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**Annual Report ACTIAM N.V.  
2016**



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# 1 Management Board report

## 1.1 GENERAL

ACTIAM is fund manager and asset manager and is a wholly owned subsidiary of VIVAT N.V. (VIVAT). At year-end its assets under management amounted to € 54.6 billion (year-end 2015: € 52.1 billion).

ACTIAM is an alternative investment funds manager within the meaning of the Dutch Financial Supervision Act. Amongst others, ACTIAM manages the assets of VIVAT's insurance entities, Listed and Non-listed Investment Funds for institutional and retail investors, various Pension Funds, Insurance Companies and Corporate Clients in Europe.

ACTIAM provides fund management services to both retail and institutional investors and asset management services to institutional investors. Investment funds for retail investors are offered through professional distribution channels, more specifically those of Reaal, Zwitserleven, Rabobank, ASN Bank, SNS and RegioBank. ACTIAM's mission is to achieve the investment goals of clients by offering sustainable returns, services and advice.

ACTIAM is committed to responsible asset management, meaning that its assets under management are invested in accordance with the Fundamental Investment Principles it has defined. For assets invested in funds managed by third parties, an engagement strategy applies. Investments that conflict with international standards and conventions or ACTIAM's own principles are not acceptable. Improving responsible management by stimulating changes in the behaviour of investees is central in ACTIAM's approach. On behalf of its clients, ACTIAM uses its position as a partial owner of or lender to an entity to stimulate that behavioural change. ACTIAM identified focus themes for its active ownership approach, starting with climate, water and land in 2016. The ASN funds, which are also largely under ACTIAM's management, are governed by the specific investment policies and the sustainability criteria defined by ASN Beleggingsinstellingen Beheer BV (ABB).

## FUND MANAGEMENT

ACTIAM is the Alternative Investment Fund Manager (AIFM) of the following investment entities:

- SNS Beleggingsfondsen N.V.
- Zwitserleven Beleggingsfondsen
- Zwitserleven Mix Beleggingsfondsen
- Zwitserleven Institutionele Beleggingsfondsen
- ACTIAM Responsible Index Fund Equity Europe
- ACTIAM Responsible Index Fund Equity Europe A
- ACTIAM Responsible Index Fund Equity North America
- ACTIAM Responsible Index Fund Equity North America A
- ACTIAM Responsible Index Fund Equity North America B
- ACTIAM Responsible Index Fund Equity Pacific
- ACTIAM Responsible Index Fund Equity Emerging Markets
- ACTIAM Institutional Microfinance Fund I
- ACTIAM Institutional Microfinance Fund II
- ACTIAM Institutional Microfinance Fund III
- ACTIAM-FMO SME Finance Fund I en
- ACTIAM Beleggingsfondsen N.V.

ABB has appointed ACTIAM as AIFM of the following investment entities:

- ASN Beleggingsfondsen N.V.

ACTIAM also serves as Managing Board of:

- Pettelaar Effectenbewaarbedrijf N.V.
- Stichting Juridisch Eigenaar Zwitserleven Beleggingsfondsen
- Stichting Juridisch Eigenaar ACTIAM Institutional Microfinance Fund III
- Stichting bewaarder ACTIAM Beleggingsfondsen



## ASSET MANAGEMENT

ACTIAM manages the assets of retail and institutional investors, of which VIVAT and its subsidiaries represent the largest share, divided over own account and unit linked distribution assets. ACTIAM also manages assets for a selected group of institutional investors.

## OTHER ACTIVITIES

The ACTIAM research team conducts ESG (Environment, Social en Governance) research, policy setting, voting, and engagement for the investment entities and a number of institutional clients.

### 1.2 KEY DEVELOPMENTS

#### 1.2.1 DEVELOPMENTS IN ASSETS UNDER MANAGEMENT

As of 31 December 2016, the total assets under management were € 54.6 billion (year-end 2015: € 52.1 billion) of which € 19.0 billion consisted of assets in investment funds.

Total assets under management increased by € 2.5 billion compared to year-end 2015. The net outflow of € 1.4 billion during the reporting period can be attributed to changes in client portfolios. Asset under management grew € 3.9 billion due to market developments.

#### Assets under Management

in € millions	ASSETS UNDER MANAGEMENT
31 December 2013	44,192
30 June 2014	46,796
31 December 2014	51,356
30 June 2015	50,787
31 December 2015	52,056
30 June 2016	55,884
31 December 2016	54,626

#### Fixed Income

The bond markets experienced an eventful year. The bearish sentiment that had prevailed in the financial markets since the start of the year continued until mid-February. ECB President Mario Draghi implemented in March a number of impressive monetary measures, whereby the refinancing rate was cut from 0.05% to 0% and the deposit rate was changed from -0.30% to -0.40%. In addition, the level of bond purchases by the ECB raised by € 20 billion to € 80 billion a month. The decision to Brexit led to a flight to quality and German bunds, as a result of which its effective yield declined to -0.18% in early July from 0.63% at the end of 2015. Rising growth in the US economy coupled with shortages in the US labour market leads to higher inflation and thus to a less expansionary monetary policy. In the Eurozone, another factor was the concerns about a possible phasing-out of the ECB's purchasing programme. However, after the ECB's meeting in December, ECB President Draghi was able to convince markets that the decisions made by the monetary committee in no way implied a phasing-out of the above monetary policy, which statement led to a reversing of the interest rate trend. At the end of 2016, the German 10-year interest rate had risen to 0.21%.

#### Equity markets

The equity markets experienced also an eventful year. The recovery that got underway in February continued at first but cooled off in May, when based on such factors as the minutes of the Fed meetings the markets started to feel that an US interest rate hike was now more likely. Subsequently, the sentiment on equity markets was largely determined by the British referendum on EU membership. On 24 June it was announced that the British had voted for Brexit. This was followed by two days of heavy losses on equity markets all around the world. The equity markets recovered sharply in the second half of 2016, with all four regions making gains over the full year. Equity investors were in a positive mood, in particular because of the prospects of higher economic growth in the US as the result of the tax cuts and infrastructural investments promised by President-elect Donald Trump. This optimistic sentiment was bolstered by a series of favorable economic figures.

## 1.2.2 ORGANISATIONAL DEVELOPMENTS

### Outsourcing of asset management operation services

As of 1 July 2017 ACTIAM appointed BNP Paribas Securities Services as service provider for middle and back office asset management operations, fund and investment accounting and reporting services.

The operational team of ACTIAM will join BNP Paribas Securities Services in the Netherlands. BNP Paribas Securities Services was selected for its international reach and track record as a leading multi-asset service provider as well as its long-term focus and strong solvability ratios. The outsourcing enables ACTIAM to realise its new strategy.

### Client satisfaction

Client feedback is very important for ACTIAM. Therefore client satisfaction is measured twice a year. The feedback is expressed in a quantitative score and in qualitative feedback. Together with clients, the feedback is converted into actions in order to continuously improve our services. In the light of the organizational changes and optimisation of costs, customer satisfaction has shown an increase over 2016.

### Change of external auditor

Starting as of reporting year 2016 Ernst & Young Accountants LLP (EY) was appointed as the external auditor of ACTIAM. EY succeeded KPMG Accountants N.V. as the external accountant. EY certified ACTIAM's 2016 ISAE 3402 type II report.

## 1.3 COMPOSITION OF THE MANAGEMENT BOARD

During the reporting period George Coppens, Chief Executive Officer (CEO) ad interim, Erik Jan van Bergen Chief Investment Officer (CIO) and Rob Verheul (COO) left ACTIAM. Hans van Houwelingen was appointed as new CEO of ACTIAM in November 2016, John Shen was appointed as Chief Risk Officer in September and Dudley Keiller was appointed as Chief Transformation Officer (CTO) in January 2017. Arnold Gast was appointed as Chief Investment Officer (CIO) in June 2017. By taking on Van Houwelingen, Shen, Keiller and Gast, ACTIAM is safeguarding the growth which was initiated earlier and the company can make further preparations for its international ambitions. The Dutch Authority for the Financial Markets (AFM) approved the appointment of van Houwelingen, Shen, Keiller and Gast to the Management Board.

The ACTIAM Management Board consists entirely of men. Therefore, in the reporting period the composition of the ACTIAM Management Board did not meet the requirements of a 'balanced composition' as referred to in article 2:166 of the Dutch Civil Code (which article ceased to have effect as of 1 January 2016). When new Board members need to be appointed, attention will be paid to a more balanced composition of the Management Board of ACTIAM.

BOARD MEMBER	PERIOD
H. van Houwelingen	as of 24 November 2016
J. Shen	as of 7 September 2016
D.G. Keiller	as of 24 January 2017
A.A. Gast	as of 6 June 2017
R.G.H. Verheul	until 21 February 2017
G.H.B. Coppens	until 14 November 2016
E.J. van Bergen	until 1 July 2016

## 1.4 DUTCH CODE FOR ASSET MANAGERS

ACTIAM subscribes to the Code for Asset Managers ('the Code'), as drawn up by the Dutch Fund and Asset Management Association (DUFAS), the industry association for the Dutch asset management sector. DUFAS promotes the collective interests of this sector in both the retail market (consumers) and the institutional market (professional investors). The Code came into effect on 1 October 2014 and explains what clients can expect of their fund and asset managers. ACTIAM subscribes to the Code in its capacity as a member of DUFAS. ACTIAM reports annually on how it applied the ten principles of the Code in the past year. In 2016 ACTIAM applied the principles of the Code as follows:

1. Asset managers act in the interest of their clients

In practice, for investors investing in investment funds (collective asset management) it is more difficult to ascertain whether the manager on the investment fund meets the principles. Contrary to individual asset management, where investors and managers keep in close contact, the 'distance' between investors in investment firms and their managers is relatively great. As a result, those investors cannot monitor continuously whether or not the terms outlined in the prospectus are fulfilled consistently. In addition, focus needs to be placed on the decision-making procedure for instances in which the interests of investors do not run parallel to those of the investment firm. ACTIAM's governance has been structured such that the interests of investors are safeguarded as much as possible. This is reflected in ACTIAM's organisational structure as well as in its asset management supervision procedures, which are independent of the AIFM and parties affiliated with the AIFM. Depositary KAS Trust is co-responsible for this supervision. KAS Trust, which operates independently of ACTIAM, has amongst others the following duties in principle:

- checking and reconciling cash flows and accounts;
- taking qualifying assets into safe custody and/or verifying and registering the title of assets that do not qualify for safekeeping;
- performing a number of specific supervisory duties to safeguard the interests of investors.

Clear quality targets on how ACTIAM manages its investment funds have been agreed upon. Thanks to ACTIAM's governance structure, which comprises of an Alternative Investment Fund Manager and an independent depositary for the relevant investment funds, any policy pursued is subject to independent scrutiny. Client interests are foremost in the fund managers' mind. This governance structure is entirely in accordance with the traditional principles of the DUFAS Fund Governance Code.

2. Asset managers know their clients

The identity of clients is verified based on extensive procedures that are in place at ACTIAM's distribution partners. Institutional clients are reviewed as part of the customer due diligence process. ACTIAM and its institutional clients and/or distribution partners engage in periodic consultations.

3. Asset managers abide by ethical business practices

In performing its duties, ACTIAM complies with the relevant rules and regulations. The Compliance Officer is independent in monitoring compliance with statutory provisions and internal rules. It is inherent in ACTIAM's governance structure that any changes to existing product features or new product introductions are assessed to be in the investors' interest.

4. Asset managers live by a moral code

All ACTIAM employees are subjected to a pre-employment screening. They are also expected to abide by internal rules of conduct that address, for instance, how to deal with conflicts of interest, price-sensitive information, private investments, outside position and business gifts. By taking an oath, all ACTIAM employees have declared that they will fulfil their duties expertly, with due care and with integrity and will comply with the code of conduct.

5. Asset managers have control of conflicts of interest

Statutory provisions dictate that financial undertakings are required to have adequate procedures and controls in place to prevent and deal with conflicts of interest. ACTIAM's activities potentially give rise to conflicts of interest, which may occur between, but are not limited to, the interests of ACTIAM on the one hand and those of the funds it manages, the investors in those funds and other ACTIAM clients on the other hand. Conflicts of interest may also arise closer to home:

- between funds managed by ACTIAM;
- between funds managed by ACTIAM and ACTIAM clients;
- between ACTIAM clients.

ACTIAM has appropriate and effective controls in place for preventing and managing (potential) conflicts of interest. In this context, ACTIAM has defined a specific policy for how to deal with conflicts of interest. ACTIAM keeps a register containing information on the types of activities undertaken by or for it that have created or have the potential of creating conflicts of interest that entail a material risk of harming the interests of one or more funds or of investors. If the controls that ACTIAM has in place for managing conflicts of interest should not be adequate for a specific conflict of interest, ACTIAM will notify investors of the general nature or the causes of this conflict of interest in clear terms.

6. Asset managers act professionally and with due care

The general principles of the Code have been enshrined, for instance, in the codes of conduct governing all ACTIAM employees. ACTIAM has been granted a license by the Netherlands Authority for the Financial Markets (AFM) and is registered with the Dutch Securities Institute (DSI). In addition, ACTIAM has issued an ISAE 3402 report (see section 1.7.7).

7. Asset managers communicate clearly and unambiguously

ACTIAM seeks to offer its investors transparency by providing relevant, clear and easy-to-understand information and to do so timely and in accordance with the applicable rules and regulations and fund conditions. This comprises information in such documents as the prospectus and interim and annual reports,

and information about the investment policy, investments, risks, costs, margins, commissions, if any, and other fees, affiliated parties and outsourcing. The form and content of these documents will comply with the requirements of the relevant rules and regulations. ACTIAM will ensure that the information is as accessible as possible by posting it on its website.

8. Asset managers are open about their remuneration policy  
Details on ACTIAM's remuneration policy, see section 1.9.
9. Asset managers are transparent about costs  
ACTIAM is open about the costs it charges to investors. ACTIAM's procedures for charging fees or costs have been recorded clearly in advance in agreements and fund documentation.
10. Asset managers comply with the DUFAS codes of conduct  
ACTIAM endorses the DUFAS codes of conduct by which it is governed. The DUFAS Fund Governance Code, which stipulates the general principles of the Code of Asset Managers, is one of these codes of conduct. The ACTIAM Code of Conduct for Fund Governance describes how ACTIAM gives practical application to the DUFAS Fund Governance Code. The ACTIAM Code of Conduct for Fund Governance has been posted on the ACTIAM website.

## 1.5 **RESPONSIBLE ASSET MANAGEMENT**

ACTIAM's vision is to take responsibility in everything it does, continue to surprise and inspire, working both for and with customers. Investments must not be in contravention of international standards and conventions. ACTIAM acts as an active and engaged shareholder (on behalf of our clients) in order to attain a far-reaching change of conduct in businesses and in the regulatory frameworks.

ACTIAM's responsible investment policies are developed by a dedicated ESG team (Environmental, Social, Governance). The Fundamental Investment Principles form the basis of these policies. These principles are derived from international treaties, conventions and best practices, such as the UN Global Compact, and relate to a variety of important themes: human rights, fundamental labour rights, corruption, the environment, weapons, and customer and product integrity.

The in-house ESG team conducts engagements (dialogues) with companies and other entities to induce behavioural change towards sustainable practices. If an entity does not comply with ACTIAM's responsible investment policies and is not responsive to engagement, it is excluded from investment by the ACTIAM Selection Committee, based on advice of the ESG team.

As an investor, ACTIAM has different tools to influence behaviour and contribute to sustainability, such as impact investing, engagement (dialogues), exerting shareholder voting rights, and exclusion.

ACTIAM obtained the highest score in the survey on transparency of 'de Eerlijke Verzekeringswijzer'. ACTIAM received high scores on transparency of its responsible investment policy, its implementation (such as engagements and exclusions) and the transparency of holdings in the funds managed by ACTIAM. Recently PRI scored ACTIAM within a large group of peer global asset managers. In particular, the highest attainable score A+ was given to ACTIAM's approach to strategy, governance and active ownership. Our approach to inclusive finance as implemented by our Impact Investing team received an A score.

## 1.6 **REGULATORY REQUIREMENTS**

Directive 2011/61/EU on Alternative Investment Fund Managers (AIFM Directive), which came into effect on 22 July 2013, has been implemented in the Dutch Financial Supervision Act (Dutch acronym: Wft), by which ACTIAM is governed. The reporting requirements have been adjusted to the requirements of the AIFM Directive. In 2016 ACTIAM started with the implementation of Directive 2014/65/EU MIFID II which will come into force on 3 January 2018. ACTIAM has designed its organisational structure to ensure that it meets the regulatory requirements.

## 1.7 **CONTROL ENVIRONMENT**

### 1.7.1 **RISK APPETITE**

ACTIAM's risk appetite has been described in ACTIAM's Risk Appetite Statement and is updated on an annual basis. The statement is the basis for a number of policies applied within the organisation. This statement

specifies the risk level that ACTIAM is willing to take and the acceptance level of the risks it incurs as an asset manager. ACTIAM seeks reasonable assurance regarding operational risks. Key Risk Indicators are defined and periodically reported and monitored in the Risk Management Committee.

## 1.7.2 GOVERNANCE

ACTIAM has implemented a framework of procedures and internal controls for mitigating operational and financial risks. The three-lines-of-defence approach is applied. In this approach, different departments have their own specific duties and responsibilities. The front and back offices form the first line, Risk Management and Compliance represent the second line. The third line of defence is formed by Audit VIVAT. This VIVAT department is tasked with performing objective audit procedures and providing advice in the areas of governance, risk management and internal control. Audit VIVAT is responsible for providing assurance and propose improvements (e.g. through advisory reports) to the ACTIAM Board. Audit VIVAT monitors and reports on the follow-up of points for improvement on a quarterly basis. If follow-up is inadequate, matters are escalated to the ACTIAM Managing Board, the Executive Board of VIVAT and the Audit Committee of VIVAT. The ACTIAM Managing Board is responsible for formulating standards for following up actions and actively managing follow-up.

Key controls throughout the organisation are defined, tested and recorded. Risk self-assessments are performed throughout the year; which include a recurring annual strategic self-assessment and several operational, financial risk and product risk assessments. An ISAE 3402 report type II report is issued annually and is certified by an independent auditor. This report describes the outcome of the test of the effectiveness of the key controls.

The Management Board has delegated some of its responsibilities to a number of committees. These committees form part of the first line of defence. These multidisciplinary committees, which each have a certain mandate, take decisions, prepare advisory opinions and monitor risks. A brief description of the key committees and their responsibilities is provided below:

- Risk Management Committee (RMC): the RMC is responsible for risk management and the related processes. The RMC defines the risk appetite for both financial and non-financial risk, and ensures that policies are drafted/updated. It also monitors the processes and procedures in place to manage identified risks.
- Product Approval & Review Committee (PARC): this committee focuses on introducing and managing ACTIAM products. Its responsibilities include safeguarding the quality of the products in relation to risks involved, profit margins, rules and regulations, and consistency with the strategy.
- Fondsbeheer Committee (FBC): the FBC is responsible for supervising the policies of the funds and taking decisions on behalf of the Management Board regarding the funds.
- Valuation Committee (VC): the valuation committee is responsible for defining the valuation policy and monitoring the quality of valuations of all investments.
- Data Governance Committee (DGC): this committee is responsible for ensuring that all data used in the ACTIAM processes has the required quality level. This includes monitoring compliance with client requirements, and regulatory requirements.
- Counterparty Risk Committee (CRC): the Counterparty Risk Committee's responsibility is to monitor, identify and give advice on counterparty risk. Its scope is not limited to exposure due to transactions as part of portfolio management but also includes exposure due to securities lending.
- Performance Review Committee (PRC): investment teams are accountable to the PRC for their investment policy and their performance in terms of return and risk. The PRC also monitors the quality of content delivered by ACTIAM performance figures.
- Selection Committee (SelCom): this committee decides on the Fundamental Investment Principles and their. It is concerned with all Environment, Social & Governance (ESG) aspects.

## 1.7.3 RISK MANAGEMENT

The Risk Management department forms the second line of defence and is responsible for both operational and financial risk management. Risk Management has a direct reporting line to ACTIAM's Management Board in its role as ACTIAM's risk management function. Risk Management ACTIAM operates independently of the first line and has escalation options to VIVAT's CRO. The Head of Risk Management has a functional reporting line to the Director of Financial Risk VIVAT. The Head of Risk Management is a member of all committees listed above except for the Selection Committee. The Risk Management department consist of three pillars:

- Portfolio Compliance;
- Operational Risk Management; and



- Financial Risk Management

#### 1.7.4 COMPLIANCE

The compliance function is fulfilled by a local compliance officer (LCO) of VIVAT. The principal duties of the compliance function are to support the first line in drafting (and updating) policies and give advice regarding new laws and regulations and the implementation thereof. The LCO reports directly to its manager at VIVAT and to the Management Board. VIVAT Compliance has a group mandate that includes the authority to initiate investigations and has access to all relevant information.

#### 1.7.5 RISKS

##### Strategic risk

Strategic risks are risks that affect or are created by an organisation's business strategy and strategic objectives. The following facts apply to ACTIAM:

- ACTIAM is a fund manager and institutional asset manager that makes investments on behalf of its clients;
- ACTIAM provides high-quality services based on controlled and sound business operations;
- ACTIAM achieves the investment targets of its clients in line with investment management agreements; and
- ACTIAM works hard to maintain its reputation as a responsible and reliable asset manager.

##### Financial risk

Financial risks are defined as the risks to which ACTIAM is exposed as an asset manager. Financial risks break down into several other risks such as credit risk, market risk and liquidity risk. Although ACTIAM has an investment portfolio, investment activities are performed only as part of a cash management process. ACTIAM accepts a limited level of credit risk. The bonds (€ 29.2 million) have a triple AAA rating. ACTIAM also accepts significant volatility in fee income due to market movements.

##### Operational risk

Operational risk is the risk of losses due to inadequate or failing internal processes, people or systems. External events may have an impact on the magnitude of this risk. ACTIAM seeks to have reasonable assurance regarding this risk, meaning that:

- ACTIAM accepts that its governance structure cannot entirely exclude operational risk attaching to the asset management business;
- ACTIAM has reasonable assurance that processes are executed effectively;
- ACTIAM has competent and committed employees;
- ACTIAM has reasonable assurance as to the quality, integrity and continuity of its outsourced services;
- ACTIAM has the intention to limit its dependence on key managers
- ACTIAM has entered into agreements that are legally sound, unambiguous and enforceable. Liability issues have been addressed with due care.

ACTIAM treats information confidentially. Gaps or insufficiently designed processes and systems or human error manifest themselves in incidents. Incidents follow a formal process in which root cause analyses are made in order to determine adequate mitigating measures. Risk Management is responsible for this process.

##### Integrity risk

Integrity risk relates to ACTIAM's employees, products, clients and cooperation with ACTIAM's business relations. ACTIAM does not tolerate actions or conduct towards employees, clients or partners that violate its principles of integrity. ACTIAM does not tolerate departures from legal principles or internal values and policies.

##### Portfolio compliance

Portfolio compliance relates to compliance with terms and conditions in mandates and prospectuses. Within ACTIAM, Risk Management is responsible for identifying, measuring, monitoring and controlling all breaches with regard to client portfolios. Active breaches are always considered as incidents and follow the same process as

incidents. In the 2016, 18 breaches were reported. Corrective and mitigating measures were implemented to remedy the situation.

### 1.7.6 CAPITAL ADEQUACY

Given that ACTIAM is an AIFMD manager that also provides asset management services, it qualifies as a combination manager. As a result, ACTIAM is required to comply with the capital requirements of both AIFMD and CRD IV.

The capital requirement under AIFMD has been set at € 11.9 million. The CRD IV/CRR Pillar 1 capital requirement has been set at € 9.9 million.

ACTIAM has defined its internal capital adequacy (Internal Capital Adequacy Assessment Process, hereafter: ICAAP) and described its capitalisation plan. The ICAAP describes in detail the likelihood, impact and mitigating actions of the risks identified in the Risk Self-Assessment of the Management Board. ACTIAM distinguishes between instant-impact risks and risks with a gradual impact over time. Instant-impact risks are expected to be absorbed by capital, while risks with a gradual impact are first expected to be absorbed by accumulated operating profit before being absorbed by capital. ACTIAM concluded that operating profits are sufficient and mitigating actions are not required. Based on the ICAAP, the most prudent methodology resulted in a capital requirement of € 11.9 million.

The AIFMD methodology leads to the highest outcome; this result is considered the required minimum capital. Since the Management Board of ACTIAM has assigned priority to keeping the internal capital above this required level, it applies a minimum prudential buffer of € 12.2 million. This leads to a desired internal minimum capital of € 24.1 million.

Based on the balance sheet as at 31 December 2016, ACTIAM's available capital is € 25.7 million. Given that this exceeds the desired minimum, it is considered to be adequate. In the event of lagging operating profit, the Management Board will decide on a case-by-case basis whether any adverse impact should be charged against the available capital or that it's discretionary power should be used to postpone the Rebate Agreement with SRLEV N.V.

### 1.7.7 ISAE 3402

In order to provide ACTIAM's clients assurance regarding their outsourced activities ACTIAM issues on an annual basis an ISAE 3402 type II report. In this report The key controls are included in this report and tested by the external auditor, which is EY (succeeding PWC) as of 2016. The 2016 ISAE report has been finalized in January 2017 with an unqualified auditor's opinion.

## 1.8 DEVELOPMENTS IN EARNINGS

Asset management fees received in the reporting period decreased to € 97.5 million (year-end 2015: € 102.8 million) despite an increase in assets under management. In general asset management fees have a strong correlation to total assets under management, which rose during the reporting period mainly as a result of market returns. Due to maturing and changing product propositions by distributors of the investment funds, fees received declined in the reporting period. The decline in fees was partly offset by new inflow in for example the responsible index funds for retail investors that were introduced in August 2015. These funds have proved to have a positive effect on developments in assets under management by the net inflow of over € 1 billion since launch date.

The asset management fee rebate for SRLEV N.V. is recognized within income. Total income before the rebate to SRLEV N.V. amounted to € 97.5 million (2015: € 102.8 million) . The rebate caused total income to fall by € 24.5 million, landing at € 72.9 million.

Total expenses rose slightly to € 75.5 million in the reporting period (2015: € 71.3 million). Other operating expenses rose by € 4.2 million to € 14.0 million, mainly due to higher allocated costs from VIVAT following the strategic course set in 2016. Asset management fees paid decreased to € 34.7 million (2015: € 39.5 million). The lower fees paid were in line with the lower asset management fees received.

The operating profit stood at € 21.9 million, disregarding the fee rebate offered to SRLEV N.V. Operating profit before fee rebate is down € 9.5 million on the same period last year (€ 31.4 million).

To conclude, result for the reporting period dropped to a loss of € 2.1 million, a € 8.1 million decrease compared to the same reporting period in previous year. The major causes were lower income combined with an increase in indirect costs.

### Outlook

The company's financial performance is dependent on developments in assets under management and operational costs. Developments in managed assets are heavily influenced by external factors, such as trends in global financial markets. In addition, developments in distribution channels also affect the level of and margins on the managed assets. Assets under management are not expected to grow further in 2017 if no additional acquisitions are made. Development in costs are under strict review by ACTIAM with the aim to reduce direct costs further and improve efficiency. In view of the above developments, we foresee continued pressure on margins and assets under management volatility. We are therefore not comfortable providing a precise profit forecast for 2017.

## 1.9 REMUNERATION POLICY

This section gives a brief description of ACTIAM's remuneration policy and explains how the policy is implemented in practice. ACTIAM pursues a prudent, restrained and sustainable remuneration policy that is in line with ACTIAM's strategy, its risk appetite and its values. The policy complies with the relevant legal and regulatory requirements, and makes allowance for developments in society. A guiding principle of the remuneration policy is that it does not encourage anyone to take more risks than considered responsible within the scope of ensuring the highest possible regard for the interests of clients and/or investors in funds that are managed by ACTIAM.

The framework for the remuneration policy is defined by VIVAT; the policy applies to all business units and VIVAT employees. The remuneration policy complies with all relevant statutory requirements.

The remuneration policy is evaluated periodically, in which process a risk assessment is performed of the existing policy. The findings of the evaluation are taken into account when the remuneration policy is readopted. The remuneration policy is adopted, implemented and its performance is monitored at VIVAT level using a purpose-developed governance framework based on a clear delineation of duties and responsibilities. The VIVAT Supervisory Board is also in charge of approving the remuneration policy for VIVAT's senior management and, in principle, the remuneration policy for other employees.

The remuneration policy that has been adopted at VIVAT level is the starting point for the remuneration policy of ACTIAM, making allowance also for rules and regulations governing ACTIAM in its capacity as a manager of investment funds under the AIFM Directive.

Apart from this, ACTIAM periodically participates in the Hay Group market survey, which maps out the remuneration policies of similar fund and asset management firms. ACTIAM uses the outcome of the survey to gain an understanding of the competitiveness of its remuneration policy and to benchmark its remuneration policy against best practices in the market.

### EMOLUMENTS

The remuneration of ACTIAM employees is made up of the following components: a fixed annual salary, variable remuneration, a pension scheme and other fringe benefits. Each employee qualifies for variable remuneration. ACTIAM has in place three variable remuneration schemes. There are Employees governed by the Collective Labour Agreement and there are employees governed by a different variable remuneration scheme which are divided into Identified Staff and non-Identified Staff.

### VARIABLE REMUNERATION

Under the variable remuneration schemes, clear and measurable key performance indicators (KPIs) are defined prior to the performance period. The award of variable remuneration is contingent on these KPIs having been achieved. The KPIs pertain to both financial and non-financial targets. The most important KPIs relate to customer satisfaction, the quality of the operating processes, risk management, investment performance, ESG targets and ACTIAM's commercial and financial results. The remuneration of control officers is not contingent on

the returns achieved by clients and/or investors in ACTIAM-managed funds. Where relevant and possible, allowance is made for the following ACTIAM stakeholders in adopting KPIs for variable remuneration:

- clients and/or investors in funds managed by ACTIAM;
- employees;
- VIVAT and its shareholder(s);
- society at large.

Variable remuneration is paid after it has been established that the defined KPIs have been achieved. In this process, the results and motivation are recorded in a centralised database. If the variable remuneration has been paid based on incorrect information about achieving the targets underlying it or about the circumstances on which the variable remuneration was made contingent, part or all of the variable remuneration can be clawed back, even after it has been awarded and paid.

## IDENTIFIED STAFF

Identified Staff, who are governed by a different variable remuneration scheme, include officers whose work has a material impact on the risk profile of ACTIAM or the funds managed by ACTIAM. ACTIAM's remuneration policy formalises which officers qualify as Identified Staff. These include members of the Managing Board, senior treasurers, senior portfolio managers, senior risk managers and department heads. ACTIAM periodically defines which officers qualify as Identified Staff. The list of Identified Staff is kept up-to-date by VIVAT's Human Resources department. The variable remuneration of Identified Staff is partially paid in cash and is partially share-based. In accordance with rules and regulations, part of this variable remuneration is paid immediately; the remainder qualifies as a deferred payment. The deferred component is paid after expiry of a specified deferral period in order to create an equal interest between officers and clients and/or investors in funds managed by ACTIAM. The deferred portion of the variable remuneration will not be paid until it has been assessed to what extent any actions on the part of Identified Staff in the deferral period shed a new light on their actions in the performance period. This is used as a basis for determining whether the variable remuneration is awarded unconditionally or should be lowered.

## REMUNERATION DURING THE REPORTING PERIOD

During 2016, ACTIAM awarded € 16.33 million in remuneration to its employees. Of this amount, € 15.22 million qualified as salaries and wages, while € 1.11 million accounted for variable remuneration. The variable remuneration awarded in 2016 related to the financial year 2015. During the reporting period, ACTIAM had a headcount of 136 on average.

	NUMBER OF RECIPIENTS IN 2016 <sup>1</sup>	FIXED REMUNERATION IN € <sup>2</sup>	VARIABLE REMUNERATION IN €
Members of the managing Board <sup>3</sup>	6	€ 1,454,594	€ 0
Identified Staff	27	€ 4,019,989	€ 433,072
Employees in control function <sup>3</sup>	5	€ 619,567	€ 33,505
Other Employees	124	€ 9,122,425	€ 643,677
<b>Totaal</b>	<b>162</b>	<b>€ 15,216,575</b>	<b>€ 1,110,254</b>

1 Owing to the inflow and outflow of employees, the total number of recipients was higher than the average headcount.

2 Including social security contributions, pension premiums and other remuneration paid. Also including severance pay awarded in 2015 but paid in 2016.

3 Also includes Identified Staff.

Under Article 1: 120(2)(a) of the Dutch Financial Supervision Act (Wft), we report the following: none of the employees received a remuneration in excess of one million euros.

## INCENTIVES

ACTIAM does not receive incentive or performance fees.

## REMUNERATION POLICY OF OUTSOURCING PARTNERS

ACTIAM makes use of outsourcing partners. A review of an outsourcing partner's remuneration policy is part and parcel of the selection and monitoring process. ACTIAM assesses whether the remuneration policy of the outsourcing partner is compatible with its own remuneration policy, based on the principle that the remuneration



policy does not encourage anyone to take more risks than considered responsible within the scope of ensuring the highest possible regard for the interests of clients and/or investors in funds that are managed by ACTIAM.

Utrecht, the Netherlands, 29 June 2017.

ACTIAM N.V.

H. van Houwelingen

A.A. Gast

D.G. Keiller

J. Shen

## 2 Financial statements 2016 ACTIAM N.V.

### 2.1 BALANCE SHEET

Before profit appropriation and in € thousands	REF.	31 DECEMBER 2016	31 DECEMBER 2015
<b>Assets</b>			
Intangible assets	1	758	446
Financial assets	2	29,426	25,406
		<b>30,184</b>	<b>25,852</b>
Receivables	3	17,238	20,898
Cash and cash equivalents	4	13,232	5,934
		<b>30,470</b>	<b>26,832</b>
<b>Total assets</b>		<b>60,654</b>	<b>52,684</b>
<b>Equity and liabilities</b>			
<b>Equity</b>	5		
Issued capital		45	45
Share premium reserve		2,777	2,777
Revaluation reserve		-	4
Other reserve		24,966	18,900
Retained earnings		-2,073	6,066
<b>Total Equity</b>		<b>25,715</b>	<b>27,792</b>
<b>Liabilities</b>			
Provisions	6	-	1
Current liabilities	7	34,939	24,891
<b>Total Liabilities</b>		<b>34,939</b>	<b>24,892</b>
<b>Total equity and liabilities</b>		<b>60,654</b>	<b>52,684</b>

## 2.2 PROFIT OR LOSS ACCOUNT

in € thousands	REF.	1 JANUARY 2016 T/M 31 DECEMBER 2016	1 JANUARY 2015 T/M 31 DECEMBER 2015
<b>Income</b>	12		
Asset management fees income		97,451	102,752
Asset management fees rebate		-24,511	-23,451
<b>Total income</b>		<b>72,940</b>	<b>79,301</b>
<b>Expenses</b>			
Asset management fees expenses	13		
- Costs of outsourced asset management		12,956	15,060
- Custodial fees		3,800	3,328
- Distribution fees		17,943	21,085
<b>Total Asset management fees expenses</b>		<b>34,699</b>	<b>39,473</b>
Operating expenses			
- Employee benefits expense	14	26,365	21,892
- Depreciation non-current assets		497	115
- Other operating expenses	15	13,967	9,827
<b>Total operating expenses</b>		<b>40,829</b>	<b>31,834</b>
<b>Total expense</b>		<b>75,528</b>	<b>71,307</b>
Net finance cost	16	-177	94
Result for taxation		<b>-2,765</b>	<b>8,088</b>
Taxation		-692	2,022
<b>Net result</b>		<b>-2,073</b>	<b>6,066</b>

## 2.3 STATEMENT OF CHANGES IN EQUITY

in € thousands	ISSUED CAPITAL	SHARE PREMIUM RESERVE	REVALUATION RESERVE	OTHER RESERVE	RETAINED EARNINGS	TOTAL EQUITY
At 1 January 2015	45	2,777	-	12,646	20,254	35,722
Transferred profit for 2014	-	-	-	20,254	-20,254	-
Revalued assets	-	-	4	-	-	4
Dividend distributed	-	-	-	-14,000	-	-14,000
Profit for 2015	-	-	-	-	6,066	6,066
At 31 December 2015	45	2,777	4	18,900	6,066	27,792
Transferred profit for 2015	-	-	-	6,066	-6,066	-
Revalued assets	-	-	-4	-	-	-4
Dividend distributed	-	-	-	-	-	-
Profit for 2016	-	-	-	-	-2,073	-2,073
At 31 december 2016	45	2,777	-	24,966	-2,073	25,715

## 2.4 STATEMENT OF CASHFLOWS

in € thousands	1 JANUARY 2016 T/M 31 DECEMBER 2016	1 JANUARY 2015 T/M 31 DECEMBER 2015
<b>Cash flow from operating activities</b>		
Operating profit before taxation	-2,765	8,088
<b>Adjustments for:</b>		
Depreciation and amortisation of non-current assets	497	115
Changes in other provisions	-1	-300
Amortisation investments	285	73
<b>Change in operating assets and liabilities:</b>		
Change in other operating activities	14,174	-488
<b>Net cash flow from operating activities</b>	<b>12,190</b>	<b>7,488</b>
<b>Cash flow from investment activities</b>		
Sale of subsidiaries	-	483
Sale and redemption of financial assets (shares and bonds)	65,247	152,607
Purchase of intangible assets	-809	-561
Purchase of financial assets (shares and bonds)	-69,330	-178,081
<b>Net cash flow from investment activities</b>	<b>-4,892</b>	<b>-25,552</b>
<b>Cash flow from finance activities</b>		
Dividends paid	-	-14,000
<b>Net cash flow from financing activities</b>	<b>-</b>	<b>-14,000</b>
Cash and cash equivalents 1 January	5,934	37,998
Change in cash and cash equivalents	7,298	-32,064
<b>Cash and cash equivalents as at end of period</b>	<b>13,232</b>	<b>5,934</b>
<b>Additional disclosure with regard to cash flows from operating activities:</b>		
Interest income received	131	590
Interest paid	10	8





## 2.5 NOTES TO THE FINANCIAL STATEMENTS 2016

### 2.5.1 GENERAL INFORMATION

ACTIAM N.V., incorporated and established in the Netherlands, is a public limited liability company incorporated under the laws of the Netherlands and registered with Chamber of Commerce under the number 30099450.

ACTIAM is fund manager and asset manager and is a wholly owned subsidiary of VIVAT.

ACTIAM has its registered office and its principal place of business at Graadt van Roggenweg 250 in Utrecht, the Netherlands.

The company's financial information is included in the consolidated financial statements of VIVAT. The annual figures for 2016 of VIVAT has been published on its website ([www.vivat.nl](http://www.vivat.nl)).

The financial statements were authorized for issue by the Management Board on 29 June 2017.

#### Group structure

ACTIAM is a wholly owned subsidiary of VIVAT, which is a wholly owned subsidiary of Anbang Group Holdings Co. Limited with a registered office at Hong Kong, ultimate parent of which is Anbang Insurance Group Co. Ltd with its headquarters in Beijing, People's Republic of China.

#### Related parties

Legal entities that are members of the Anbang Group qualify as related parties, as do executive directors and their next of kin.

#### Tax group

VIVAT and its subsidiaries, including ACTIAM, form a tax group and are jointly and severally liable for the fiscal unity's corporate income tax and VAT debts.

### BASIS OF PREPARATION

The financial statements have been prepared in accordance with Title 9, Book 2 of the Dutch Civil Code and the Dutch Financial Supervision Act.

The financial statements have been prepared on an accrual basis and based on the company's ability to continue as a going concern.

The financial statements have been prepared on a historical cost basis, except for financial assets that have been measured at fair value.

### GENERAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all the periods presented in the financial statements.

#### Estimates and assumptions

The preparation of the financial statements requires the management to make estimates and assumptions, that have a significant impact on the reported amounts of assets at the reporting date, and on the reported income and expenses for the reporting period. Actual amounts may differ from these estimates.

Estimates and underlying assumptions are reviewed on a regular basis. The impact of the adjustments is recognised in the period in which the estimate is revised or in the period of revision and future periods if the revision impacts both the reporting period and future periods. Management fees in the last period of the bookyear are based on estimates.

### Functional currency and reporting currency

The financial statements have been prepared in thousands of euros (€). The euro is the functional and reporting currency of ACTIAM. All financial data presented in euros is rounded to the nearest thousand, unless stated otherwise. Counts are based on unrounded figures. Their sum may differ from the sum of the rounded figures.

### ACCOUNTING POLICIES FOR THE STATEMENT OF FINANCIAL POSITION

Unless indicated otherwise, assets and liabilities are recognised at the amounts at which they were acquired or incurred.

Assets are recognised in the statement of financial position when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. Liabilities are recognised in the statement of financial position when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount has been reliably estimated.

If a transaction results in a transfer of all or virtually all future economic benefits or when all or virtually all risks relating to assets or liabilities transfer to a third party, the asset or liability is no longer recognised in the balance sheet. Assets and liabilities are no longer recognised in the balance sheet as soon as economic benefits are not probable or can no longer be measured with sufficient reliability. This means that transactions are recognised on the trading date. As a result, the balance sheet may have a line item by the name of 'transactions to be settled'. This can be either an asset or a liability.

### Intangible assets

Intangible assets are measured at cost net of accumulated depreciation and, if applicable, accumulated impairment losses. Costs include the expenses directly attributable to the acquisition of the assets. Assets are depreciated on a straight-line basis over their useful lives, taking into account any residual value. The estimated useful lives is three years.

Repair and maintenance expenses are recognised in other operating expenses as incurred. Expenses incurred after the acquisition of an asset that increase or extend the future economic benefits of equipment in relation to their original use are capitalised and subsequently depreciated.

Gains and losses on the sale of equipment are defined as the balance of the recoverable amount less transaction costs and the carrying amount. These gains and losses are recognised within other operating income.

Until 2015 this item was disclosed as property and equipment on the balance sheet. From 2016 it is disclosed as intangible assets.

### Financial assets

Financial assets comprise bonds and shares and are measured at fair value. Unrealised gains and losses arising from changes in the fair value of these assets are recognised in the revaluation reserve (equity), taking into account deferred taxes. When the financial assets are sold, the related cumulative changes in fair value are recognised in the profit and loss account within investment income.

### Receivables

Receivables are presented at face value less an allowance for bad debts, if applicable.

### Cash and cash equivalents

Cash and cash equivalents are stated at face value. Unless indicated otherwise, they are at the Company's free disposal.

### Current liabilities

Upon initial recognition, the current liabilities are included at fair value and then valued at amortized cost. The fair value and amortized cost equal the face value.

### Equity

#### *Share capital and share premium reserve*

The share capital comprises the issued and paid-up ordinary shares. The share premium reserve concerns capital that has been paid-up over and above the nominal value of the issued ordinary shares. Costs directly attributable to the issue of equity instruments (net of tax) are deducted from the issue proceeds.

#### *Revaluation reserve*

Unrealised gains and losses arising from changes in the fair value of financial assets are recognised in the fair revaluation reserve (net of taxes), if their cumulative total is positive. If unrealised losses exceed the revaluation reserve, the excess is recognised in profit or loss.

#### *Other reserves*

The other reserves comprise retained earnings of prior years.

#### *Retained earnings*

This concerns the profit for the reporting period net of income tax.

#### **Provisions**

Provisions are recognised when ACTIAM has a present obligation (legal or constructive) as a result of past events, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated. The provisions are measured at the present value of expected future cash flows. Any subsequent additions or releases are recognised in the profit and loss.

This item also includes the deferred tax liabilities recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. This is based on the tax rates applicable at the reporting date and the tax rates that will apply in the period in which the deferred tax assets or tax liabilities are settled. Deferred tax liabilities are stated at the amounts at which they were incurred.

### **ACCOUNTING POLICIES FOR THE STATEMENT OF PROFIT OR LOSS**

Income is recognised in the statement of profit or loss when an increase in economic benefits in the form of inflows or enhancements of assets or a decreases in liabilities has arisen and the amount can be measured reliably. Expenses are recognised when decreases in the economic benefits related to outflows or depletions of assets or an incurrences of liabilities has arisen, the amount of which can be measured reliably.

Statement of profit or loss comprises the income and expense attributable to the reporting period. Gains from transactions are recognised in the year in which they are generated; losses are recognised as soon as they are identified.

#### **Income**

Income consists of management fees and other income, which are recognised in the reporting period in which the services are provided.

#### **Expenses**

Expenses consist primarily of staff costs (all currently employed personnel is hired by VIVAT N.V. and the staff expenses are charged to ACTIAM) and other operating expenses.

#### **Taxation**

Corporate income tax is calculated at the applicable rate on the result for the financial year, taking into account permanent differences between profit calculated according to the financial statements and profit calculated for taxation purposes, and where deferred tax assets (if applicable) are only valued insofar as their realisation is likely.

#### **Depreciation**

The calculation of depreciation on equipment is based on the purchase price or cost of manufacturing. Depreciation is calculated on a straight-line basis over the estimated economic life of the assets. Realized capital gains and losses on the disposal of fixed assets are included under depreciation expenses.

#### **Net finance costs**

Interest income and expenses is the interest received from, or paid to, third parties, respectively.

### **ACCOUNTING POLICIES FOR THE STATEMENT OF CASHFLOWS**

The statement of cashflows is prepared according to the indirect method, and distinguishes between cashflows from operational, investment and financing activities. With regard to cashflows from operations, operating



results before taxation are adjusted for gains and losses that did not result in income and payments in the same financial year and for movements in provisions and accrued and deferred items, if any.

## 2.5.2 NOTES TO THE BALANCE SHEET

### ASSETS

#### 1. INTANGIBLE ASSETS

##### Breakdown of intangible assets

in € thousands	31 DECEMBER 2016	31 DECEMBER 2015
Investments and maintenance expenses in IT equipment	758	446
<b>Total</b>	<b>758</b>	<b>446</b>

##### Changes in investments and maintenance expenses in IT equipment

in € thousands	31 DECEMBER 2016	31 DECEMBER 2015
Accumulated acquisitions costs	2,201	1,392
Accumulated depreciation	1,443	946
<b>Total</b>	<b>758</b>	<b>446</b>
At 1 January	446	-
Purchases	809	561
Depreciation	-497	-115
<b>Total</b>	<b>758</b>	<b>446</b>

#### 2. FINANCIAL ASSETS

##### Breakdown of financial assets

in € thousands	31 DECEMBER 2016	31 DECEMBER 2015
Investments in group companies	-	-
Shares	250	-
Bonds	29,176	25,406
<b>Total</b>	<b>29,426</b>	<b>25,406</b>

##### Shares

The shares consist of investment in SNS Optimaal Oranje fund.

##### Bonds

The entire bond portfolio consists of Dutch and German government bonds. The maximum duration of the bonds is seven months. These investments are part of ACTIAM's investment portfolio in cash management process.

The fair value of financial assets is determined using quoted prices.

##### Changes in investment in group activities

in € thousands	31 DECEMBER 2016	31 DECEMBER 2015
At 1 January	-	483
Wound up	-	-483
<b>Total</b>	<b>-</b>	<b>-</b>

##### Changes in bonds

in € thousands	31 DECEMBER 2016	31 DECEMBER 2015
At 1 January	25,406	-
Purchased	69,083	178,081
Divestments	-2,244	-29,900
Redemptions	-63,003	-122,707
Interest addition	237	-
Amortisation	-285	-73
Revalued	-18	5
<b>Total</b>	<b>29,176</b>	<b>25,406</b>

## Changes in shares

in € thousands	31 DECEMBER 2016	31 DECEMBER 2015
At 1 January	-	-
Purchased	247	-
Revalued	3	-
<b>Total</b>	<b>250</b>	<b>-</b>

## 3. RECEIVABLES

### Breakdown of receivables

in € thousands	31 DECEMBER 2016	31 DECEMBER 2015
Asset management fees to be received	16,336	20,049
Trade receivables	161	281
Corporate income tax	691	-
Other receivables	50	568
<b>Total</b>	<b>17,238</b>	<b>20,898</b>

Receivables fall due in less than one year.

#### Other receivables

This concerns mainly prepaid invoices.

## 4. CASH AND CASH EQUIVALENTS

### Cash and cash equivalents

Cash and cash equivalents comprise bank account balances at SNS Bank N.V. and ABN AMRO Bank N.V.. At year-end 2016 the cash and cash equivalents stood at € 13.2 million (2015: € 5.9 million). Cash and cash equivalents are at the company's free disposal.

## 5. EQUITY

The authorised capital of € 0.23 million consists of 500 shares of € 453.79 nominal each. Of these, 100 have been issued and paid up.

ACTIAM's equity capital requirement stems from the provisions of Section 3:53 of the Dutch Financial Supervision Act in conjunction with Section 48(c)(63) and (63b) of the Dutch Prudential Rules (Financial Supervision Act) Decree.

The desired internal minimum capital was € 20.7 million (2015: € 12.7 million) according to the 2016 ICAAP performed by the Management Board in close cooperation with Risk Management.

At the end of the reporting period ACTIAM's equity stood at € 25.7 million.

## LIABILITIES

## 6. PROVISIONS

### Breakdown in provisions

in € thousands	31 DECEMBER 2016	31 DECEMBER 2015
Deferred tax liabilities	-	1
Other provisions	-	-
<b>Total</b>	<b>-</b>	<b>1</b>

## Changes other provisions

in € thousands	31 DECEMBER 2016	31 DECEMBER 2015
At 1 January	-	400
Actual costs	-	-133
Released	-	-267
<b>Total</b>	<b>-</b>	<b>-</b>

## 7. CURRENT LIABILITIES

in € thousands	31 DECEMBER 2016	31 DECEMBER 2015
Debts to group companies	8,078	4,199
Corporate income tax	-	1,904
Management fee payable	5,913	6,313
Asset management fee rebate payable	16,371	7,733
Variable remuneration and allowances payable	1,971	1,607
Regulatory expenses	568	553
Audit fees	445	275
Other liabilities	1,593	2,307
<b>Total</b>	<b>34,939</b>	<b>24,891</b>

### Corporate income tax

This relates to the corporate income tax payable for the full year of 2016. At year-end there was no income tax payable.

### Asset management fee rebate payable

This item mainly concerns distribution fees payable to SRLEV N.V., which is paid for the fact that the premiums for unit-linked policies, savings pools and pension products for the purposes of institutional asset management are invested in the RZL funds. The RZL funds came under the fund umbrella of SNS Beleggingsfondsen N.V. The other fees are service charges paid to external asset managers.

### Other liabilities

This relates to other costs payable, such as costs for data, advisory services, external employees and other operating expenses payable.

## 8. COMMITMENTS AND CONTINGENCIES

There are no commitments and contingencies that are not disclosed in the balance sheet.

## 9. CORPORATE INCOME TAX GROUP

The tax group with SNS REAAL N.V. was disbanded on 1 July 2015; since that date, the company has been a member of the tax group headed by VIVAT. Income tax is due on the profit before tax disclosed in the financial statements, making allowance for any tax-exempt profit constituents.

In accordance with the standard conditions, ACTIAM is liable for the income tax due by any of the members of the tax group.

## 10. RELATED PARTIES

Parties qualify as related if one party has the power to exercise control or significant influence on the other in terms of deciding on financial or operational issues. As a wholly owned subsidiary of VIVAT, ACTIAM maintains standard at arm's length relations with VIVAT and its associates as part of its normal operations, especially when it comes to offering high-quality and transparent investment solutions to VIVAT's group companies. Transactions with related parties are conducted based on the arm's length principle. Besides the transactions at arm's length, ACTIAM has agreed that ACTIAM will, with effect from the first of January 2015 and subject to specific conditions, including the expectation of adequate capitalisation of ACTIAM, offer a prescribed capped rebate on the fee it charges to SRLEV N.V.. In 2016 these asset management fee rebate is € 24.5 million (2015: € 23.5



million). We refer to note 12. Income. As of 31 December 2016 an amount of € 16.4 million have to be paid (2015: € 7.7 million), see note 7. Current Liabilities.

ACTIAM purchases a number of services from related parties. These services are purchased at arm's length conditions. As of 31 December 2016 the amount of € 8.1 million (2015: € 4.2 million) relates to this item, see note 7. Current liabilities.

## 11. EVENTS AFTER THE REPORTING DATE

ACTIAM is further standardizing and simplifying the organisation and business processes following the strategy. As part of this, ACTIAM has decided to outsource certain of its mid and back offices services relating to asset management to a third party in the course of 2017.

Dudley Keiller was appointed as Chief Transformation Officer (CTO) in January 2017. Arnold Gast was appointed as Chief Investment Officer (CIO) in June 2017. By taking on Van Houwelingen, Shen, Keiller and Gast, ACTIAM is safeguarding the growth which was initiated earlier and the company can make further preparations for its international ambitions. The composition of the Management Board is approved by the Netherlands Authority for the Financial Markets (AFM).

A share premium agreement to affect a € 6 million capital injection into ACTIAM by VIVAT N.V. was approved in June 2017. The capital injection was paid in June 2017 leading to an increase in share premium.



## 2.5.3 NOTES TO THE PROFIT AND LOSS ACCOUNT

### 12. INCOME

#### Breakdown of income

in € thousands	1 JANUARY 2016 T/M 31 DECEMBER 2016	1 JANUARY 2015 T/M 31 DECEMBER 2015
Asset management fees income	97,451	102,752
Asset management fees rebate	-24,511	-23,451
<b>Total</b>	<b>72,940</b>	<b>79,301</b>

#### Asset management fees income

This concerns all-in fees received from investment funds and fees received for asset management, administration services and ESG advice.

#### Asset management fees rebate

VIVAT is the sole shareholder of both ACTIAM and SRLEV N.V.. As requested and approved by VIVAT, SRLEV N.V. and ACTIAM have agreed that ACTIAM will, with effect from 2015 and subject to specific conditions, including the expectation of adequate capitalisation of ACTIAM, offer a prescribed capped rebate on the fee it charges to SRLEV N.V.. In the event of lagging operating profit, the Management Board will decide on a case-by-case basis whether the discretionary power should be used to postpone the Rebate Agreement with SRLEV N.V..

The amount of € 24.5 million includes € 107 thousands related to the final rebate for 2015. The final rebate for 2016 is € 133 thousand lower than the estimate. The amount of € 133 thousand is booked in 2017 and will be presented in the 2017 financial statements.

### 13. ASSET MANAGEMENT FEES EXPENSES

#### Breakdown of asset management fees expenses

in € thousands	1 JANUARY 2016 T/M 31 DECEMBER 2016	1 JANUARY 2015 T/M 31 DECEMBER 2015
<b>Costs of outsourced asset management</b>		
Fund management fees	11,303	11,355
Asset management fees	1,653	3,705
<b>Total</b>	<b>12,956</b>	<b>15,060</b>
<b>Custodial fees</b>		
Fund management fees	3,800	3,328
<b>Distribution fees</b>		
Fund management fees	17,943	21,085
<b>Total</b>	<b>34,699</b>	<b>39,473</b>

#### Costs of outsourced asset management

This concerns costs of asset management services outsourced to third parties.

#### Custodial fees

This concerns costs for keeping securities in safe custody.

#### Distribution fees

Distribution fees mainly concern fees paid or payable to SRLEV N.V.. A distribution fee is a fee for the fact that the premiums for unit-linked policies, savings pools and pension products for the purposes of institutional asset management are invested in the RZL funds.

## 14. EMPLOYEE BENEFITS EXPENSE

### Employee benefit expense

in € thousands	1 JANUARY 2016 T/M 31 DECEMBER 2016	1 JANUARY 2015 T/M 31 DECEMBER 2015
Salaries and wages	12,516	12,268
Pension costs	1,941	1,724
Social security contributions	1,241	1,169
Other personnel expenses	1,750	2,792
Charged from group companies	8,917	3,939
<b>Total</b>	<b>26,365</b>	<b>21,892</b>

The employee benefits expense is comprised of personnel expenses directly associated with employees and the members of the Management Board who are on VIVAT's payroll and indirect expenses charged from group companies. Recharged expenses corresponded with 136 FTEs (2015: 135 FTEs), which reconciles to the average headcount as stated under 1.9 Remuneration Policy.

The increase of expenses charged from group companies is caused by the new cost allocation model within VIVAT following the strategic review in 2016.

## 15. OTHER OPERATING COSTS

### Breakdown of other operating expenses

in € thousands	1 JANUARY 2016 T/M 31 DECEMBER 2016	1 JANUARY 2015 T/M 31 DECEMBER 2015
Regulatory expenses	567	565
Housing expenses	1,094	1,301
IT expenses	4,403	4,498
Audit and consulting expenses	871	929
Data and transaction expenses	3,510	2,736
Recharged expenses	2,516	-900
Compensation payments	536	288
Membership and subscription expenses	286	227
Communication expenses	58	119
Other costs	126	64
<b>Total</b>	<b>13,967</b>	<b>9,827</b>

#### Regulatory expenses

This concerns regulatory expenses charged by DNB and AFM.

#### Housing and IT expenses

This concerns costs incurred for housing and IT systems. The housing costs and part of the IT expenses are allocated to ACTIAM by VIVAT.

#### Audit expenses

This item includes audit fees for the investment funds managed by ACTIAM and annual report ACTIAM.

ACTIAM has appointed Ernst & Young Accountants LLP as its Independent Auditor for 2016. The Independent Auditor's remuneration in 2016 consisted € 20 thousands in audit fees (2015: € 17 thousands KPMG Accountants N.V.). The Independent Auditor is engaged to perform the audit of the financial statements. The Independent Auditor provided any non-audit services to ACTIAM for the amount of € 60 thousands (2015: € nil).

#### Consulting expenses

This item includes expenses associated with the ISAE 3402 report.



## 16. NET FINANCE COSTS

### Breakdown of net finance costs

in € thousands	1 JANUARY 2016 T/M 31 DECEMBER 2016	1 JANUARY 2015 T/M 31 DECEMBER 2015
Interest received	131	177
Interest paid and result on financial assets	23	83
Amortisation	285	-
<b>Total</b>	<b>-177</b>	<b>94</b>

#### Interest received

This concerns interest received on bonds and bank account balances held at SNS Bank N.V. and ABN AMRO Bank N.V..

#### Interest paid

This concerns interest paid on bank charges and on short term Dutch government bonds.

## 17. PROFIT APPROPRIATION

The loss for 2016 in the sum of € 2.073.000 has been recognised as retained earnings within equity.

The shareholders will be asked to approve the following appropriation of the profit for the financial year 2016:

### Proposed profit appropriation

in €	2016
Distribution to shareholder	-
Deduction from other reserve	-2,073,000
<b>Total</b>	<b>-2,073,000</b>

Utrecht, the Netherlands, 29 June 2017.

ACTIAM N.V.

H. van Houwelingen

A.A. Gast

D.G. Keiller

J. Shen

## 3 Other information

### 3.1 PROVISIONS IN THE ARTICLES OF ASSOCIATION REGARDING PROFIT APPROPRIATION

Article 31 of the Articles of Association governs the appropriation of profit.

#### ARTICLE 31

1. The profits shall be at the free disposal of the general meeting.
2. The company may only make distributions to shareholders and other persons entitled to the distributable profits to the extent its equity exceeds the total amount of its issued share capital and the reserves which have to be maintained pursuant to the law.
3. Distribution of profits shall take place following the adoption of the annual accounts from which it appears that such distribution is allowed.

### 3.2 INDEPENDENT AUDITOR'S REPORT

To: the shareholders and the management board of ACTIAM N.V.

#### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2016 INCLUDED IN THE ANNUAL REPORT

##### Our opinion

We have audited the financial statements 2016 of ACTIAM N.V., based in Utrecht.

In our opinion the accompanying financial statements give a true and fair view of the financial position of ACTIAM N.V. as at 31 December 2016, and of its result for 2016 in accordance with Part 9 of Book 2 of the Dutch Civil Code and the requirements set with regard to the financial statements by or pursuant to the Dutch Financial Supervision Act.

The financial statements comprise:

- The balance sheet
- The profit and loss account for 2016
- The notes comprising a summary of the significant accounting policies and other explanatory information.

##### Basis for our opinion

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

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

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

#### REPORT ON OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor’s report thereon, the annual report contains other information that consists of:

- Management board report
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code

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

- Is consistent with the financial statements and does not contain material misstatements

- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code and the requirements set by or pursuant to the Dutch Financial Supervision Act.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The management board is responsible for the preparation of the other information, including the management board's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code and the requirements set by or pursuant to the Dutch Financial Supervision Act.

## DESCRIPTION OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

### Responsibilities of the management board for the financial statements

The management board is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code and the requirements set with regard to the financial statements by or pursuant to the Dutch Financial Supervision Act. Furthermore, the management board is responsible for such internal control as the management board 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 management board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the management board should prepare the financial statements using the going concern basis of accounting unless the management board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The management board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

### Our responsibilities for the audit of the financial statements

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

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

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

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- 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 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
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management board
- Concluding on the appropriateness of the management board's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the



related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause an company to cease to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

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

Amsterdam, 29 June 2017

Ernst & Young Accountants LLP

signed by J.C.J. Preijde

