flow statement is prepared in accordance with the indirect method. Cash flows in foreign currencies are restated in euros on the basis of the average exchange rates for the relevant periods. Income and expenses arising from interest, dividends received and tax on profits are included in the cash flow from operating activities. Dividends paid out are recognised in the cash flow from financing activities. The purchase consideration paid for the acquired group corporation has been recognised as cash used in investing activities where it was settled in cash. Any cash at banks and in hand in the acquired group corporation have been deducted from the purchase consideration.

3 Intangible fixed assets

	Software
Balance as at 1 January 2022	
Acquisition price or manufacturing cost	14,147
Accumulated amortisation and impairments	-13,138
Carrying amount as at 1 January 2022	**1,009**
Movements	
Investments	0
Amortisation	-402
Balance	**-402**
Balance as at 31 December 2022	
Acquisition price or manufacturing cost	14,147
Accumulated amortisation and impairments	-13,540
Carrying amount as at 31 December 2022	**607**
Amortisation period	**5 years**

4 Property, plant and equipment

	Other operating assets
Balance as at 1 January 2022	
Acquisition price or manufacturing cost	59
Accumulated depreciation and impairments	-40
Carrying amount as at 1 January 2022	**19**
Movements	
Investments	2
Depreciation	-5
Balance	**-3**
Balance as at 31 December 2022	
Acquisition price or manufacturing cost	61
Accumulated depreciation and impairments	-45
Carrying amount as at 31 December 2022	**16**
Depreciation period	**5 to 7 years**

5 Financial fixed assets

	Design Authority B.V.	Deferred tax assets	Total
Balance as at 1 January 2022	**634**	**0**	**634**
Movements			
Investments	400	0	**400**
Disposals	0	0	**0**
Result participating interests	-259	0	**-259**
Change in value	0	755	**755**
Balance as at 31 December 2022	**775**	**755**	**1,530**

PGGM Investments has significant influence on the business and financial policy of Design Authority. Our interest in Design Authority B.V. yielded a negative result of € 0.3mln over the year 2022.

Due to the recognition of the provision[6] in 2022 (€ 2.9mln) a deferred tax asset is recognised for the amount of € 0.8mln which will be deductible in 2023.

6 Receivables

	31 December 2022	*31 December 2021*
Accounts receivable	22	12,842
Receivables from group companies	712	1,012
Receivable from PGGM investment funds	1,355	2,263
Amounts to be invoiced	16,278	3,000
Prepayments and accrued income	4,686	3,796
Total	**23,053**	**22,913**

The receivables are of a short-term nature. The fair value of the receivables approximates the carrying amount.

Accounts receivable

At year-end 2022, the receivables for open fund and asset management fees amounted to € 22k (year-end 2021: € 12.8mln). Per year-end fee for December still needs to be invoiced and therefore there is a decline in accounts receivables compared to 2021. Due to the fact that we changed our invoicing from pre-billing to post-billing for certain clients, there is a fluctuation in accounts receivable and amounts to be invoiced.

[6] For the provisions see note 9.

Receivables from group companies (amounts in thousands of euros)

The receivables from group companies concern:

PGGM Pensioenbeheer B.V.	0	1,012
PGGM Strategic Advisory Services BV	142	0
PGGM Cooperatie U.A.	570	0
Total	**712**	**1,012**

No interest is charged on the balance of the current account relationships with group companies.

Receivables from PGGM investment funds

Of the receivables from PGGM funds at year end of 2022 an amount of € 1.1mln (2021: € 1.7mln) related to the Deferred Performance Interest (DPI) scheme and consisted of a receivable from the relevant Private Equity funds. An amount of € 0.3mln (2021: € 1.1mln) of this has a term of more than 1 year.

Amounts to be invoiced

The amounts to be invoiced at year end of 2022 relate to invoices to be send to different investment funds and to PFZW for an amount of € 16.3mln (2021: € 3.0mln).

Prepayments and accrued income

The other prepayments and accrued income relate to prepaid expenses and have a remaining term of less than one year.

7 Cash and cash equivalents

Cash relates to credit balances which are held in Dutch credit institutions. All amounts are collectable on demand. The company’s own cash and cash equivalents form part of the balance and interest set-off system within PGGM. As a result of participation in the interest set-off system, the company is jointly and severally liable for all obligations arising from this. PGGM Investments is the asset manager for external clients and for the PGGM investment funds. The cash management activities are set up locally and derivative transactions are executed decentrally which are not part of the interest set-off system.

8 Equity

The movement in the group equity and insight into the overall result (group result and direct movements) is as follows:

	2022	***2021***
Balance as at 1 January	**102,814**	**97,960**
Group result after taxes	12,570	19,854
Total result of the legal entity	**12,570**	**19,854**
Dividend payment	-18,000	-15,000
Total direct changes in the equity on account of relations with shareholders	**-18,000**	**-15,000**
Balance as at 31 December	**97,384**	**102,814**

The capital of PGGM Investments amounts to € 500,000 (2021: € 500,000), consisting of 500 shares, each with a nominal value of € 1,000. Of these, 100 shares have been issued and are paid up.

9 Provisions

	Other provisions	Total provisions
Balance as at 1 January 2022	**0**	**0**
Additions	2,923	2,923
Use of provisions	0	0
Revaluations	0	0
Balance as at 31 December 2022	**2,923**	**2,923**

PGGM decided in 2021 to move from a multiclient strategy to a single client strategy. For the transition and decommissioning costs arising from this change in strategy clients are compensated and the provision is recognised in accordance with the reporting guidelines at 31 December 2022 (€ 2.9mln). The provision is based on costs to be made for transferring portfolios either in cash or in kind from PGGM funds to other external funds. We have estimated these costs to a large extent on the estimates for these costs provided to us by our client. The provision is measured at its nominal value, since settlement will take place within one year and the time value of money is therefore not material. The provisions will be settled within one year and therefore can be considered short term.

10 Current liabilities

	31 December 2022	***31 December 2021***
Amounts invoiced in advance	0	1,298
Creditors	1,602	430
Amounts owed to group companies	530	6,632
Accruals and deferred income	3,463	1,980
Total	**5,595**	**10,340**

All current liabilities have a remaining term of less than one year. The fair value of the current liabilities approximates the carrying amount.

Creditors

The amount shown in creditors consists of outstanding invoices from regular creditors.

Amounts owed to group companies

The amounts owed to group companies concern:

PGGM N.V.	470	4,205
PGGM Coöperatie U.A.	0	2,135
PGGM Strategic Advisory Services B.V.	0	278
PGGM UFO B.V.	60	14
Total	**530**	**6,632**

The amount owing to PGGM N.V. as at 31 December 2022 concerns costs charged on for supporting services, accommodation, telephony and ICT costs paid on behalf of PGGM Investments by PGGM N.V. In prior year the amount owing to PGGM N.V. included an amount € 3.0mln relates to the increase in the charged-on depreciation/amortisation costs due to the depreciation in the appraised value of the property. Prior year the amount owing to PGGM Coöperatie U.A. of € 2.1mln comprises of the share of the corporation tax for 2021 still to be settled and for 2022 a better estimate was made allowing it to be nill for this year.

Accruals and deferred income

The accruals and deferred income are consisting of invoices still to be received for an amount of € 0.9mln (2021: € 0.8mln) and other current liabilities amounting € 2.6mln (2021: € 2.4mln).

11 Off-balance sheet assets and liabilities

Liability of a fiscal unity

Together with its shareholder, PGGM N.V. and its sole shareholder PGGM Coöperatie U.A. and the other subsidiaries of PGGM N.V., PGGM Investments forms a fiscal unity for corporation tax purposes and, for that reason, is jointly and severally liable for all the ensuing liabilities.

PGGM Investments also forms part of a fiscal unity of the PGGM group for VAT purposes, as a result of which it is jointly and severally liable for any VAT liabilities of all entities belonging to the fiscal unity.

Balance and interest set-off system

Together with its subsidiaries and its sole shareholder PGGM Coöperatie U.A., PGGM N.V. makes use of the balance and interest set-off system at one of the Dutch credit institutions.

Contract liabilities

The total liabilities towards datavendors amounted to € 36.8mln as at 31 December 2022 (2021: € 35.9mln). The liability runs until 2026. An amount of € 24.7mln is payable within one year.

12 Management fees

	2022	***2021***
Management fee institutional	76,908	74,539
Management fee PGGM Funds	98,968	98,843
Total	**175,876**	**173,382**

PGGM Investments performs asset management activities for institutional clients (Dutch pension funds) via discretionary mandates and the PGGM funds. A gross management fee is charged for this at the fund and mandate level, with settlement of the total fee from clients taking place after the event, resulting in the net management fees shown above. The increase of the institutional management fee in 2022 (€ 76.9mln) is due to new fee agreements compared to 2021 (€ 74.5mln).

13 Costs of outsourced work and other external expenses

	2022	***2021***
External personnel	11,611	11,851
Advisory costs	348	631
Charged-on expenses	7,362	8,155
Total	**19,321**	**20,637**

External personnel are personnel hired externally directly by PGGM Investments. The advisory costs relate to investment advice, fiscal/legal advice and other services. The costs of outsourced work consist of direct costs and so called 'charged-on expenses'. The charged-on expenses are costs mainly made by PGGM N.V. for companywide activities and allocated to all subsidiaries based on a.o. actual usage of services and products, including to PGGM Investments.

14 Employee expenses

PGGM Investments does not have its own employees. The employee expenses for the employees working for PGGM Investments are charged directly to PGGM Investments by PGGM N.V. and amounted to € 80.8mln in 2022 (2021: € 77.3mln). In addition, a sum of € 14.6mln (2021: € 14.9mln) of the employee expenses relates to costs of the supporting services charged on by PGGM N.V. and an amount of netted € 0.9mln is charged between PGGM Investments and other PGGM entities (2021: -€ 3.3mln).

This leads to a combined sum of employee expenses in the financial year 2022 of € 96.3mln (2021: € 88.9mln). The increase in employee expenses is mainly caused by an increase in the amount of personnel working for PGGM Investments (2022: 509 FTEs | 2021: 476 FTEs) and Collective Labour Agreement developments (a pay rise of 2,75% which took place on 1 July 2022). Of these, no employees were employed outside the Netherlands in 2022 (2021: 0).

The disclosure of the number of personnel was prepared on the basis of the legal classification, this may differ from the organisational classification (as presented in the financial statements of PGGM N.V., for example), as the former is based on the employee's actual performance.

Remuneration of Management Board and Supervisory Board

PGGM Investments has no Board members who receive remuneration on the grounds of a directorship pursuant to the Articles of Association. The remuneration for the Management Board is included in the costs charged on from PGGM N.V.

The remuneration for Danielle Melis of the Supervisory Board amounts to € 22k. The remuneration for the other members of the Supervisory Board is included in the costs charged on from PGGM N.V.

No loans, advances or guarantees were provided to the Management Board and the Supervisory Board members. Furthermore, Roderick Munsters has stepped down as a member of the Supervisory Board effective from 1 January 2022. Daniëlle Melis has been appointed to the Supervisory Board, replacing Roderick Munsters, from 1 April 2022. The Supervisory Board consists hereonafter of 3 members.

15 Depreciation / amortisation of tangible / intangible fixed assets

	2022	***2021***
Amortisation of intangible fixed assets	402	482
Depreciation of property, plant and equipment	5	7
Charged-on depreciation/amortisation costs	2,395	5,111
Total	**2,802**	**5,600**

16 Other operating expenses

	2022	*2021*
Accommodation expenses	52	49
IT costs	20,812	17,866
Marketing costs	0	3
Other expenses	8,269	4,353
Charged-on expenses	10,777	9,574
Total	**39,910**	**31,845**

The other operating expenses consist of direct and charged-on expenses. The increase in the IT costs relates mainly to the increase of subscription prices of data vendors and maintenance expenses of IT applications. IT costs include all IT related costs. The increase in other expenses relates to the provision.

17 Taxes

The taxes shown in the income statement consist of the following:

	2022	*2021*
Tax expense	5,243	6,562
Deferred income tax	-754	0
Total	**4,489**	**6,562**
Nominal tax rate	25.80%	25.00%
Effective tax rate	25.92%	25.00%

Corporation tax is calculated on the fiscal result. Ultimately, PGGM Coöperatie U.A. settles with the Dutch tax authorities. Any corporation tax liabilities and/or deferred tax assets due to forward loss compensation are accounted for in the fiscal unity at PGGM Coöperatie U.A. and are settled via the current account with the entity to which they relate.

Due to the recognition of the provision in 2022 (€ 2.9mln) a deferred income tax is recognised for the amount of € 0.8mln. The effective tax rate of 25,9% is calculated by dividing the current taxes and changes in deferred taxes by the result before taxes.

18 Transactions with related parties

Transactions with related parties exist when there is a relationship between the company, its participating interests and their board members and management.

There were no transactions with related parties which were not conducted at arm's length.

19 Auditors' fees

Pursuant to Book 2, Section 382a(3) of the Dutch Civil Code, reference is made to the financial statements of PGGM Coöperatie U.A. for an explanation of the auditors' fees.

20 Subsequent events

There are no subsequent events to be disclosed.

21 Risk management

The Risk & Compliance department is responsible for coordinating the risk management process and draws up a monthly risk report for each business unit. This risk report presents the risk picture for each cluster of risks, compared with the risk appetite determined by the PGGM Investments Management Board. The substance of the risk report is discussed and adopted by the Unit Risk Committee of PGGM Investments. The risks and the accompanying risk appetite are divided into three risk clusters: Corporate, Service Provision and Reputation.

Main risks and uncertainties

The main risks and uncertainties, developments in 2022 and management of these risks in each cluster are briefly discussed below.

Corporate risk

The risk cluster Corporate risk is divided into the risks cyber, fraud, credit, regulatory, financial, continuity and the Russian invasion of Ukraine. We have set out these risks below.

Russian invasion of Ukraine

In February 2022, the Russian invasion of Ukraine started, resulting in a humanitarian crisis and with catastrophic consequences for the financial markets. The potential impact of the Ukraine crisis on PGGM has been identified right after the invasion started. In addition to the analysis of the financial markets, including the exposure of investment portfolios to Russia & Ukraine, ERM has performed an impact analysis on the non-financial risks. The increase in the threat of generic risk types, such as Cyber risk due to an increased risk of Cyber war and ransomware attacks, the specific risks and consequences of the Ukraine crisis were identified and assessed for each business unit. The risk appetite for Cyber is low. Additional measures have been identified and actions have been initiated, this includes increasing awareness about cybersecurity among our workers with education and test cases. With regard to compliance, measures have been taken to ensure timely compliance with tightening sanctions legislation. The risk appetite for Compliance is low.

Financial risk

PGGM Investments has a healthy financial position. Total costs developed in line with the budget and the forecast. The risk appetite is medium. The investment portfolios are managed on behalf of and at the risk of our clients. This means that the financial risks arising from these investment portfolios have no direct impact on the financial position of our organisation. Annually, PGGM Investments has the obligation from DNB to prepare an Internal Capital and Liquidity Adequacy Assessment Process (ICLAAP) to determine the required capital and liquidity position. The capital and liquidity position held is considered adequate according to DNB.

Human Resources risk

Being able to attract, develop and retain talent is of strategic importance to PGGM Investments. In 2022, PGGM Investments increased attention to HR risks. To manage the war on talent in a tightening labour market additional measures were taken by PGGM Investments. For example, in 2022 the HR capacity is increased and a new leadership program is introduced. To recruit new talent, PGGM Investments seeks and uses alternative recruitment methods wherever possible. For instance, PGGM Investments has its own trainee and quant trainee program for which PGGM Investments managed to recruit talent in 2022. The risk appetite on HR is Middle. Some of the control measures include the presence of: a recruitment and selection policy; a remuneration policy manual; performance & development and a products & services catalogue.

Operational risk

We are exposed to operational risks in the performance of our clients' assignments. In order to mitigate these risks, PGGM Investments has structured its processes in such a way that it is demonstrably in control. PGGM Investments issues Standard 3402 and 3000 reports on its asset management services. In 2022, except a qualified opinion in the Assurance Report of the independent auditor for Standard 3000A, PGGM Investments has a clean opinion for Standard 3402. The qualified opinion relates to providing a report to one of our clients and on their behalf to the central bank. In the fourth quarter, we corrected the omissions in the reports and took measures to prevent a recurrence in the future. There is no material impact on the financial reporting of the client. We continue to improve the data quality, data governance and the associated risk management, with process digitization including straight-through processing. We continue to strive for transparency of our primary processes and to ensure that control and management measures are incorporated and continually monitored and kept up to date. As part of the operational risk control process, a framework has been developed that contributes to PGGM being demonstrably "in control", both internally (corporate) and externally (on behalf of the clients).

Regulatory risk

In order to comply with legislation and regulations, a great deal of attention was paid in 2022 to the Markets in Financial Instruments Directive II (MiFID II), Alternative Investment Fund Managers Directive (AIFMD), the Sustainable Finance Disclosure Regulation (SFDR) the Money Laundering and Terrorist Financing (Prevention) Act (abbreviation in Dutch: Wwft) and the Sanctions Act 1977 (abbreviation in Dutch: Sw). Please see chapter 3.4 for the important developments.

The Legal Committee presents quarterly the regulatory update report to the Management Board, including an overview of new (EU) legislation which will have impact on PGGM Investments. PGGM Investments aims to be well placed to demonstrate compliance with legislation and regulations from the perspective of market supervision. The risk appetite for legislation and regulations is Low. Within PGGM Investments, various control measures have been set up and policies have been drafted. To name a few: Tax, Legal & Regulatory charter, Shareholder Litigation Policy, PGGM Compliance handbook Asset management chain and Policy dealing with Regulators.

These policy documents ensure that:

- new contracts and amendments to existing asset management contracts are always made under the direction of legal specialists;
- the Legal Committee advises on identifying and monitoring follow-up/implementation of (new) legislation and regulations for PGGM N.V. and its legal entities, including PGGM Investments;
- internally executed transactions on public markets are preventively checked against relevant investment guidelines.

Cyber risk

Current market events of ransomware attacks and data thefts underlines the importance of PGGM Investments adequately securing itself against cyber risk. Security measures are divided into detection, prevention, and response. Embedding the improved PGGM Investments Security Control Framework, PGGM Investments is actively monitoring the maturity and demonstrability of our security processes. The risk appetite for Cyber is Low. PGGM has taken various control measures in the field of IT, including cyber security, such as maintaining an information security policy, an information policy and a business continuity policy. Under these policies, for example, the Business Continuity processes and products are assessed and certified on the basis of ISO22301 BCMS, authorisations are granted on the basis of Rule Based Access Control and the security of systems is in line with the security architecture and classification. PGGM Investments also has an off-site disaster recovery location.

Reputation risk

PGGM Investments actively monitors the media exposure of PGGM Investments and its clients. Periodically, the reputational risks and opportunities are specifically discussed, as well as the measures to mitigate these risks and exploit opportunities. In order to manage reputation risk, PGGM Investments works closely with PFZW. PGGM Investments also actively manages its stakeholders, constantly monitoring the client relationship and measuring client satisfaction. The risk appetite with respect to reputation is Low. Some of the management measures include: active relationship management with the press; monitoring and interpreting media exposure; internal dynamics and internal advice and guidance to relevant stakeholders.

Credit risk

Credit risk is defined as the risk that counterparties cannot meet their contractual obligations. This mainly concerns the management fees to be received that have been contractually agreed with our clients. As PGGM Investments' clients have a strong financial position that is subject to supervision, the risk resulting from bankruptcy is low. The maximum credit risk amounts to the carrying amount of financial fixed assets, receivables and cash. Approximately 76% of the assets of PGGM Investments consists of cash and cash equivalents. To minimize the credit risk on its cash position, PGGM Investments takes part in a cash pooling construction with its parent company PGGM N.V. The liquid assets held by PGGM N.V. are deposited with both banks as well as money market funds. The use of money market funds decreases the credit and counterparty risk.

With respect to the financial assets, the carrying amount recognised in the balance sheet approximates fair value. Counter parties are subjected to a thorough ODD when entering into a relationship, which is part of the deal team process. Periodic reviews also take place. In addition, active relationship management takes place for existing relationships. The financials of the counterparties are monitored.

Liquidity risk

The cash balance of PGGM Investments was € 80,7mln as at 31 December 2022 (31 December 2021: € 88.6mln). In 2022, PGGM Investments’ liquidity position was sufficient to cover all cash outflows from operating, investment and financing activities and there were no additional finances required. The liquidity risk is therefore perceived to be limited.

Capital requirement

For PGGM Investments, the threshold of the capital held is subject to requirements of the Internal Capital & Liquidity Adequacy Assessment Process (ICLAAP). To this end, PGGM Investments has drawn up a specific capital adequacy policy. The requirements set by DNB have been incorporated into this policy. It is important for the continuity of PGGM Investments that sufficient capital is held being able to deal with the possible financial consequences of the identified risks. The Finance & Control department monitored the adequacy of the capital held in 2022.

Continuity

The continuity risk concerns the risk that management intends to liquidate the entity as a whole or to terminate all business activities. Continuity is a basic condition for an institutional investor PGGM Investments. PGGM Investments has included in its continuity policy that it has sufficient resources of its own to be able to continue operations for at least a year in the event of a (total) loss of income. We estimate this risk as low for our company. Based on our equity policy, we aim to maintain sufficient equity to meet capital requirements:

- based on legislation and regulations (and supervisory requirements);
- to cover our working capital;
- to finance the business transformation / innovation and
- to be able to absorb unexpected (financial) risks.

Equity amounted to € 97.4 mln as at 31 December 2022 (year-end 2021: € 102.8mln). The solvency as at 31 December 2021 amounted to 92.0% (2021: 90.9%) and amply meets the capital requirements. PGGM Investments does not have any loans on its balance sheet. In 2021 PGGM Investments made the decision to move towards servicing PFZW only. Our turnover in the near future will therefore be dependent on our customer PFZW. With PFZW we have a contract until the year 2026 for the agreed upon services provided by PGGM Investments. In order to strengthen our partnership with PFZW, we explored a joint strategy in 2022, which will be made operational in the coming years. For 2023, we expect an increase in our turnover to approximately €180 million (2022: €175.9 million). We also expect positive financial margins in our multi-year forecast.

Application of our Risk Framework ensures that the continuity risk is managed in an unambiguous manner as efficiently and effectively as possible. A number of risks that could have a significant potential impact on our equity are explained below and how we hedge them:

- We may receive potential claims for damages from our customers in the event of attributable errors in our services. We are insured for attributable errors with a maximum amount per year. In addition, it has been contractually agreed with most customers that the amount to be paid out in the event of an attributable error is limited to the payment we receive from the insurer.
- We aim for a positive margin in our customer fee agreements. This positive margin has also been achieved at group level in recent years.

Over a period of 12 months after signing this annual report, we do not expect any new relevant risks that will materially change the picture with regard to continuity. We may receive potential claims for damages from our customers in the event of attributable errors in our services. We are insured for attributable errors with a maximum amount per year. In addition, it has been contractually agreed with most customers that the amount to be paid out in the event of an attributable error is limited to the payment we receive from the insurer.

We aim for a positive margin in our customer fee agreements. This positive margin has also been achieved at group level in recent years.

Fraud

PGGM has a robust integrated Control Framework in place to prevent itself against such risks. PGGM’s Risk Framework is based on the COSO Enterprise Risk Management methodology. PGGM also conducts a systematic integrity risk analysis (SIRA) throughout the company each year. PGGM has a well-formalised and measurable process for identifying and assessing the risks of fraud, including bribery and corruption. No fraudulent activities have been identified in 2022 for PGGM Investments. Fraud risk can arise of fraudulent action of persons internal or external to the firm. Examples of fraudulent activities may include unauthorised payments or deals for personal gain, entering into a contract that is not in the best interest of our clients or being exposed to investment fraud. On top off all checks and balances, PGGM continuously improves awareness of fraud risks among their employees (soft controls). This includes education (e-learning), making a moral ethical statement and the availability of a whistle blower policy. Within PGGM we agreed that each year all our colleagues confirm that they have read and understood the Code of Conduct. The risk appetite for Compliance risk is low.

The PGGM Incidents Policy is part of the PGGM Risk Framework and used to manage, watch over and report risks in a transparent and structured manner. (Suspected) misconduct like fraud must be reported to the Risk and Compliance teams, in line with Incidents Policy. In a case of fraud the Corporate Security Officer will be involved and the CFRO of PGGM is informed. Fraud is labelled as a severe incident. If deemed necessary, the CFRO will form a Task Force. The Task Force acts independently and non-partial during investigations and enquiries. The CFRO chairs the Taskforce and can involve other experts, besides the Risk and Compliance teams, for instance the Chief Investment Management in case of fraud within PGGM Investments.

Company financial statements PGGM Vermogensbeheer B.V.

Company balance sheet as at 31 December 2022

(before profit appropriation)
(amounts in thousands of euros)

	Ref	31 December 2022	31 December 2021
Assets			
Fixed assets			
Intangible fixed assets		607	1,009
Property, plant and equipment		16	19
Financial fixed assets	23	1,530	634
Total fixed assets		**2,153**	**1,662**
Current assets			
Receivables	24	23,053	22,913
Cash and cash equivalents		80,689	88,572
Total current assets		**103,742**	**111,485**
Total assets		**105,895**	**113,147**
Liabilities			
Equity	25		
Paid and called-up capital		100	100
Statutory reserve		5	5
Share premium reserve		34,400	34,400
Other reserves		50,309	48,455
Undistributed profit		12,570	19,854
Total equity		**97,384**	**102,814**
Provisions			
Other provisions	26	2,923	0
Total provisions		**2,923**	**0**
Current liabilities			
Current liabilities	27	5,588	10,333
Total current liabilities		**5,588**	**10,333**
Total liabilities		**105,895**	**113,147**

Company income statement for 2022

(amounts in thousands of euros)

	Ref	2022	2021
Result participating interests	5	-259	84
Other result after taxes		12,829	19,770
Result after taxes		**12,570**	**19,854**

Notes to the company financial statements

22 General

The company financial statements have been prepared in accordance with the financial reporting requirements of Part 9, Book 2 of the Dutch Civil Code and distinct pronouncements from the financial reporting guidelines published by the Dutch Accounting Standards Board. The principles of valuations and to determine the result for the Company financial statements and the Consolidated financial statements are equal. Participating interests in group companies are valued based on the net asset value in accordance with the relevant paragraph of the Consolidated financial statements. For the principles of the valuation of assets and liabilities and to determine the result, please refer to the explanation included in note 1 and note 2 on the consolidated balance sheet and the income statement.

23 Financial fixed assets

	Participating interests	Deferred tax assets	Total
Balance as at 1 January 2022	**634**	**0**	**634**
Movements			
Investments	400	0	400
Disposals	0	0	0
Result participating interests	-259	0	-259
Change in value	0	755	755
Balance as at 31 December 2022	**775**	**755**	**1,530**

PGGM Investments has a shareholding of 25% in Design Authority. Our interest in Design Authority B.V. yielded a negative result of € 0.3mln over the year 2022.

Due to the recognition of the provision in 2022 (€ 2.9mln) a deferred tax asset is recognised for the amount of € 0.8mln which will be deductible in 2023.

The participating interests concern the following companies:

Name Place of business capital	Share in issued	
PGGM Australia Nominees Pty Limited	Sydney, Australia	100%
Design Authority B.V.	Amsterdam, The Netherlands	25%

24 Receivables

	31 December 2022	*31 December 2021*
Accounts receivable	22	12,843
Receivables from group companies	712	1,012
Receivable from PGGM investment funds	1,355	2,263
Amounts to be invoiced	16,278	3,000
Prepayments and accrued income	4,686	3,796
Total	**23,053**	**22,913**

For the disclosure of the receivables, we refer to disclosure note 6 in the consolidated financial statements.

25 Equity

	Paid and called-up capital	**Statutory reserve**	**Share premium reserve**	**Other reserves**	**Undistributed profit**	**Total**
Balance as at 1 January 2021	**100**	**5**	**34,400**	**33,075**	**30,380**	**97,960**
Appropriation of profit for 2020	0	0	0	30,380	-30,380	0
Dividend paid	0	0	0	-15,000	0	-15,000
Result for 2021	0	0	0	0	19,854	19,854
Balance as at 31 December 2021	**100**	**5**	**34,400**	**48,455**	**19,854**	**102,814**
Appropriation of profit for 2021	0	0	0	19,854	-19,854	0
Dividend paid	0	0	0	-18,000	0	-18,000
Result for 2022	0	0	0	0	12,570	12,570
Balance as at 31 December 2022	**100**	**5**	**34,400**	**50,309**	**12,570**	**97,384**

The capital of PGGM Investments amounts to € 500,000 (2021: € 500,000), consisting of 500 shares, each with a nominal value of € 1,000. Of these, 100 shares have been issued and are paid up.

PGGM Investments determined the capital requirement for the prudential capital at year-end 2022 at € 64.7mln (2021: € 70.2mln). Consequently, the regulatory capital as at 31 December 2022 complies with the DNB's prudential capital requirements.

Undistributed profit
The total result after taxes in 2022 amounts to € 12.6mln (2021: €19.8mln).

Proposal for profit appropriation
It is proposed to the General Meeting of Shareholders that the result after taxes for 2022 will be added to the other reserves.

26 Provisions

	Other provisions	Total provisions
Balance as at 1 January 2022	**0**	**0**
Additions	2,923	2,923
Use of provisions	0	0
Revaluations	0	0
Balance as at 31 December 2022	**2,923**	**2,923**

For the disclosure of the provisions, we refer to disclosure note 9 in the consolidated financial statements.

27 Current liabilities

	31 December 2022	*31 December 2021*
Amounts invoiced in advance	0	1,298
Creditors	1,602	430
Amounts owed to group companies	530	6,632
Accruals and deferred income	3,456	1,973
Total	**5,588**	**10,333**

For the disclosure of the current liabilities, we refer to disclosure note 10 in the consolidated financial statements.

28 Transactions with related parties

Transactions with related parties exist when there is a relationship between the company, its participating interests, their Board members and management.

There were no transactions with related parties which were not conducted at arm's length.

29 Subsequent events

For the disclosure on post-balance sheet date events, see note 20 'Subsequent events' in the consolidated financial statements.

Zeist, 30 March 2023

The Management Board,	Supervisory Board,
Geraldine Leegwater	Edwin Velzel
Arjen Pasma	Willem Jan Brinkman
Frank Roeters van Lennep	Daniëlle Melis
Danny Slots	
Erik van de Brake	

Other information

Independent auditor’s report

Independent auditor's report

To: the general meeting and the supervisory board of PGGM Vermogensbeheer B.V.

Report on the financial statements 2022

Our opinion

In our opinion, the financial statements of PGGM Vermogensbeheer B.V. ('the Company') give a true and fair view of the financial position of the Company and the Group (the company together with its subsidiaries) 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 accompanying financial statements 2022 of PGGM Vermogensbeheer B.V., Zeist. The financial statements comprise the consolidated financial statements of the Group and the company financial statements.

The financial statements comprise:

- the consolidated and company balance sheet as at 31 December 2022;
- the consolidated and company income statement for the year then ended; and
- the notes, comprising a summary of the accounting policies applied and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

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

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

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Independence

We are independent of PGGM Vermogensbeheer B.V. in accordance with the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (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).

Information in support of our opinion

We designed our audit procedures with respect to fraud and going concern, and the matters resulting from that, in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in support of our opinion, such as our findings and observations related to the audit approach fraud risk and the audit approach going concern was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Audit approach fraud risks

We identified and assessed the risk of material misstatement of the financial statements due to fraud. During our audit we obtained an understanding of PGGM Vermogensbeheer B.V. and its environment and the components of the internal control system. This included the board of directors' risk assessment process, the board of directors' process for responding to risks and monitoring the internal control system, as well as the outcomes. We refer to section 3.2.c, 'Key risk and uncertainties in 2022' of the management board report for management's fraud risk assessment.

We evaluated the design and relevant aspects of the internal control system with respect to the risks of material misstatements due to fraud and in particular the fraud risk assessment, as well as the code of conduct, whistleblower procedures, the Systemic Integrity Risk Assessment, the fraud internal control framework and the insider trading policy, among other things. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls designed to mitigate fraud risks.

We asked members of the board of directors, the head of the internal audit department, representatives of the human resources department, representatives of the finance department and the supervisory board whether they are aware of any actual or suspected fraud. This did not result in signals of actual or suspected fraud that may lead to a material misstatement.
As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We identified the following fraud risks and performed the following specific procedures:

Identified fraud risks	Our audit work and observations
The risk of management override of controls Management is in a unique position to perpetrate fraud because of management's unique ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. That is why, in all our audits, we pay attention to the risk of management override of controls. This includes the risk of bias by management when setting assumptions. In this respect, we gave specific consideration to: • the appropriateness of journal entries and other adjustments made in the preparation of the financial statements; • possible management bias in management estimates; • significant transactions, if any, outside the normal course of business for the entity and its subsidiaries.	Where relevant to our audit, we evaluated the design and effectiveness of internal control measures, that are intended to mitigate the risk of management override of controls and assessed the effectiveness of the measures in the processes of generating and processing journal entries and making estimates. We performed data analyses to identify potential fraudulent journal entries based on specific fraud risk criteria: no journal entries were noted in relation to the risk criteria. We also performed specific audit procedures on management estimates, with attention to the variable remuneration component as part of employee expenses that are charged through by PGGM N.V., PGGM Vermogensbeheer B.V.'s parent entity, as well as the provision recorded with regard to transition and decommissioning costs arising as a result of the entity's move to a single client strategy as disclosed in Note 9, Provisions, in the financial statements. We specifically paid attention to the inherent risk of bias of management in estimates. We did not identify significant transactions outside the normal course of business. Our audit procedures did not lead to specific indications of fraud or suspicions of fraud with respect to management override of controls.

We incorporated an element of unpredictability in our audit. In addition, we reviewed lawyer's letters and correspondence with regulators. During the audit, we remained alert to indications of fraud. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance of laws and regulations. Whenever we identify any indications of fraud, we re-evaluate our fraud risk assessment and its impact on our audit procedures.

Audit approach going concern

As disclosed in section 3.2.c, 'Key risks and uncertainties in 2022' in the management board report, the board of directors performed their assessment of the entity's ability to continue as a going concern for at least 12 months from the date of preparation of the financial statements and has not identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern (hereafter: going-concern risks).

Our procedures to evaluate the board of directors' going-concern assessment included, amongst others:

- Considering whether the board of directors' going-concern assessment includes all relevant information of which we are aware as a result of our audit, and inquiring with the board of directors regarding the board of directors' most important assumptions underlying its going-concern assessment.
- Analysing the capital and liquidity position of PGGM Vermogensbeheer B.V., and comparing these positions towards the minimum regulatory required capital and liquidity.
- Evaluating the board of directors' current budget including cash flows for at least 12 months from the date of preparation of the financial statements taken into account current developments in the industry, developments in the contract portfolio and all relevant information of which we are aware as a result of our audit.
- Performing inquiries of the board of directors as to its knowledge of going-concern risks beyond the period of the board of directors' assessment.

Our procedures did not result in outcomes contrary to the board of directors' assumptions and judgements used in the application of the going concern assumption.

Report on the other information included in the annual report

The annual report contains other information. This includes all information in the annual report in addition to the financial statements and our auditor's report thereon.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements; and
- contains all the information regarding the directors' report and the other information that is required by Part 9 of Book 2 of the Dutch Civil Code.

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

By performing our 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 such procedures was substantially less than the scope of those procedures performed in our audit of the financial statements.

The board of directors is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Responsibilities for the financial statements and the audit

Responsibilities of the board of directors and the supervisory board for the financial statements

The board of directors is responsible for:

- the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the board of directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

The supervisory board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They 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 the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Rotterdam, 30 March 2023
PricewaterhouseCoopers Accountants N.V.

Original has been signed by J. IJspeert RA

Appendix to our auditor's report on the financial statements 2022 of PGGM Vermogensbeheer B.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's 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 consisted, among other things of the following:

- 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Concluding on the appropriateness of the board of directors' use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the 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.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

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 deficiencies in internal control that we identify during our audit.

Provisions of the Articles of Association governing appropriation of the result

Profit appropriation takes place in accordance with Article 30 of the Articles of Association:

30.1 The General Meeting is authorised to appropriate the profit determined by the adoption of the financial statements and to determine the distribution of profits or the reserves, in as far as the equity exceeds the statutory reserves.

30.2 Distribution decisions are subject to the approval of the Management Board. The Management Board will refuse approval only if they know or could reasonably be expected to foresee that the company would not be able to continue payment of its due debts after the distribution.

30.3 When calculating each distribution, the shares which the company holds in its own share capital are not included.

30.4 A deficit may only be charged to the statutory reserves to the extent that this is permitted by law.

General

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Management Board

Geraldine Leegwater
Arjen Pasma
Frank Roeters van Lennep
Danny Slots
Erik van de Brake

Supervisory Board

Edwin Velzel, chair
Willem Jan Brinkman
Danielle Melis

Independent auditor

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Information

If you have any questions regarding the content of this Annual Report, please contact us via: www.pggm.nl/jaarverslag.

Appendices

Appendix 1 Retirement schedule

Retirement schedule for executive and supervisory positions.

Name	Date of appointment	End of term of appointment
Edwin Velzel	3 May 2018	3 May 2026
Willem Jan Brinkman	27 January 2021	27 January 2024
Danielle Melis	1 April 2022	1 April 2026

Appendix 2 Ancillary positions held by Board of Directors

Geraldine Leegwater (1971)

Nationality: Dutch

Primary position: Chief Investment Management PGGM Vermogensbeheer B.V.

Management and supervisory positions:

- Board member Dutch Fund and Asset Management Association
- Board member Stichting Instituut Gak
- Academisch director ESAA Erasmus University
- Member of Supervisory Board Amvest Vastgoed B.V.

Arjen Pasma (1974)

Nationality: Dutch

Primary position: Chief Fiduciary Investments PGGM Vermogensbeheer B.V.

Management and supervisory positions:

- Directeur Borealis Beheer en Advies BV
- Member of Supervisory Board Pensioenfonds SNS Reaal

Frank Roeters van Lennep (1958)

Nationality: Dutch

Primary position: Chief Investment Officer PGGM Vermogensbeheer B.V.

Management and supervisory positions:

- Member of Supervisory Board Stichting REF FM
- Director Rel.com Beheer B.V.
- Director Rel.com Praktijk B.V.

Danny Slots (1968)

Nationality: Dutch

Primary position:

Chief Financial & Risk Officer Investment Management PGGM Vermogensbeheer B.V.

Management and supervisory positions: None

Erik van de Brake (1967)

Nationality: Dutch
Primary position: Chief Transformation Officer PGGM Vermogensbeheer B.V.
Management and supervisory positions: None

Appendix 3 Ancillary positions held by members of the Supervisory Board

Edwin Velzel, Chairman (1963)
Nationality Dutch
Primary position Chief Executive Officer (CEO) PGGM N.V.
Management and supervisory positions:

- Executive Board Chairman at PGGM N.V.
- Member of Supervisory Board at PGGM Vermogensbeheer B.V.
- Member of Supervisory Board at Klaverblad Verzekeringen
- Member of Supervisory Council at Gelre hospitals (as of 1 September 2019)
- Chairman at Expertteam Covid-zorg (as of December 2021)
- External Advisor Coordinatie- en VersnellingsTeam vh Integraal Zorgakkoord (1 juli 2022 – 2 sept 2022)
- Board member Stichting Healthcare4Ukraine

Willem Jan Brinkman, deputy chair (1973)
Nationality Dutch
Main position Chief Financial & Risk Officer (CFRO) PGGM N.V.
Management and supervisory positions:

- Member of Executive Board at PGGM N.V.
- Member of Supervisory Board at PGGM Vermogensbeheer B.V. (started on 27 January 2021)
- Member of investment advisory committee at FNV investment advisory committee (ended 12-2022)

Danielle Adriana Maria Melis (1972)
Nationality: Dutch
Main position: Member of Supervisory Board Triodos Bank N.V.
Management and supervisory positions:

- Member of Supervisory Board at PGGM Vermogensbeheer B.V. (started on 01 April 2022)
- Member of Supervisory Board at Blue Sky Group Holding B.V.

- Board Member at Stichting Algemeen Pensioenfonds Stap
- Board Member at Stichting Madurodam
- Member of Supervisory Council at Stichting Pensioenfonds Medisch Specialisten (ended July 2022)
- Member of Supervisory Council at Kempen Capital Management Beleggingsfondsen (ended April 2022)