

## Executive summary 2018<sup>1</sup> annual report ACTIAM N.V.

We are pleased to share with you the 2018 annual report of ACTIAM N.V.

### Corporate message

ACTIAM's mission is to deliver relevant investment solutions, maximizing longer-term financial, environmental and social returns.

Investments that conflict with international standards and conventions or ACTIAM's Fundamental Investment Principles (FIP) are not acceptable. Improving responsible management by stimulating changes in the behavior of investees is central in ACTIAM's approach. ACTIAM identifies the focus themes climate, water and land for its active ownership approach. Furthermore, ACTIAM believes that the financial sector has the fiduciary duty to lead the transition towards a sustainable society. In this respect, ACTIAM sees technology as the main driver of change in the asset management industry.

### Key developments in 2018 that contributed to ACTIAM's thought leadership in responsible and impact investing.

- 2018 year-end AUM: € 56.1 billion (year-end 2017: € 54.1 billion);
- ACTIAM's available capital: € 24.4 million (adequate based on the Internal Capital Adequacy Assessment Process);
- The 2018 ISAE report Type II report, finalized in January 2019 with an unqualified auditor's opinion;
- Overall strong investment performance versus predefined benchmarks on 1, 3 and 5 years basis;
- The majority of our funds are granted 4 or 5 Morningstars (as per end of December 2018);
- The highest possible score (A+) on no less than 13 of the 14 modules in the 2018 survey of the Principles for Responsible Investment (PRI);
- Other recognitions: "Winner of the VWD Cash Public Award 2018", "Winner of Lipper Group Awards 2018 (Equity Large and Mixed Assets Large) and "Top 3 - Best fund house equity funds Morningstar 2018";
- Elected Member of the Executive Committee Green Bond Principles of the International Capital Market Association;
- 226 individual engagements (executed both individual as well as via service providers) and 584 collaborative engagements, in which ACTIAM was a lead investor for 50 companies;
- Several new launches:
  - an ESG dashboard that provides insight in both financial returns and social impact, offering integrated portfolio information on items such as concentration risk, financial returns, water- and carbon footprint and alignment with the Sustainable Development Goals;
  - the ACTIAM Global Equity Impact that combines the SDGs with the planetary boundaries as defined by the Stockholm Resilience Center;
  - the ACTIAM Duurzaam Index Vastgoedfonds Europa, only investing in real estate companies with a high proprietary ESG score and a demonstrable contribution to the SDGs.

This annual report is available on our website: <https://www.actiam.com/en/about-actiam/>

For questions or additional information you can contact:

Hidde Kuik

M: +31 (0)6 12 64 79 62

E: [hidde.kuik@vivat.nl](mailto:hidde.kuik@vivat.nl)

---

<sup>1</sup> This Executive summary has not been audited and not part of the audited 2018 annual report of ACTIAM N.V.



---

**ACTIAM NV**  
**Annual Report 2018**



# Table of contents

---

<b>1</b>	<b>Management Board report</b>	<b>3</b>
1.1	General	3
1.2	Key developments	5
1.3	Composition of the Management Board	6
1.4	Responsible investment management	6
1.5	Regulatory requirements	7
1.6	Risk management	7
1.7	Developments in earnings	11
1.8	Remuneration Policy	12
<b>2</b>	<b>Financial statements 2018 ACTIAM NV</b>	<b>16</b>
2.1	Balance sheet	16
2.2	Profit and loss account	17
2.3	Cash flow statement	18
2.4	Notes to the financial statements 2018	19
<b>3</b>	<b>Other information</b>	<b>29</b>
3.1	Provisions in the Articles of Association regarding profit appropriation	29
3.2	Independent auditor's report	30



# 1 Management Board report

## 1.1 GENERAL

ACTIAM NV (ACTIAM) is fund manager and asset manager and is a wholly owned subsidiary of VIVAT NV (VIVAT). ACTIAM has its registered office located in Utrecht, the Netherlands and has its principal place of business located at Graadt van Roggenweg 250, 3531AH Utrecht, the Netherlands.

ACTIAM is an alternative investment funds manager within the meaning of the section 2:65(1)a Dutch Financial Supervision Act. Under its license ACTIAM is authorized to provide the following MIFID II services: receipt and transmission of orders in relation to one or more financial instruments, portfolio management services and investment advice.

Information about ACTIAM is also published on its website: [www.actiam.com](http://www.actiam.com).

## STRATEGY

ACTIAM's mission is to deliver relevant investment solutions, maximizing longer-term financial, environmental and social returns.

Investments that conflict with international standards and conventions or ACTIAM's Fundamental Investment Principles (FIP) are not acceptable. Improving responsible management by stimulating changes in the behavior of investees is central in ACTIAM's approach. ACTIAM identifies the focus themes climate, water and land for its active ownership approach. Furthermore, ACTIAM believes that the financial sector has the fiduciary duty to lead the transition towards a sustainable society. In this respect, ACTIAM sees technology as the main driver of change in the asset management industry.

In 2018, ACTIAM further strengthened its responsible investment offering by introducing a new sustainable fund range. In November it was also decided to put investment restrictions on companies involved in tar sands and shale gas. ACTIAM sees a growing demand for sustainable investments in general, passively managed (sustainable) funds and a growing interest from investors to show the actual impact of their investments.

For the coming year ACTIAM will continue to invest in its sales and operational infrastructure to support its international growth ambition. This will amongst others involve the launch of a Luxembourg fund range, introducing new strategies like the Energy Transition Strategy and further enhancement of our investment and trade systems. For an accurate reflection of the business needs, we conduct staff and succession planning on an ongoing basis.

## NOTABLE ACHIEVEMENTS IN 2018

At year-end ACTIAM's assets under management amounted to € 56.1 billion (year-end 2017: € 54.1 billion).

During 2018, ACTIAM continued to deliver an overall strong investment performance versus predefined benchmarks on 1, 3 and 5 years basis which is an important driver for attracting new customers and preserving our asset base. The majority of our funds are granted 4 or 5 Morningstars (as per end of December 2018).

In July 2018 ACTIAM launched its direct distribution platform named Zwitterleven Beleggen, a registered trade name of ACTIAM NV. The platform offers retail investors the opportunity to easily invest in a selection of ACTIAM's sustainable funds and to follow the developments of the assets online.

Furthermore, being a pureplay responsible and impact investor, new investment solutions like ACTIAM Global Equity Impact have been developed in relation to the Sustainable Development Goals of the United Nations (SDGs). This investment solution screens the investment universe against the ACTIAM Fundamental Investment Principles, the Planetary Boundaries in addition to the SDGs.

ACTIAM has further built its brand primarily in the Netherlands as well as abroad. Also a broader range of private debt impact investing (amongst others ACTIAM Energy Transition) has been created in areas where ACTIAM holds strong and proven track records.

ACTIAM was rewarded with high scores in the 2018 survey of the Principles for Responsible Investment (PRI). This year, ACTIAM achieved the highest possible score (A+) on no less than 13 of the 14 modules. The remaining module received an A score. Other recognitions were among others: “Winner of the VWD Cash Public Award 2018”, “Winner of Lipper Group Awards 2018 (Equity Large and Mixed Assets Large) and “Top 3 - Best fund house equity funds Morningstar 2018”. Moreover, ACTIAM was elected Member of the Executive Committee Green Bond Principles of the International Capital Market Association.

In 2018, ACTIAM was involved in 226 individual engagements (executed both individual as well as via service providers) and 584 collaborative engagements, in which it was a lead investor for 50 companies. ACTIAM also supported engagement with 534 companies. 173 (of which 18 new) companies were excluded from investment due to non-compliance with our policies and a lack of willingness to change. The government bonds of 66 countries were excluded from the investment universe. ACTIAM for instance signed the Bangladesh declaration of investors with the aim of ensuring that factories in Bangladesh are safe for garment workers. In the statement, the signatory investors expressed their concern about the rapid termination of the 'Bangladesh Fire and Safety Accord' from 2013 to protect the health and safety of employees. Investors urged the government of Bangladesh to ask the Supreme Court for an approval to extend the agreement, until a national security regulator is set up that is fully prepared to control the mandate of the agreement. ACTIAM also joined the UN PRI workgroup on plastic pollution in oceans and on land. The subject applies to all three focus themes of ACTIAM - Climate, Land and Water - and affects many industries and companies. Within the working group ACTIAM will look at the size of the problem, possible solutions and the role that investors can play in this.

The above has contributed to ACTIAM's thought leadership in responsible and impact investing.

## FUND MANAGEMENT

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

- ACTIAM Responsible Index Fund Equity Europe (ARIFE EU);
- ACTIAM Responsible Index Fund Equity Europe-A (ARIFE EU-A);
- ACTIAM Responsible Index Fund Equity North America (ARIFE NA);
- ACTIAM Responsible Index Fund Equity North America-A (ARIFE NA-A);
- ACTIAM Responsible Index Fund Equity North America-B (ARIFE NA-B);
- ACTIAM Responsible Index Fund Equity Pacific (ARIFE Pacific);
- ACTIAM Responsible Index Fund Equity Emerging Markets (ARIFE EM);
- ACTIAM Institutional Microfinance Fund I;
- ACTIAM Institutional Microfinance Fund II;
- ACTIAM Institutional Microfinance Fund III;
- ACTIAM-FMO SME Finance Fund I;
- ACTIAM Beleggingsfondsen NV;
- RZL Beleggingsfondsen NV;
- Zwitserleven Beleggingsfondsen;
- Zwitserleven Mix Beleggingsfondsen;
- Zwitserleven Institutionele Beleggingsfondsen;
- Euro Short Duration Pool;
- Euro Obligatiepool;
- Euro Aandelenpool;
- Global Equity Mixpool;
- Amerika Aandelenpool;
- Azië Aandelenpool;
- Euro Vastgoedfondsenpool;
- Global Emerging Markets Equity Pool; and
- Global Equity Impact Pool.

As of 22 May 2018, ASN Beleggingsfondsen Beheer BV (ABB) has assumed the role of AIFM where prior to 22 May 2018 ACTIAM was appointed as AIFM of the ASN-labelled investment funds. Since 22 May 2018 ABB has appointed ACTIAM as discretionary investment manager of the following investment entities:

- ASN Aandelenpool;
- ASN Obligatiepool; and
- ASN Mixpool.

ACTIAM serves as Managing Board of the following legal entities:

- Pettelaar Effectenbewaarbedrijf NV (until 24 April 2018)
- Stichting Juridisch Eigenaar Zwitserleven Beleggingsfondsen
- Stichting Juridisch Eigenaar ACTIAM Institutional Microfinance Fund III
- Stichting Juridisch Eigenaar ACTIAM Beleggingsfondsen
- Stichting Juridisch Eigenaar ACTIAM SME Finance Fund (since 8 May 2018)
- Stichting ACTIAM Beleggersgiro (since 8 March 2018)

## ASSET MANAGEMENT

ACTIAM manages the assets of 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 select group of external institutional investors.

## OTHER ACTIVITIES

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

## 1.2 KEY DEVELOPMENTS

### 1.2.1 DEVELOPMENTS IN ASSETS UNDER MANAGEMENT

As of 31 December 2018, the total assets under management were € 56.1 billion (year-end 2017: € 54.1 billion) of which € 17.2 billion consisted of assets in investment funds (year-end 2017: € 20.4 billion). Total assets under management increased by € 2.0 billion compared to ultimo 2017. The increase in assets under management was related to the inflows into real estate investment management services and ACTIAM-labelled funds and a market development contribution of € 0.4 billion. The decrease in assets in investment funds can be predominantly attributed to ABB assuming the role as AIFM on 22 May 2018 for the ASN-labelled funds.

#### Assets under Management

in € millions	ASSETS UNDER MANAGEMENT
31 December 2018	56,105
30 June 2018	56,279
31 December 2017	54,125
30 June 2017	54,123
31 December 2016	54,626
30 June 2016	55,884
31 December 2015	52,056
30 June 2015	50,787
31 December 2014	51,356
30 June 2014	46,796
31 December 2013	44,192

#### Financial Markets

Developments in assets under management are influenced by external factors including the trends in global financial markets.

#### Fixed Income

The German 10-year interest rate closed 2018 at its lowest point of that year. The interest on this particular bond decreased from 0.4% to 0.2%. The disappointing economic growth in the euro zone was the main reason for the decline in European capital market interest rates, with the exception for Italy. The new populist Italian government fueled concerns about the high national debt. A large increase in government spending was seen in relation to the kept election promises including tax cuts, a lowering of the retirement age and introducing a basic income. This led to an increase in the risk premium on Italian bonds versus German bonds during 2018. After the agreement with the European Union this premium decreased again by year-end 2018. In the United States of America (US) interest rates rose over 2018. This rise was caused by the fear of an increasing national

debt in relation to lower tax revenues. As a result of the sharp decline in the equity markets during the last quarter of 2018, bonds were deemed more attractive and interest rates declined again.

#### *Equity markets*

The equity markets started 2018 with a major correction. The market image deteriorated rapidly due to fears of interest rate hikes in the US. Furthermore the decision of the US President to introduce import tariffs on steel and aluminum was a source of concern. In contrast, 2018 was also a year in which corporate earnings increased strongly. For US companies, this was largely related to lower taxes and to high economic growth. Higher corporate profits caused the stock markets to reach record levels into the summer of 2018. However, after the summer, uncertainty amongst investors prevailed and almost all stock indices ended the year at a loss. Besides concerns about trade negotiations between the US and China, the downward adjustment in the expected global economic growth was cause for negative market sentiment.

### **1.2.2 ORGANISATIONAL DEVELOPMENTS**

ACTIAM is a fully owned subsidiary of VIVAT. Anbang Group Holdings Co. Limited, an indirect subsidiary of Anbang Insurance Group Co., Ltd., is the sole shareholder of VIVAT and therefore indirectly of ACTIAM. Since February 2018 the China Insurance Regulatory Commission (CIRC) has temporarily taken over management of Anbang. During this interim period, the majority of the Anbang shares are temporarily held by the Chinese Insurance Security Fund (CISF), a nongovernmental industrial fund. VIVAT has been informed by its ultimate 100% shareholder Anbang Insurance Group Co. Ltd. (Anbang) that it has commenced a strategic review regarding its shareholding in VIVAT which may include a sale of a majority interest or a continuation of Anbang's existing ownership. Further announcements will be made in due course, if and when appropriate, and/or required by law. Any possible future change in ownership of ACTIAM would be subject to approval of the Dutch regulator. ACTIAM is an independent company under supervision of the AFM and DNB (Dutch regulators) with its own governance structure and good capital position.

Furthermore, after a formal evaluation of the depositary and custody services and in light of ACTIAM's (international) growth ambition, it was decided to appoint BNP Paribas Securities Services SCA, Amsterdam Branch ("BNPSS") as the new Depositary & Global Custodian for the investment funds managed by ACTIAM. The transition from KAS Bank NV and Kas Trust & Depositary Services BV to BNPSS took place in November and concerned all services that result directly from the investments of the funds (custody, settlement and corporate actions).

To invest in future growth, ACTIAM continues to invest in infrastructure robustness as related to data systems, portfolio management and ESG-tooling. A relatively new (regulatory) development is integrating ESG related data, for example into portfolio management related scenario-analyses to make better informed decisions. ACTIAM has developed an ESG dashboard that provides insight in both financial returns and social impact, offering integrated portfolio information on items such as concentration risk, financial returns, water- and carbon footprint and alignment with the Sustainable Development Goals.

### **1.3 COMPOSITION OF THE MANAGEMENT BOARD**

On 31 December 2018, the ACTIAM Management Board consisted of H. van Houwelingen (Chief Executive Officer, CEO), D.G. Keiller (Chief Transformation Officer, CTO) and W.M. Schouten (Chief Risk Officer, CRO). The board members have extensive experience and expertise in the asset and fund management industry both at an executive and at a management level. The AFM has approved the members and the composition of the ACTIAM Management Board.

During the reporting period some adjustments in the ACTIAM Management Board took place. W.M. Schouten joined the ACTIAM Management Board as CRO. On 5 July 2018, A.A. Gast resigned as Chief Investment Officer (CIO). R.C. de Kuiper has assumed the role of CIO a.i. per 1 June 2018 on a non-statutory basis.

### **1.4 RESPONSIBLE INVESTMENT MANAGEMENT**

#### **RESPONSIBLE INVESTMENT 2018 HIGHLIGHTS**

ACTIAM's thought leadership in responsible and impact investing was recognized multiple times in 2018. First of all, ACTIAM was elected Member of the Executive Committee Green Bond Principles of the International Capital Market Association. In addition, ACTIAM was rewarded with high scores in the 2018 survey of the Principles for

Responsible Investment (PRI). This year, ACTIAM achieved the highest possible score (A+) on no less than 13 of the 14 modules. The remaining module received an A score.

### Partnerships

ACTIAM collaborates actively with a number of organisations to put ACTIAM's investment beliefs into practice for an optimal financial and social return. One of the new partnerships in 2018 was a partnership with Util, an Oxford-based financial technology company which allows to quantify the contribution of investments to the UN Sustainable Development Goals (SDGs). In cooperation with ACTIAM Util has developed a proprietary holistic company valuation methodology, which addresses the need for a standardized and comparable analysis that considers a company's social and environmental performance alongside its financial performance. Furthermore, this year ACTIAM joined the Institutional Investors Group on Climate Change (IIGCC), a cooperation between investors on climate change. Via IIGCC, investors can optimize their impact and cooperate with investee companies and policy makers at the same time.

### Sharing knowledge

ACTIAM also offers knowledge to industry initiatives. In 2018, ACTIAM was for instance the co-author of the '[PRI Impact Investing Marketing Map](#)' of the United Nations Principles for Responsible Investments. ACTIAM also joined forces with three other financial institutions (together managing around €180 billion in assets) in order to explore common ground on natural capital, specifically focusing on biodiversity footprinting methodologies and other biodiversity-related approaches. The result is a working paper called: 'Common ground in biodiversity footprinting methodologies for the financial sector'.

### Keep innovating

In order to safeguard ACTIAM's current leading position in the area of responsible and impact investing, ACTIAM keeps innovating through new investment strategies and services to anticipate on current and future demand. ACTIAM launched a unique investment strategy called ACTIAM Global Equity Impact that combines the SDGs with the planetary boundaries as defined by the [Stockholm Resilience Center](#). Another example was the launch of the ACTIAM Duurzaam Index Vastgoedfonds Europa. For this fund, ACTIAM is only investing in real estate companies with a high proprietary ESG score and a demonstrable contribution to the SDGs. In December 2018, the fund was rewarded with the highest sustainability score of Morningstar (five globes). A web based application was made available to identify (client and portfolio specific) ESG risks and opportunities (including amongst others SDG contribution, carbon and water footprint). Finally, a broader range of private debt impact investing (for example: ACTIAM Energy Transition) was created in areas where ACTIAM holds strong and proven track records.

## 1.5 REGULATORY REQUIREMENTS

ACTIAM meets the requirements of Directive 2011/61/EU on Alternative Investment Fund Managers (AIFM Directive), which came into effect on 22 July 2013, which also has been implemented in the Dutch Financial Supervision Act (Dutch acronym: Wft), by which ACTIAM is governed. With respect to the ancillary services ACTIAM provides as permitted for an AIFM, ACTIAM also meets the requirements of Directive 2014/65/EU on markets in financial instruments (MiFID II Directive), including applicable MiFID II delegated directives & regulations, and the MiFID requirements as implemented in the Wft. ACTIAM has designed its organisational structure to ensure that it meets the regulatory requirements.

## 1.6 RISK MANAGEMENT

### 1.6.1 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 accept. ACTIAM seeks reasonable assurance regarding operational risks. Key Risk Indicators are defined and periodically reported and monitored in the Risk Management Committee ACTIAM.

### 1.6.2 GOVERNANCE

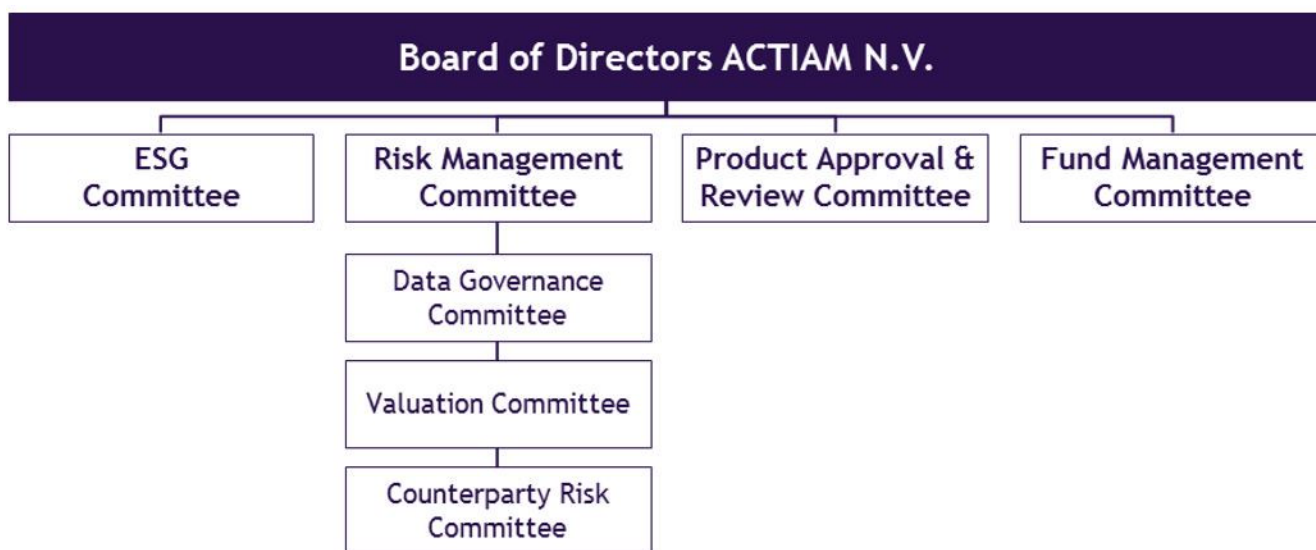
ACTIAM has implemented a framework of procedures and internal controls for mitigating operational and financial risks. The three-lines-of-defence approach is applied, in which various organisational units each have their own tasks and responsibilities. The three lines of defence support and reinforce each other.



The first line is responsible for the executive management tasks and in that sense responsible for the risk and the management of the risk. ACTIAM Board and Senior Managers are ultimately responsible for establishing and maintaining effective systems and controls, although all ACTIAM employees have a role to play in managing and controlling risk. The second line consists of Risk and Compliance departments within ACTIAM. These departments have the responsibility to advise management on internal controls and to assess whether the internal controls implemented by management are in accordance with the regulatory requirements as laid down in the ACTIAM policies and procedures.

Audit VIVAT constitutes the third line of defense within ACTIAM. Audit VIVAT uses a risk-based audit methodology in developing the annual audit plan, focusing on areas of higher risk. This risk assessment determines the frequency of review of the individual departments/processes based on an independently assigned audit rating.

ACTIAM Board has delegated some of its responsibilities to a number of committees. These multidisciplinary committees 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:



- **ACTIAM 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.
- **ACTIAM Counterparty Risk Committee (CRC)** The CRC’s responsibility is to monitor, identify and give advice on counterparty credit risk. Its scope is limited to exposure due to derivatives transactions as part of portfolio management including exposure due to repos and securities lending.
- **ACTIAM Fund Management Committee (FMC)** The FMC is responsible for supervising the policies of the funds and taking decisions on behalf of the Management Board regarding the funds.
- **ACTIAM Product Approval & Review Committee (PARC)** This committee focuses on introducing and managing ACTIAM products. Its responsibilities include product evaluation and safeguarding the quality of the products in relation to risks involved, profit margins, rules and regulations, and consistency with the strategy. The PARC also monitors the products through their investment policy. The PARC also monitors the quality of content delivered by performance reporting.
- **ACTIAM Valuation Committee (VC)** The VC is responsible for defining the valuation policy and monitoring the quality of valuations of all investments.
- **ACTIAM 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.
- **ACTIAM ESG Committee** This committee decides on the Fundamental Investment Principles and is tasked with decisions related to Environment, Social & Governance (ESG) aspects.

### 1.6.3 RISK MANAGEMENT

The Risk Management department focuses on the strategic, financial and operational risks. The Risk Management Department has a right of veto in the ACTIAM committees. The CRO of ACTIAM reports functionally to the CRO of VIVAT.

The Risk Management department consist of three pillars:

- Portfolio Compliance;
- Operational Risk Management; and
- Financial Risk Management

#### *Portfolio Compliance pillar*

ACTIAM Risk Management monitors restrictions that are either stated in prospectus of an investment funds or have been agreed within a mandate.

#### *Operational Risk Management pillar*

The objective of Operational Risk Management (ORM) is to support the organisation in identifying, assessing and monitoring operational risks. Amongst others, this includes a formalized risk appetite, risk awareness and mitigation, governance and instruments to identify and monitor the effectiveness of designed controls.

#### *Financial Risk Management pillar*

ACTIAM Financial Risk Management independently identifies, monitors, reports and makes recommendations on how to manage the financial risks, managed by the first line of defence. Financial Risk Management makes use of various valuation techniques and tools, statistical models, and quantitative analysis for financial risk assessment and analysis.

### 1.6.4 COMPLIANCE

The compliance function is fulfilled by a dedicated Compliance Officer. 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 monitoring the implementation thereof. In addition to the Compliance Officer ACTIAM has a Manager Legal & Compliance that maintains oversight on compliance and legal matters pertaining to ACTIAM's business.

### 1.6.5 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 aims to achieve 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 fund- and asset manager.

Although not exhaustive, from the above bullets, potential strategic risks may occur. These risks may include the risk of capital inadequacy (for more information refer to [1.6.6 Capital adequacy](#)), business risk (related to fees, products, customer concentration and possible lack of execution power) and reputation risk.

In 2018, Anbang, the parent company of VIVAT, announced a strategic reorientation with respect to its foreign assets. This reorientation and associated perceived instability with respect to the ultimate beneficial owner may have indirectly influenced the realization of certain business development targets over 2018.

#### **Financial risk**

Financial risks are defined as the risks to which ACTIAM is exposed on its own ACTIAM account investment portfolio. Financial risks break down into several other risks such as credit risk, market risk and liquidity risk. ACTIAM only performs investment activities on its own ACTIAM portfolio for 1) cash management purposes or 2) for employee entitlements under a deferred variable remuneration program. Given the limited size and scope of activities, these activities cannot be considered proprietary trading activities under the Wft. ACTIAM's own

investment portfolio is subject to the ACTIAM treasury policy. In order to mitigate financial risks, this policy sets restrictions with respect to the own investment portfolio in terms of liquidity, maturity, rating and asset class.

- ACTIAM does not allow proprietary trading activities.
- ACTIAM accepts a limited amount of credit risk.
- ACTIAM accepts significant volatility in fee revenues, due to market movements.
- ACTIAM maintains a high level of available liquidity.

### **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 cannot completely rule out the operational risk related to the asset management business.
- ACTIAM has reasonable assurance that processes are executed effectively.
- ACTIAM has competent and committed employees.
- ACTIAM has a reasonable assurance that IT processes are reliable.
- ACTIAM has reasonable assurance about the quality, integrity and continuity of its outsourced services.
- ACTIAM has the intention to limit key man dependency.
- ACTIAM has agreements which are legally sound, unambiguous and enforceable. Liability has been carefully addressed.
- ACTIAM treats relevant information confidentially.

ACTIAM treats information confidentially. 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.

### *Outsourcing risk*

Outsourcing risk may be considered as an aspect of operational risk. Outsourcing of activities gives rise to the risk that the other party is unable to meet its obligations, despite detailed arrangements being laid down in contracts with the providers of outsourced services. Formal contracts have been signed with these parties. ACTIAM has implemented an outsourcing policy to control its outsourced activities. This policy is in compliance with relevant rules and regulations.

ACTIAM has outsourced certain mid- and back-office activities (administration, reporting and accounting) to BNP Paribas Securities Services SCA. To safeguard sufficient monitoring over the outsourced activities (in accordance with the ACTIAM Outsourcing Policy) and to relocate parts of the outsourced processes (amongst others valuation and change management) an Oversight & Change department has been installed at ACTIAM.

### *Cyber crime risk*

A specific operational risk is the cyber crime risk. Fighting cyber crime is a top priority of ACTIAM. In 2018, there were no reported incidents with regard to cyber crime within ACTIAM. Appropriate organizational and technological measures have been taken to mitigate cyber crime risks, including a collaboration of VIVAT IT with the National Cyber Security Center and collaborations with major Dutch insurance companies. New measures will also be implemented in 2019 to remain in control of cyber crime risk.

### **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.

- ACTIAM has zero tolerance for actions or behaviour on the part of employees, clients or partners that violates its principles of integrity.
- ACTIAM has zero tolerance for deviations with respect to legal or internal values and policies.

### **Portfolio compliance risk**

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. Corrective and mitigating measures are implemented in the case that such situations arise.

- ACTIAM identifies, measures, monitors and controls relevant risks associated with its client portfolios.

### 1.6.6 CAPITAL ADEQUACY

Given that ACTIAM is an AIFMD manager that also provides discretionary asset management services, it qualifies as a fund and discretionary asset manager. As a result, ACTIAM is required to comply with the capital requirements of both AIFMD and CRD IV. The capital requirement figures in this paragraph are shown as calculated over 2018 using data over 2017.

The capital requirement under AIFMD has been set at € 12.2 million. The CRD IV/CRR Pillar 1 capital requirement has been set at € 10.2 million.

ACTIAM has defined its internal capital adequacy by the way of the Internal Capital Adequacy Assessment Process (hereafter: ICAAP) and as such described its capitalisation plan. The ICAAP describes in detail the likelihood, impact and mitigating actions of the capital adequacy 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. Based on the ICAAP, the most prudent methodology resulted in a capital requirement of € 12.2 million. 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 prudential buffer of 25%. This leads to an internally required ICAAP amount of € 15.3 million. The desired required capital as defined by the DNB consists of the required minimum capital, a buffer of 25% and a rolling forecast of the next four quarterly losses.

Should the identified risks in the annual ICAAP occur simultaneously, the total impact would equal the required minimum capital. Given the prudential buffer and the amount of excess capital, ACTIAM is confident that it is well capitalized to mitigate any assessed risk. The 2018 ICAAP has been approved by DNB.

Based on the balance sheet per 31 December 2018, ACTIAM's available capital is € 24.4 million. Given that this exceeds the desired minimum, it is considered to be adequate. In the event of a lagging operating profit, the ACTIAM Management Board will decide on a case-by-case basis whether any adverse impact should be charged against the available capital or that its discretionary power should be used to minimize the rebate for SRLEV according to the Rebate Agreement with SRLEV NV.

### 1.6.7 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 and tested by the external auditor.

Ernst & Young Accountants LLP has been appointed as external auditor and are responsible for completion of the 2018 ISAE 3402 type II report. The 2018 ISAE report Type II report was finalized in January 2019 with an unqualified auditor's opinion.

## 1.7 DEVELOPMENTS IN EARNINGS

The net result over the reporting period was a loss of € 8.1 million. Asset management fees income received in the reporting period decreased to € 75.6 million (2017: € 95.5 million). The decrease in asset management fees income resulted from a new agreement with SRLEV N.V. with adjusted tariffs. The total impact of this contractual change was neutral as the rebate was lowered accordingly. Further fees decreased as a result of ABB assuming the role as AIFM per 22 May 2018. Additionally, fees received declined in the reporting period due to maturing and changing product propositions by distributors of the investment funds. The decline in fees was partly offset by the increase in fees received for real estate investment management services and ACTIAM-labelled funds.

The asset management fees rebate for SRLEV N.V. decreased from € 17.3 million in 2017 to € 9.2 million in 2018 due to the abovementioned contract change. The asset management fee rebate is recognized as negative income, as explained in chapter 2.

Total expenses decreased to € 77.0 million in the reporting period (2017: € 77.1 million). As compared to 2017, total operating expenses increased by € 3.5 million, to € 45.9 million (2017: € 42.4 million). This was mainly due to strategic investments in distribution channels and additions in human capital over the entire supply chain. Asset management fees expenses paid decreased by € 3.6 million, to € 31.1 million (2017: € 34.7 million). This was mainly caused by ABB assuming the role of AIFM per 22 May 2018. Operating profit before tax decreased from € 1.0 million in 2017 to € -10.7 million in 2018.

To conclude, the net result over the reporting period was a loss of € 8.1 million (2017: profit of € 0.7 million). The major cause of this loss were lower asset management fees.

## 1.8 REMUNERATION POLICY

This paragraph describes 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 statutory and regulatory requirements. A guiding principle of the remuneration policy is that it does not encourage employees of ACTIAM to take more risks than considered responsible within the context of ensuring that everyone has the highest regard for the interests of clients and investors in the funds that are managed by ACTIAM.

### GOVERNANCE

The remuneration policy of ACTIAM is composed within the framework of VIVAT's group remuneration policy whilst making allowance for rules and regulations governing ACTIAM in its capacity as fund manager under the AIFM Directive. ACTIAM's remuneration policies are based on the Alternative Investment Fund Managers Directive 2011/61/EU ("AIFMD") and the Guidelines on sound remuneration policies under the AIFMD ("ESMA Guidelines"). The remuneration policies are in line with the Dutch Financial Undertakings Remuneration Policy Act (Wet Beloningsbeleid Financiële Ondernemingen or "Wbfo") which is incorporated in the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht or "Wft"), the Commission Delegated Regulation (EU) 2015/35 ("Solvency II") and the Guidelines on System of Governance of the European Insurance and Occupational Pensions Authority ("EIOPA Guidelines"). In VIVAT's capacity as shareholder of ACTIAM, ACTIAM's remuneration policies are approved by VIVAT's Supervisory Board.

All employees are expected to work in accordance with the Code of Conduct, the oath and any applicable regulations. ACTIAM encourages all relevant employees to have a DSI's Basic Integrity Registry and requires VBA, CFA certification and/ or additional DSI registration for specific functions.

Furthermore ACTIAM periodically participates in market surveys, which maps out the remuneration policies of similar fund- and asset managers. ACTIAM uses the outcome of the survey to gain an understanding into the competitiveness of its remuneration policy and to benchmark its remuneration policy against best practices in the market.

### IDENTIFIED STAFF

According to Article 20 of the ESMA Guidelines, unless it is demonstrated that they have no material impact on the AIFM's risk profile or on an AIF it manages, the following categories of staff should be included as the 'Identified Staff':

- Executive and non-executive members of the governing body of the AIFM, depending on the local legal structure of the AIFM, such as: directors, the chief executive officer and/ or executive and non-executive partners;
- Senior management;
- Control functions;
- Staff responsible for heading the portfolio management, administration, marketing, human resources;
- Other risk takers such as: staff members, whose professional activities - either individually or collectively, as members of a group (e.g. a unit or part of a department) - can exert material influence on the AIFM's risk profile or on an AIF it manages, including persons capable of entering into contracts/positions and taking decisions that materially affect the risk positions of the AIFM or of an AIF it manages.

VIVAT has established a Working Group Identified Staff comprising the directors of Human Resources, Legal, Financial Risk, Non-Financial Risk and Audit ("Working Group Identified Staff"). The Working Group Identified Staff provides input to VIVAT's Supervisory Board with regard to decision making on the Identified Staff list as well as Identified Staff remuneration. A list of Identified Staff is registered and updated centrally at least once a

year. Furthermore the criteria for qualifying as and identifying Identified Staff are reviewed on an annual basis in accordance with the applicable laws, regulations and ESMA Guidelines.

As part of the selection process of new employees, a candidate for an Identified Staff position is presented to the Remuneration and Nomination Committee of the Supervisory Board of VIVAT ("ReNomCo"). The ReNomCo approves the employment conditions, including the remuneration of the Identified Staff. Before presenting the candidate to the ReNomCo, the ACTIAM Board approves the hiring of the candidate.

## EMOLUMENTS

The remuneration of ACTIAM employees consists of a fixed annual salary, variable remuneration, a pension scheme and other fringe benefits. ACTIAM has separate variable remuneration schemes for Identified staff and non-identified staff. As of 2018 VIVAT abolished performance-related variable remuneration for ACTIAM's Management Board.

### Fixed remuneration

The fixed annual gross salary consists of a fixed annual gross salary, which includes a holiday allowance of 8% and a 13th-month payment of 8.33% and, in so far as applicable, other fixed allowances. The annual gross salary is based on the applicable salary scales. Any increase to the annual salary depends on achievements relating to competences, space in the salary scale and is also subject to financial criteria at the level of VIVAT and ACTIAM ("knock-out").

### Pension

Nearly all ACTIAM employees participate in VIVAT's pension scheme. The scheme qualifies as a defined contribution scheme for IAS 19 (International Accounting Standards 19) purposes. The contributions are paid by VIVAT and the employees as employer and employee contributions respectively. For employees who were employed by ACTIAM by 31 December 2017 and who have a salary exceeding the maximum pensionable salary for pension accrual, compensation of 16.35% on the pensionable salary in excess of € 105,075 is applied. The permanent supplement payment is not pensionable and is not taken into account for the calculation of severance payments, including the transition fee (transitievergoeding) or any other wage components or benefits.

### Variable remuneration and performance targets

The performance cycle starts with setting the performance targets which were set in the first quarter of 2018. The performance targets are in line with the company targets and ACTIAM's mission and vision. In 2018, two general categories of key performance indicators ("KPI's") were set for employees, namely non-financial KPI's and financial KPI's. For all management positions within VIVAT and ACTIAM an extra KPI was set for maintaining a sound and controlled organisation. All employees were asked to come up with a KPI to contribute to innovation. Furthermore, employees are allowed to determine their own competence focus points, which encourages personal development. These personal development skills have been set for each individual employee and chosen from the company's broad set of values with a focus on behaviour as change-attitude and taking ownership.

Under the variable remuneration schemes, clear and measurable KPI's are defined for the performance period. The award of variable remuneration is contingent upon these KPI's being achieved. The KPI's pertain to both financial and non-financial targets. The most important KPI's relate to customer satisfaction (this KPI is valid for all employees), the quality of the operating processes, risk management, investment performance, ESG targets and ACTIAM's commercial and financial results. Where relevant and possible, allowance is made for the following ACTIAM stakeholders to adopt KPI's for variable remuneration:

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

A Maximum of 50% of the KPI's may relate to financial targets. For employees in control and monitoring functions, such as the Risk Management Department, no financial KPI's were set. The level of variable remuneration within ACTIAM is maximised at 50% of the annual fixed salary for senior portfolio management in the event of stretched performance (a lower maximum applies for other employees). The maximum level of variable remuneration as defined by the Wbfo is applicable to all employees of VIVAT. Pursuant to the WBFO, the variable remuneration of an employee of a financial enterprise may not exceed 20% of the fixed remuneration. However this maximum does not apply to employees of alternative investment fund managers with a licence under the AIFM Directive such as ACTIAM.

For Identified Staff, specific rules apply for setting performance targets, determining the extent to which performance targets have been achieved, and setting and paying variable remuneration. The performance targets are subject to an ex ante risk assessment.

#### *Awarding variable remuneration*

Variable remuneration is awarded, when applicable, immediately in cash for non-identified staff. For Identified Staff variable remuneration is awarded in two parts: an immediate/unconditional part (60%) and a deferred/conditional part (40%). 50% of the variable remuneration of Identified Staff is paid in cash and 50% based on the return of shares in ACTIAM Duurzaam Mixfonds Neutraal, a sub-fund of ACTIAM Beleggingsfondsen N.V. The deferred part of the variable remuneration is paid out three years following the year of the award. The share-based component of the deferred part of the variable remuneration vests three years after the year of the award followed by one year lock-up. For portfolio managers a three-year return target is set which has to be achieved before they become entitled to the deferred part. The deferred part of the variable remuneration may be adjusted downwards based on an ex post risk assessment.

Variable remuneration is awarded after assessing to what extent the pre-defined KPI's have been achieved. This assessment includes relevant input from, amongst others, the Risk Management Department and the Compliance Officer as part of the ex post risk assessment. For this process, the results and incentives are recorded in a centralised database. The final decision on making the award is taken by ACTIAM's Management Board, followed by VIVAT's Executive Board. For Identified Staff the ReNomCo approves. The Guiding Principles including knockouts are applied before any variable remuneration is granted.

#### *Hold back & claw back*

VIVAT has the power to hold back or claw back all or part of any variable pay awarded (Article 2:135(6) & (8) of the Dutch Civil Code in conjunction with Section 1:127(2) & (3) Wft. Whole or partial hold back or claw back will take place in any case if the employee has not met relevant competence standards and standards of appropriate conduct, or was responsible for conduct that led to a considerable deterioration of the financial position of VIVAT and/or ACTIAM.

#### **Severance payment**

If and in so far as severance pay is due to an employee, such payment will be equal to the transition fee (transitievergoeding) within the meaning of Article 7:673 of the Dutch Civil Code unless (i) the relevant employee is able to benefit from a different arrangement explicitly agreed upon in an applicable social plan or (ii) otherwise determined at the discretion of ACTIAM's Management Board and VIVAT's Executive Board or, where it relates to the ACTIAM's Management Board, or ACTIAM Identified Staff, the ReNomCo and approved by VIVAT's Supervisory Board. VIVAT, including ACTIAM, has agreed upon a new Social Plan 2018-2019 with the unions which is applicable to any reorganisation(s).

#### **Sign-on bonus & retention bonus**

At ACTIAM, there are special arrangements for retention and/or welcome bonuses for employees. Great restraint is exercised when agreeing to such arrangements. Such arrangements may be agreed only if they are approved in accordance with the legislation and regulations and approved in accordance with VIVAT's and ACTIAM's governance.

Due to the announced strategic review of the shareholder, VIVAT has obtained the approval of the regulatory authorities for a retention scheme for a few employees who work for ACTIAM.

#### **Other benefits**

Depending on the position on the salary scale, some senior managers within ACTIAM are eligible for a lease car or a lease car allowance. In 2018 there was a change to the lease policy which limits the cars to be leased to be 100% electric. In addition, the group eligible for a lease car has been reduced. As part of ACTIAM's commitment to impact investment principles, certain types of cars and certain brands are no longer included in this policy.

### **REMUNERATION DURING THE REPORTING PERIOD**

In 2018, ACTIAM awarded € 14.0 million in remuneration to its employees (in 2017: € 15.3 million). Of this amount, € 13.4 million qualified as fixed remuneration and wages (in 2017: € 13.9 million), while variable remuneration accounted for € 0.7 million (in 2017: € 1.4 million). The variable remuneration awarded in 2018 relates to the 2017 financial year and also includes the deferred part from the year 2014.

The Identified Staff, who receive their variable remuneration for 50% based on the return of shares in ACTIAM Duurzaam Mixfonds Neutraal, received for the year 2016, after the retention period, an amount of € 7,60

dividend per share in 2018. Due to VIVAT's financial results over 2017, VIVAT's Executive Board and the ACTIAM's Management Board have decided to apply a cut to the total amount of variable remuneration. Awarding variable remuneration over 2018 occurs after the date of publishing the annual report. In 2018, ACTIAM had an average FTE of 102 (in 2017: 115 FTE). The table below shows the remuneration awarded in 2018.

	NUMBER OF RECIPIENTS <sup>1</sup>		FIXED REMUNERATION IN € <sup>2</sup>		VARIABLE REMUNERATION IN €	
	2018	2017	2018	2017	2018	2017
Members of the Managing Board <sup>3</sup>	4	5	€ 945,793	€ 1,371,863	0	€ 0
Identified Staff	39	34	€ 6,109,087	€ 4,748,605	€ 372,526	€ 844,181
Employees in control function	3	5	€ 368,860	€ 592,867	€ 20,114	€ 54,600
Other Employees	72	119	€ 5,944,365	€ 7,206,803	€ 277,995	€ 526,022
<b>Total</b>	<b>118</b>	<b>163</b>	<b>€ 13,368,105</b>	<b>€ 13,920,138</b>	<b>€ 670,635</b>	<b>€ 1,424,803</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.

3 Also includes Identified Staff.

### Number of employees with remuneration exceeding € 1 million

In 2018, no ACTIAM employees received total remuneration exceeding € 1 million.

### REMUNERATION POLICY OF OUTSOURCING PARTNERS

Prior to engaging an external asset manager ACTIAM performs due diligence on that asset manager. An assessment of the external manager's remuneration policy is part of the due diligence. The remuneration policy has to be consistent with the interests of fund participants, hence appropriate incentives should be used. These incentives must be aligned with the objective of the investment fund for which the external asset manager is selected, making a distinction between actively and passively managed funds. For actively managed funds, for instance, ACTIAM assesses whether the external asset manager's investment horizon is in line with the investment fund's performance horizon, which is 3 to 5 years. For actively managed funds which seek to outperform the benchmark, ACTIAM assesses whether the remuneration policy ensures that the remuneration is linked to risk-adjusted measures, using for example the 'information ratio'. For passively managed investment funds an active performance-linked remuneration is less desirable. In such cases, ACTIAM assesses whether the performance incentives are properly linked to the way the investment fund's performance tracks the index, using for example tracking errors.

In addition to periodic monitoring of the remuneration policy, external asset managers are requested, prior to the initial selection, to provide information on their remuneration policy for both 'identified staff' and 'non-identified staff' to ensure, for instance, that the remuneration policy contains no performance-related incentives for risk management and compliance officers. ACTIAM requests information on an annual basis from the delegated external asset managers with respect to the remuneration policy applied.

Utrecht, the Netherlands, 29 May 2019.

ACTIAM NV

H. van Houwelingen

D.G. Keiller

W.M. Schouten





## 2 Financial statements 2018 ACTIAM NV

### 2.1 BALANCE SHEET

Before result appropriation and in € thousands	REF.	31 DECEMBER 2018	31 DECEMBER 2017
<b>Assets</b>			
Financial assets	1	31,576	26,183
<b>Total fixed assets</b>		<b>31,576</b>	<b>26,183</b>
Receivables	2	19,225	19,715
Cash at bank	3	3,541	13,028
<b>Total current assets</b>		<b>22,766</b>	<b>32,743</b>
<b>Total assets</b>		<b>54,342</b>	<b>58,926</b>
<b>Equity and liabilities</b>			
<b>Equity</b>	4		
Issued capital		45	45
Share premium reserve		8,777	8,777
Revaluation reserve		1	8
Other reserves		23,641	22,893
Net result		-8,064	748
<b>Total equity</b>		<b>24,400</b>	<b>32,471</b>
<b>Liabilities</b>			
Current liabilities	5	29,942	26,455
<b>Total liabilities</b>		<b>29,942</b>	<b>26,455</b>
<b>Total equity and liabilities</b>		<b>54,342</b>	<b>58,926</b>

## 2.2 PROFIT AND LOSS ACCOUNT

in € thousands	REF.	2018	2017
<b>Income</b>	9		
Asset management fees income		75,595	95,543
Asset management fees rebate		-9,191	-17,261
		<b>66,404</b>	<b>78,282</b>
<b>Expenses</b>			
Asset management fees expenses	10	<b>31,093</b>	<b>34,701</b>
Operating expenses			
- Employee benefits expenses	11	26,155	24,679
- Depreciation non-current assets		-	286
- Decommissioning		-	864
- Other operating expenses	12	19,744	16,600
<b>Total operating expenses</b>		<b>45,899</b>	<b>42,429</b>
<b>Total expense</b>		<b>76,992</b>	<b>77,130</b>
Net finance cost	13	-150	-155
<b>Result before tax</b>		<b>-10,738</b>	<b>997</b>
Tax income (-) / Tax expense (+)	14	-2,674	249
<b>Net result</b>		<b>-8,064</b>	<b>748</b>

## 2.3 CASH FLOW STATEMENT

in € thousands	REF.	2018	2017
<b>Cash flow from operating activities</b>			
Operating profit before tax		-10,738	997
<b>Adjustments for:</b>			
Depreciation and amortisation of non-current assets		-	286
Amortisation investments	1	219	257
Decommissioning		-	864
Unrealised results on investments through profit or loss	1	111	22
<b>Change in operating assets and liabilities:</b>			
Change in other operating activities	1, 2, 4, 5	6,734	-10,998
<b>Net cash flow from operating activities</b>		<b>-3,674</b>	<b>-8,572</b>
<b>Cash flow from investment activities</b>			
Sale and redemption of financial assets (share and bonds)	1	34,893	62,608
Disposal of deposits	1	10,000	-
Purchase of deposits		-	-10,000
Purchase of intangible assets		-	-392
Purchase of financial assets (shares and bonds)	1	-50,706	-49,848
<b>Net cash flow from investment activities</b>		<b>-5,813</b>	<b>2,368</b>
<b>Cash flow from finance activities</b>			
<b>Net cash flow from financing activities</b>		<b>-</b>	<b>6,000</b>
<b>Net increase in cash and cash equivalents</b>		<b>-9,487</b>	<b>-204</b>
Cash and cash equivalents 1 January		13,028	13,232
<b>Cash and cash equivalents as at end of period</b>		<b>3,541</b>	<b>13,028</b>
<b>Additional disclosure with regard to cash flows from operating activities:</b>			
Interest income received		113	161
Interest paid		21	41

## 2.4 NOTES TO THE FINANCIAL STATEMENTS 2018

### 2.4.1 GENERAL INFORMATION

ACTIAM NV (ACTIAM), 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. ACTIAM has its registered office located in Utrecht, the Netherlands and has its principal place of business located at Graadt van Roggenweg 250, 3531AH Utrecht, the Netherlands.

The company's financial information is included in the consolidated financial statements of VIVAT.

The financial statements were authorised for issue by the Management Board on 29 May 2019.

#### Group structure

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

#### Related parties

ACTIAM's related parties are its ultimate parent Anbang, its parent VIVAT, affiliates and ACTIAM's key management personnel and their close family members.

#### Tax group

VIVAT and its subsidiaries, including ACTIAM, form a tax group and are jointly and individually 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 (Dutch acronym: Wft).

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, which 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 financial year 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 BALANCE SHEET

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

Assets are recognised in the balance sheet 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 balance sheet 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.

### 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.

Financial assets also concern receivables from banks (deposits) with a remaining maturity of one month or more, not including interest-bearing securities. These receivables are measured at amortised cost using the effective interest method, less any impairment losses.

### Receivables

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

### Cash at bank

Cash at bank comprises bank balances at face value. Unless indicated otherwise, they are at the Company's free disposal.

### Equity

#### *Issued capital*

The share capital comprises the issued and paid-up ordinary shares.

#### *Share premium reserve*

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.

### 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.

## ACCOUNTING POLICIES FOR THE PROFIT AND LOSS ACCOUNT

Income is recognised in the profit and loss account 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.

The profit and loss account 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 fee less management fee rebates which are recognized in the reporting period in which the services are provided.

### Expenses

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

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 useful life of the assets. Realised 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.

### 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. 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 are settled.

## ACCOUNTING POLICIES FOR THE CASH FLOW STATEMENT

The cash flow statement is prepared according to the indirect method, and distinguishes between cashflows from operational, investment and financing activities. With regard to cash flows from operations, operating results before tax 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.

## 2.4.2 NOTES TO THE BALANCE SHEET

### ASSETS

#### 1. FINANCIAL ASSETS

##### Breakdown of Financial Assets

in € thousands	2018	2017
Shares	13,563	12,273
Bonds	18,013	3,910
Deposits	-	10,000
<b>Total</b>	<b>31,576</b>	<b>26,183</b>

##### Shares

The largest part of the shares portfolio consists of investments in a money market fund (€ 13,376 thousand). The remaining part consists of investments in ACTIAM Duurzaam Mixfonds Neutraal.

##### Bonds

The entire bond portfolio consists of Dutch government bonds. The duration of the bonds is less than 0.1. These investments are part of ACTIAM's investment portfolio with respect to its cash management process.

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

##### Deposits

Deposits amounted to nil (2017: € 10 million). The maturity dates of the two deposits were 11 October 2018 and 16 October 2018.

##### Changes in Shares

in € thousands	2018	2017
Balance as at 1 January	12,273	250
Purchases and advances	12,404	29,980
Disposals and redemptions	-11,043	-17,965
Revaluations	-113	-37
Dividend Received/Negative Distribution	42	45
<b>Balance as at 31 December</b>	<b>13,563</b>	<b>12,273</b>

##### Changes in Bonds

in € thousands	2018	2017
Balance as at 1 January	3,910	29,176
Purchases and advances	38,302	19,883
Disposals and redemptions	-23,850	-45,059
Revaluations	2	2
Amortisation	-219	-257
Received Coupons	-259	-15
Accrued Interest	127	180
<b>Balance as at 31 December</b>	<b>18,013</b>	<b>3,910</b>

##### Changes in Deposits

in € thousands	2018	2017
Balance as at 1 January	10,000	-
Purchases and advances	-	10,000
Disposals and redemptions	-10,000	-
<b>Balance as at 31 December</b>	<b>-</b>	<b>10,000</b>

## 2. RECEIVABLES

### Breakdown of Receivables

in € thousands	2018	2017
Asset management fees to be received	14,211	18,569
Corporate income tax and dividend tax	2,456	440
Receivables from group companies	1,584	-
Trade receivables	107	49
Accrued assets	867	657
<b>Total</b>	<b>19,225</b>	<b>19,715</b>

Receivables are due in less than one year. Receivables from group companies consist solely of the intra-group balance with SRLEV NV.

## 3. CASH AT BANK

### Cash at bank

Cash at bank comprise bank account balances at SNS, KAS BANK and ABN AMRO. At year-end 2018 the cash at bank stood at € 3.5 million (2017: € 13.0 million). Cash at bank are at the company's free disposal.

## EQUITY

### 4. EQUITY

in € thousands	ISSUED CAPITAL	SHARE PREMIUM RESERVE	REVALUATION RESERVE	OTHER RESERVES	NET RESULT	TOTAL EQUITY
At 1 January 2017	45	2,777	-	24,966	-2,073	25,715
Transfer of net result 2016	-	-	-	-2,073	2,073	-
Revaluation assets	-	-	8	-	-	8
Change in share premium reserve	-	6,000	-	-	-	6,000
Net result 2017	-	-	-	-	748	748
At 31 December 2017	45	8,777	8	22,893	748	32,471
Transfer of net result 2017	-	-	-	748	-748	-
Revaluation assets	-	-	-7	-	-	-7
Net result 2018	-	-	-	-	-8,064	-8,064
At 31 December 2018	45	8,777	1	23,641	-8,064	24,400

The authorised capital of € 0.23 million consists of 500 shares of € 453.79 nominal each. Of these, 100 shares 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 (Wft) in conjunction with Section 48(c)(63) and (63b) of the Dutch Prudential Rules Decree (Financial Supervision Act).

The required internal minimum capital was € 18.1 million (2017: € 28.2 million) according to the 2018 ICAAP performed by the Management Board in close cooperation with Risk Management. At the end of the reporting period ACTIAM's equity was € 24.4 million. The decrease in required internal minimum capital is mainly due to the expected losses.





## LIABILITIES

### 5. CURRENT LIABILITIES

in € thousands	2018	2017
Management fees payable	6,868	3,783
Distribution fees payable	4,094	4,367
Dividend tax payable	3,728	-
Debts to group companies	2,882	4,853
Variable remuneration and allowances payable	3,058	1,668
Regulatory expenses	586	565
Asset management fees rebate payable	570	6,928
Audit fees	551	248
Accrued liabilities	7,605	4,043
<b>Total</b>	<b>29,942</b>	<b>26,455</b>

#### Asset Management Fee Rebate Payable

This item concerns rebate fees payable to SRLEV.

#### Distribution Fee Payable

This item concerns distribution fees payable to SRLEV.

#### Dividend Tax Payable

This item concerns received foreign dividend tax (including interest) to be transferred to the Dutch tax authority and various investment funds managed by ACTIAM.

#### Accrued Liabilities

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

### 6. COMMITMENTS AND CONTINGENCIES

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

### 7. RELATED PARTIES

#### Identity of Related Parties

Parties qualify as a related party if one of the parties has the power to exercise control or significant influence on the other in terms of deciding on financial or operational issues. ACTIAM's related parties are its ultimate parent Anbang, its parent VIVAT, affiliates and ACTIAM's key management personnel and their close family members.

#### Intra-group Balances and Transactions between ACTIAM, VIVAT, Anbang and Affiliates

Unless stated otherwise, transactions with related parties are conducted at arm's length as part of ACTIAM's normal operations. Besides the transactions at arm's length, ACTIAM has agreed, with effect from 1 January 2015 and amended in 2018 and subject to specific conditions including the expectation of adequate capitalisation of ACTIAM, that ACTIAM will offer a prescribed capped rebate on the fee it charges to SRLEV.



	VIVAT		AFFILIATES		TOTAL	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
In € thousands						
<b>Positions</b>						
Asset management fees to be received	-	-	185	896	185	896
Receivables from group companies	-	-	1,584	-	1,584	-
Corporate income tax and dividend tax	2,456	440	-	-	2,456	440
Debts to group companies	2,882	4,853	-	-	2,882	4,853
Asset management fees rebate payable	-	-	570	6,928	570	6,928
Distribution fees payable	-	-	4,094	4,367	4,094	4,367
In € thousands	2018	2017	2018	2017	2018	2017
<b>Transactions</b>						
Employee benefits expenses	8,247	7,370	-	-	8,247	7,370
Other operating expenses	2,583	3,245	-	-	2,583	3,245
Distribution fees expenses	-	-	16,300	17,759	16,300	17,759
Asset management fees rebate	-	-	9,191	17,261	9,191	17,261
Asset management fees income	562	327	22,928	32,313	23,490	32,640

There are no intra-group balances and transactions between ACTIAM and Anbang.

#### Key Management Personnel

The key management personnel consists exclusively of the members of the ACTIAM Management Board. The ACTIAM Management Board comprised of three employees as at 31 December 2018 (31 December 2017: 3). Refer to Paragraph 1.8 Remuneration Policy for the remuneration of key management personnel. There are no loans, advances and guarantees outstanding on 31 December 2018 (and 31 December 2017) and/or granted to key management personnel during 2018.

#### 8. EVENTS AFTER THE BALANCE SHEET DATE

There are no events after reporting date which should be disclosed in the financial statements.

## 2.4.3 NOTES TO THE PROFIT AND LOSS ACCOUNT

### 9. INCOME

#### Breakdown of income

in € thousands	2018	2017
Asset management fees income	75,595	95,543
Asset management fees rebate	-9,191	-17,261
<b>Total</b>	<b>66,404</b>	<b>78,282</b>

#### Asset management fees income

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

The decrease in asset management fees resulted from a new agreement with SRLEV NV with adjusted tariffs. Further fees decreased as a result from ASN Beleggingsfondsen Beheer BV taking back the role as AIFM per 22 May 2018. Additionally, fees received declined in the reporting period due to maturing and changing product propositions by distributors of the investment funds. The decline in fees was partly offset by the increase in fees received for real estate investment management services and ACTIAM labelled funds.

#### Asset management fees rebate

VIVAT is the sole shareholder of both ACTIAM and SRLEV. As requested and approved by VIVAT, SRLEV 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. 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.

The asset management fees decreased as a result of the new agreement with SRLEV. Likewise, the asset management fee rebate for SRLEV NV also decreased.

### 10. ASSET MANAGEMENT FEES EXPENSES

#### Breakdown of asset management fees expenses

in € thousands	2018	2017
Costs of outsourced asset management	10,908	12,636
Custodial fees	3,885	4,306
Distribution fees	16,300	17,759
<b>Total</b>	<b>31,093</b>	<b>34,701</b>

#### Distribution fees

Distribution fees mainly concern fees paid or payable to SRLEV. A distribution fee is a fee 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 funds managed by ACTIAM.

#### 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.

## 11. EMPLOYEE BENEFITS EXPENSES

### Breakdown of employee benefit expenses

in € thousands	2018	2017
Salaries and wages	16,228	15,412
Pension costs	2,616	2,713
Social security contributions	1,484	1,566
Other personnel expenses	5,827	4,988
<b>Total</b>	<b>26,155</b>	<b>24,679</b>

The employee benefits expenses are comprised of personnel expenses directly associated with employees and the members of the Management Board who are on VIVAT's payroll and indirect expenses recharged by VIVAT. ACTIAM's number of internal FTE's is 102 at the end of 2018 (2017: 115).

Other personnel expenses consists mainly of personnel expenses recharged by VIVAT NV. A reclassification has been made in the comparative figures from the category other personnel expenses to salaries, pension costs and social security contributions.

## 12. OTHER OPERATING EXPENSES

### Breakdown of other operating expenses

in € thousands	2018	2017
Administrative, accounting and reporting costs	9,396	4,833
Costs data vendors	3,037	3,621
Costs external advisors	2,359	1,689
Recharged expenses	1,635	2,740
Automatisation	391	1,806
Recharged depreciation	297	505
Costs operational errors	109	427
Other costs	2,520	979
<b>Total</b>	<b>19,744</b>	<b>16,600</b>

The outsourcing of operations and services per July 2017 has impact on the comparability of the other operating expenses. The costs of data vendors, recharged expenses, automation and recharged depreciation decreased due the outsourcing of operations and services.

#### Administrative, accounting and reporting costs

Included within Administrative, accounting and reporting costs are amounts paid in respect of outsourcing of certain mid and back office asset management operations, fund and investment accounting and reporting services. These costs in 2018 (€9,396 thousand) were for the full year, in 2017 (€ 4,833 thousand) for six months as the outsourcing operations and services started in July 2017.

#### Costs external advisors

In 2018 the increase in costs external advisors (€ 670 thousand) is driven by expenses for future growth i.e. the preparation of the Luxembourg funds. Further this item includes audit fees for the investment funds managed by ACTIAM and the annual report ACTIAM.

Ernst & Young Accountants LLP was appointed as the Independent Auditor for ACTIAM over 2018. The Independent Auditor's remuneration in 2018 consisted € 17 thousand in audit fees (2017: €21 thousand Ernst & Young Accountants LLP). The Independent Auditor is engaged to perform the audit of the financial statements. The Independent Auditor was also engaged in auditing the ACTIAM ISAE 3402 Type II report for ACTIAM for an amount of € 57 thousand (2017: € 132 thousand). The ISAE 3402 is an assurance engagement and is an audit related service.

#### Costs operational errors

Cost operational errors decreased due to operational improvements of the trading desk.

### Other costs

The main driver for the higher other costs is the increase of research costs. This due to the unbundling of transaction costs in 2018 as a result of MIFID II regulations.

## 13. NET FINANCE COSTS

### Breakdown of net finance costs

In € thousands	2018	2017
Interest income	113	161
Interest expenses and result on financial assets	-44	-60
Amortisation	-219	-256
<b>Total</b>	<b>-150</b>	<b>-155</b>

### Interest income

This concerns interest received on bonds, deposits and bank account balances.

### Interest expenses and result on financial assets

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

## 14. INCOME TAX

### Breakdown of income tax

In € thousands	2018	2017
In financial year	-2,692	250
Due to temporary differences	18	-1
<b>Total</b>	<b>-2,674</b>	<b>249</b>

The corporate income taxes are irrevocable for the years up to and including 2016.

### Reconciliation between the statutory and effective tax rate

In € thousands	2018	2017
Statutory income tax rate	25%	25%
Result before tax	-10,738	997
<b>Statutory corporate income tax amount</b>	<b>-2,674</b>	<b>249</b>
Effective tax rate	25%	25%

## 15. RESULT APPROPRIATION

For the provisions of the articles of association governing the appropriation of profit or loss reference is made to Section Other information. The Management Board proposes to the General Meeting of Shareholders to deduct the negative result for 2018 of € 8,064 thousand from the retained earnings of ACTIAM NV. In accordance with the resolution of the General Meeting of Shareholders held on 26 June 2018, the positive result for 2017 of € 748 thousand has been added to the retained earnings of ACTIAM NV.

Utrecht, the Netherlands, 29 May 2019

ACTIAM NV

H. van Houwelingen

D.G. Keiller

W.M. Schouten



## 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.

## Independent auditor's report

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

### Report on the audit of the financial statements 2018 included in the annual report

#### Our opinion

We have audited the financial statements 2018 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 2018, and of its result for 2018 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The balance sheet as at 31 December 2018
- The profit and loss account for 2018
- 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 Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), 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 as required by 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

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 substantially 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 as required by Part 9 of Book 2 of the Dutch Civil Code.

## 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. 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 framework 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 engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

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

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

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 among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than 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 company's internal control
- 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 May 2019

Ernst & Young Accountants LLP

signed by J.C.J. Preijde

