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**Annual Report ACTIAM NV  
2017**



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# 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. At year-end its assets under management amounted to € 54.1 billion (year-end 2016: € 54.6 billion).

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. 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 not only offered through affiliated labels being Reaal and Zwitserleven, but also via external distributors such as brokers, private banks and family offices. ACTIAM's mission is to deliver relevant investment solutions, maximizing longer-term financial, environmental and social returns.

ACTIAM is committed to responsible asset management, meaning that its assets under management are invested in accordance with the Fundamental Investment Principles (FIP) it has defined. For assets invested by the funds an engagement strategy applies. Investments that conflict with international standards and conventions or ACTIAM's FIP 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: climate, water and land. The ASN funds, which were also largely under ACTIAM's management, are governed by the specific investment policies and the sustainability criteria defined by ASN Beleggingsinstellingen Beheer BV (ABB).

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

## STRATEGY

ACTIAM delivers relevant investment solutions, maximizing longer-term financial, environmental and social returns. This mission guides ACTIAM in providing clients with the best possible investment performance and services. ACTIAM believes that the financial sector has the fiduciary duty to lead the transition towards a sustainable society. Next to that ACTIAM sees technology as the main driver of change in the asset management industry. ACTIAM's strategy going forward will capitalize on the company's intellectual property around these themes.

Over 2017, ACTIAM was able to deliver positive social returns. For example ACTIAM introduced a new animal welfare policy. While engaging Unilever to better understand substitutes for animal testing in its R&D programmes, ACTIAM encouraged Unilever to more explicitly state that non-mandatory animal testing is not allowed. Furthermore ACTIAM co-filed the "As You Sow" resolution which implies that McDonalds will stop using polystyrene packaging. This was combined with a strong and solid financial performance. ACTIAM has managed to achieve a positive investment performance for almost all of its funds, where ACTIAM funds on average were awarded 4 out of 5 stars by Morningstar. The Morningstar Rating is an external, independent benchmark that compares the risk-adjusted performance of a fund with other funds in the same Morningstar category.

In the coming years ACTIAM strives to accelerate its growth in the Netherlands. Next to that ACTIAM will focus on France, Belgium and the 'Nordics' as markets to entry since ACTIAM sees the best opportunities in these regions to be successful given its capabilities and services. To this end, ACTIAM continues to invest in future growth and in this respect is investing in infrastructure robustness as related to data systems, portfolio management and ESG tooling.

To be able to achieve its growth ambition ACTIAM will work on completing her product-offering and broaden its services. Being a pureplay responsible and impact investor, this means product development related to the Sustainable Development Goals and a broader range of private debt impact investing in areas where ACTIAM holds strong and proven track records. Related to services, ACTIAM will strengthen its current offering of active ownership and research solutions. ACTIAM sees a growing demand for guidance especially when it comes to the development of ESG-policies and ESG-integration that also takes ESG-related risks into account.

A relatively new development is ESG related data integrated into different areas, for example into portfolio management related scenario-analyses to make better informed decisions. ACTIAM entered into a partnership with Fintech company UTIL to assess companies in terms of SDG performance. From both a social as well from a financial angle, ACTIAM developed a so called dashboard that provides insight in positioning regarding water- and carbon footprint, allocation over SDG's, ESG scores and ESG related risks.

## FUND MANAGEMENT

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

- RZL Beleggingsfondsen NV;
- Zwitserleven Beleggingsfondsen;
- Zwitserleven Mix Beleggingsfondsen;
- Zwitserleven Institutionele Beleggingsfondsen;
- 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;
- Euro Liquiditeitenpool;
- Euro Obligatiepool;
- Euro Aandelenpool;
- Global Equity Mixpool;
- Amerika Aandelenpool;
- Azië Aandelenpool;
- Euro Vastgoedfondsenpool; en
- Global Emerging Markets Equity Pool.

Since 22 July 2014 ABB had appointed ACTIAM as AIFM of the following investment entities, for which as of 22 May 2018, ABB took back the role as AIFM:

- ASN Beleggingsfondsen NV;
- ASN Aandelenpool;
- ASN Obligatiepool;
- ASN Mixpool;
- ASN Milieupool;
- ASN Small & Midcappool;
- ASN Groenprojectenpool; en
- ASN Microkredietpool.

In relation to the fund management, ACTIAM serves as Managing Board of the following legal entities:

- Pettelaar Effectenbewaarbedrijf NV (until June 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)

## 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 2017, the total assets under management were € 54.1 billion (year-end 2016: € 54.6 billion) of which € 20.4 billion consisted of assets in investment funds.

Total assets under management decreased by € 0.5 billion compared to ultimo 2016. The net outflow of € 1.1 billion during the reporting period can be attributed to changes in client portfolios. Assets under management grew € 0.6 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
30 June 2017	54,123
31 December 2017	54,125

#### Financial Markets

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

#### Fixed Income

In April 2017, the European Central Bank (ECB) began with the reduction of the monetary stimulus by cutting its bond purchases by € 20 billion to € 60 billion per month. This reduction lasted until the end of the year. The expectation that the ECB would continue to unwind its monetary stimulus policy pushed up interest rates at the start of the summer. The German 10-year rate ran up to 0.60%. In October, the ECB announced its intention to extend the bond-buying programme by nine months, namely to September 2018. However, it did halve the asset purchase amount to € 30 billion per month. The programme is open-ended and can be extended if necessary. The plans were more generous than many investors had anticipated. Interest rates fell as a result. On balance, the German 10-year rate rose 22 basis points (0.22%) in 2017 to 0.43%. The US central bank (the Fed) continued its policy of gradual interest rate increases in 2017. In March, June and December, the Fed hiked interest rates in equal steps of 25 basis points. In September, the Fed announced that it was also going to start tapering its balance sheet. The US 10-year interest rate fluctuated in 2017 between 2.05% and 2.65%, ending the year almost unchanged at 2.41%.

### Equity markets

After a hesitant start to 2017, the equity markets soon embarked on a rally until uncertainties over the French presidential elections in March took the wind out of their sails. Macron's victory in France and the commanding position of the CDU and SPD in the German polls made it clear that the widely feared rise of populism had been stemmed for the time being. Buoyed by this result, equity markets resumed the upward path, particularly in Europe. Better-than-expected earnings figures and improved profit forecasts drove equity prices higher. Measured in euros, the equity markets of the emerging economies posted by far the strongest gains (+21%), followed at a distance by Europe (+10%) and the Pacific (+9%). US equities put in the poorest showing (+6%), mainly due to the weakening dollar.

## 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 joined 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 annually. 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. Customer satisfaction has shown an increase over 2017.

### Fund propositions

Due to changes in the strategies of de Volksbank and ACTIAM, the funds under the SNS Beleggingsfondsen NV umbrella saw large outflows over 2017. The SNS Beleggingsfondsen NV umbrella was therefore restructured into RZL Beleggingsfondsen NV. Sub-funds of RZL Beleggingsfondsen NV were consolidated into the ACTIAM Beleggingsfondsen NV umbrella at the end of 2017 and the beginning of 2018. With this consolidation ACTIAM has added 7 new funds to the ACTIAM Beleggingsfondsen NV umbrella.

ACTIAM also launched its fifth responsible index tracking fund, namely ACTIAM Verantwoord Index Aandelenfonds Opkomende Landen in the first half of 2017. This retail fund invests in alignment with ACTIAM's Fundamental Investment Principles and provides further diversification possibilities for investors looking to invest in emerging markets.

### The parent company

ACTIAM is a public limited company. Anbang Group Holdings Co. Limited holds 100% of the shares in VIVAT, which holds 100% of the shares in ACTIAM. The Chinese regulator China Insurance Regulatory Committee (CIRC) announced on 23 February 2018 that it is temporarily taking over the management of Anbang. VIVAT has taken notice of this.

## 1.3 COMPOSITION OF THE MANAGEMENT BOARD

During the reporting period, Dudley Keiller was appointed as Chief Transformation Officer (CTO) in January 2017. Arnold Gast was appointed as Chief Investment Officer (CIO) in June 2017. In February 2017, and October 2017, Rob Verheul and John Shen respectively resigned from the ACTIAM Management Board. A vacancy exists for the Chief Risk Officer (CRO). Hans van Houwelingen has taken on the responsibilities of John Shen until the vacancy is filled. The Dutch Authority for the Financial Markets (AFM) has approved the members of the ACTIAM 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. 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 (CEO)	as of 24 November 2016
D.G. Keiller (CTO)	as of 24 January 2017
A.A. Gast (CIO)	as of 6 June 2017
R.G.H. Verheul (COO)	until 21 February 2017
J. Shen (CRO)	until 2 October 2017

## 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 2017 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 ACTIAM and parties affiliated with ACTIAM. In relation to the investment funds, the 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 INVESTMENT 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) reporting directly to the CEO as of January 1<sup>st</sup> 2018 underscoring both its independence from the investment teams as well as its strategic importance for the company and its clients. 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, customer and product integrity and animal welfare.

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.





In 2017, ACTIAM achieved top scores in the annual PRI research. On seven modules, ACTIAM's score was upgraded from an A to an A+. This brought the total amount of modules where ACTIAM scores an A+ to 11 (up from four in 2016). With respect to active ownership, ACTIAM belongs to the top 15% of respondents. ACTIAM's score for Inclusive Finance (ACTIAM Impact Investing) improved from an A in 2016 to an A+ in 2017.

## 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. In 2016 ACTIAM started with the implementation of Directive 2014/65/EU MIFID II which came into force on 3 January 2018. In 2017 a project structure was set up to implement the different requirements of MIFID II. 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. 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. The PARC also monitors the products through their investment policy and their performance in terms of return and risk, therefore investment teams are accountable to the PARC. The PARC also monitors the quality of content delivered by performance reporting.
- 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.
- 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.
- Selection Committee (SelCom): this committee decides on the Fundamental Investment Principles and is tasked with decisions related to 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 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 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 (€ 3.9 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.

#### **Outsourcing 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 outsourcing 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 AIFMD as well as the rules set by VIVAT NV. The procedures derived from the policy are divided in four phases:

1. Determine the business case for outsourcing & selection;
2. Draft a formal contract (with minimum requirements);
3. Implementation; and
4. Monitoring & Reporting.

All phases need to be performed in order to achieve an adequate level of control of the outsourced activities. Primary responsibility for these activities lie with the first line business. Risk Management has a monitoring role with respect of these activities. As of 1 July 2017, ACTIAM has outsourced certain mid- and back-office activities (administration, reporting and accounting) to BNP Paribas Securities Services SCA (BNP). The outsourcing was implemented using a lift & drop principle which entailed that systems, processes and people involved in the processes in scope remain unchanged. 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 department has been installed at ACTIAM.

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

### **1.7.6 CAPITAL ADEQUACY**

Given that ACTIAM is an AIFMD manager that also provides asset management services, it qualifies as a fund and asset 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 € 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. 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 € 12.2 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 € 16.0 million. This leads to a desired internal minimum capital of € 28.2 million.



Based on the balance sheet as it is on 31 December 2017, ACTIAM's available capital is € 32.5 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 NV.

### 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 and tested by the external auditor.

During the reporting period it was determined that the internal controls surrounding the granting of access rights in an information system did not function properly. Consequently, ACTIAM implemented process improvements and made adjustments to the access procedures. ACTIAM also performed a detailed investigation and determined that ACTIAM's clients and the organization did not suffer any adverse consequences. Taking into account the additional internal controls related to the affected processes combined with the positive results of further investigation, the 2017 ISAE report was finalized in February 2018 with an qualified auditor's opinion.

## 1.8 DEVELOPMENTS IN EARNINGS

The net result over the reporting period was a profit of € 0.7 million. Asset management fees received in the reporting period decreased to € 95.5 million (year-end 2016: € 97.5 million) due to a decrease in assets under management. 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 partially offset by positive market returns which have a strong correlation to total assets under management.

In this respect, the asset management fee rebate for SRLEV NV is recognized as negative income, as explained in chapter 2. Total income before the rebate to SRLEV NV amounted to € 95.5 million (2016: € 97.5 million). The rebate caused total income to fall by € 17.3 million, therefore total income after the rebate amounted to € 78.3 million.

Total expenses rose slightly to € 77.1 million in the reporting period (2016: € 75.5 million). Total operating expenses rose by € 1.6 million to € 42.4 million, this is mainly due to decommissioning on intangible assets made subsequent to the outsourcing to BNP and due to an increase in other operating expenses related to higher costs for external advisors and the setup of the outsourcing to BNP. Asset management fees paid stabilized at € 34.7 million (2016: € 34.7 million).

The operating profit stood at € 18.4 million, disregarding the fee rebate offered to SRLEV NV. Operating profit before fee rebate is down € 3.5 million on the same period last year (€ 21.9 million).

To conclude, the net result over the reporting period was a profit of € 0.7 million, a € 2.8 million increase compared to the same reporting period in previous year. The major cause was a lower rebate fee, which was partially offset by the higher operating expenses and lower asset management fees.

## 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 and applies to all business units of VIVAT and VIVAT employees. The remuneration policy complies with all relevant statutory requirements. The policy has not changed in 2017. The VIVAT Supervisory Board is in charge of approving the remuneration policy for VIVAT, for VIVAT's senior management and, in principle, the remuneration policy for other employees (including ACTIAM). The Remuneration and Nomination Committee of the Supervisory Board of VIVAT(ReNomCo) advises the Supervisory Board on its remuneration policy and if needed they request external advise.

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.

## IDENTIFIED STAFF

ACTIAM designates Identified Staff, employees who could have a material impact on the institution's risk profile, on the basis of applicable laws, rules and regulations, as reflected by the 'open-book-criteria' of DNB (Dutch National Bank). There are specific rules regarding target setting and variable remuneration for employees who qualify as Identified Staff.

A candidate for a Identified Staff position is - as part of the selection process - presented to the Remuneration Committee. The Remuneration Committee has to approve the employment conditions, including the remuneration of the candidate.

A list of Identified Staff is centrally registered and updated at least annually and presented to the Supervisory Board for approval. Besides to keep it up-to-date there is also an annual review on the criteria set to qualify as Identified Staff.

## PERFORMANCE TARGETS

The performance cycle every calendar year starts with setting the performance targets which are in line with the company targets and the company's mission and vision. For the employees two (2) general target categories have been set for 2017, namely non-financial targets including customer satisfaction score (Net Promotor Score - NPS), and financial targets, where the financial targets depend on the function and can relate to either commercial success or cost efficiency. The general targets are made more specific by way of key performance indicators. A Maximum 50% of the KPIs may be related to financial targets. For Staff in Control functions no financial KPI's were set.

In de first quarter of 2017 all performance targets for the year 2017 were set. Besides the performance targets also personal development skills have been set for each individual employee and chosen out of the company broad set values.

Of even higher importance than the performance targets and the personal development skills, all employees are expected to work in line with the Code of Conduct, the Oath and applicable regulations. Consequently employees are expected to behave in a compliant manner and act in control. ACTIAM encourages all employees to have a base registration Integrity at DSI and of course demands for some functions the specific DSI registration.

For employees who qualify as 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. Performance targets are more specifically divided into financial and non-financial targets and into collective and individual targets. The performance targets are subject to an ex ante risk assessment.

Employees in control and monitoring functions are remunerated on the basis of the achievement of the targets set for their positions, regardless of the business units over which they exercise supervision and the results of the business operations.

## 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: a performance-related variable remuneration for employees in conformity with VIVAT standards and a more ACTIAM specific performance-related variable remuneration scheme with a division into Identified Staff and Non-Identified Staff

## VARIABLE REMUNERATION

Under the variable remuneration schemes, clear and measurable key performance indicators (KPIs) are defined in the performance period. The award of variable remuneration is contingent on that these KPIs are being achieved. The KPIs pertain to both financial and non-financial targets. For the control functions (Audit, Compliance, Risk) no financial targets are set. The most important KPIs relate to customer satisfaction (valid for all employees), 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);
- the society at large.

Variable remuneration is awarded, when applicable, in two portions: an immediate/unconditional portion (60%) and a deferred/ conditional portion (40%). 50% of the variable remuneration of Identified Staff is paid in cash and 50% in share based instruments ACTIAM Mixfonds Neutraal (before the 20<sup>th</sup> of November 2017: SNS Optimaal Oranje).

The deferred portion of variable remuneration is paid out over a period of three years following the year of award. The share-based component of the deferred portion of the variable remuneration vests four years after the year of award. For portfolio management a three-years return target is set which has to be achieved before entitlement of the deferred part. The deferred portion of variable remuneration may be adjusted downwards on the basis of the outcome of an ex post risk assessment. A downward adjustment will be made if the employee has not met relevant standards in respect of competence and appropriate conduct, or was responsible for behavior that led to a material deterioration in VIVAT NV's financial position (Dutch Financial Undertakings (Remuneration Policy) Act (Wft), Section 1:127, Subsection 2).

Variable remuneration is paid after it has been established that the defined KPIs have been achieved. This assessment includes the relevant input of amongst others and Risk Management and the Compliance Officer is part of the ex post risk assessment. In this process, the results and motivation are recorded in a centralized 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 may be clawed back, even after it has been awarded and paid.

## REMUNERATION DURING THE REPORTING PERIOD

During 2017, ACTIAM awarded € 15,3 million in remuneration to its employees. Of this amount, € 13,9 million qualified as salaries and wages, while € 1,4 million accounted for variable remuneration. The variable remuneration awarded in 2017 relates to the financial year 2016 and contains also the deferred parts of the years 2013 and 2014. During the reporting period, ACTIAM had a headcount of 115 on average. Compared to the year 2016 the average is significant lower, as ACTIAM outsourced certain mid- and back-office activities to BNP Paribas per July 1<sup>st</sup> 2017. The outsourcing led to a decrease of 50,8 FTE (full-time equivalent) over July 2017.

	NUMBER OF RECIPIENTS IN 2017 <sup>1</sup>	FIXED REMUNERATION IN € <sup>2</sup>	VARIABLE REMUNERATION IN €
Members of the Managing Board <sup>3</sup>	5	€ 1,371,863	€ 0
Identified Staff	34	€ 4,748,605	€ 844,181
Employees in control function	5	€ 592,867	€ 54,600
Other Employees	119	€ 7,206,803	€ 526,022
<b>Total</b>	<b>163</b>	<b>€ 13,920,138</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. Also including severance pay paid in 2017.

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.

### **SPECIAL ARRANGEMENTS ON EMPLOYEE BENEFITS (INCENTIVES)**

At ACTIAM special arrangements for employee benefits refer to retention and/or welcome bonuses and material redundancy packages. ACTIAM exercises great restraint when agreeing on such arrangements. Such arrangements may be agreed upon only if they are in accordance with legislation and regulations and are approved by the ReNomCo of VIVAT NV.

### **REMUNERATION POLICY OF OUTSOURCING PARTNERS**

When outsourcing asset management and risk management services to external asset managers, ACTIAM annually requests information about the applicable remuneration policy for 'Identified Staff'. In this context, ACTIAM has established that the external asset managers meet ACTIAM's criteria and requirements. The basic requirement is that the remuneration policy is consistent with the optimal promotion of the interests of fund participants, making use of appropriate incentives. The nature of these incentives must be in line with the objective of the investment fund, making a distinction between actively and passively managed funds. With actively managed funds, for instance, we assess whether the external asset manager's investment horizon matches the investment fund's performance horizon. This is typically 3 to 5 years. With actively managed funds that seek to outperform the benchmark, we also check whether the remuneration policy ensures that the remuneration is linked to risk-adjusted measures, such as the information ratio. With passively managed investment funds, by contrast, a connection between remuneration and outperformance is less desirable. In such cases, we test whether performance incentives are properly linked to the way in which the investment fund's performance tracks the index, using metrics such as 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. In this way, ACTIAM has met its best efforts obligations regarding the ESMA Questionnaire/34-32-352, Section 1, Question 6. As no complete quantitative data are available on the applied remuneration policies of the external managers appointed by ACTIAM, this is not reported.

Utrecht, the Netherlands, 20 June 2018.

ACTIAM NV

H. van Houwelingen  
D.G. Keiller  
A.A. Gast

## 2 Financial statements 2017 ACTIAM NV

### 2.1 BALANCE SHEET

Before profit appropriation and in € thousands	REF.	31 DECEMBER 2017	31 DECEMBER 2016
<b>Assets</b>			
Intangible assets	1	-	758
Financial assets	2	26,183	29,426
<b>Total fixed assets</b>		<b>26,183</b>	<b>30,184</b>
Receivables	3	19,715	17,238
Cash and cash equivalents	4	13,028	13,232
<b>Total current assets</b>		<b>32,743</b>	<b>30,470</b>
<b>Total assets</b>		<b>58,926</b>	<b>60,654</b>
<b>Equity and liabilities</b>			
<b>Equity</b>	5		
Issued capital		45	45
Share premium reserve		8,777	2,777
Revaluation reserve		8	-
Other reserve		22,893	24,966
Net result		748	-2,073
<b>Total equity</b>		<b>32,471</b>	<b>25,715</b>
<b>Liabilities</b>			
Current liabilities	6	26,455	34,939
<b>Total liabilities</b>		<b>26,455</b>	<b>34,939</b>
<b>Total equity and liabilities</b>		<b>58,926</b>	<b>60,654</b>



## 2.2 PROFIT OR LOSS ACCOUNT

in € thousands	REF.	2017	2016
<b>Income</b>	11		
Asset management fees income		95,543	97,451
Asset management fees rebate		-17,261	-24,511
<b>Total income</b>		<b>78,282</b>	<b>72,940</b>
<b>Expenses</b>			
<b>Asset management fees expenses</b>	12	<b>34,701</b>	<b>34,699</b>
Operating expenses			
- Employee benefits expenses	13	24,679	26,365
- Depreciation non-current assets	1	286	497
- Decommissioning	1	864	-
- Other operating expenses	14	16,600	13,967
<b>Total operating expenses</b>		<b>42,429</b>	<b>40,829</b>
<b>Total expense</b>		<b>77,130</b>	<b>75,528</b>
Net finance cost	15	-155	-177
<b>Result before tax</b>		<b>997</b>	<b>-2,765</b>
Tax expense		249	-692
<b>Net result</b>		<b>748</b>	<b>-2,073</b>

## 2.3 STATEMENT OF CHANGES IN EQUITY

in € thousands	ISSUED CAPITAL	SHARE PREMIUM RESERVE	REVALUATION RESERVE	OTHER RESERVE	NET RESULT	TOTAL EQUITY
At 1 January 2016	45	2,777	4	18,900	6,066	27,792
Transferred profit for 2015	-	-	-	6,066	-6,066	-
Revalued assets	-	-	-4	-	-	-4
Profit / (Loss) for 2016	-	-	-	-	-2,073	-2,073
<b>At 31 December 2016</b>	<b>45</b>	<b>2,777</b>	<b>-</b>	<b>24,966</b>	<b>-2,073</b>	<b>25,715</b>
Transferred profit for 2016	-	-	-	-2,073	2,073	-
Revalued assets	-	-	8	-	-	8
Other movements	-	6,000	-	-	-	6,000
Profit / (Loss) for 2017	-	-	-	-	748	748
<b>At 31 December 2017</b>	<b>45</b>	<b>8,777</b>	<b>8</b>	<b>22,893</b>	<b>748</b>	<b>32,471</b>

## 2.4 STATEMENT OF CASHFLOWS

in € thousands	2017	2016
<b>Cash flow from operating activities</b>		
Operating profit before tax	997	-2,765
<b>Adjustments for:</b>		
Depreciation and amortisation of non-current assets	286	497
Changes in other provisions	-	-1
Amortisation investments	257	285
Decommissioning	864	-
<b>Change in operating assets and liabilities:</b>		
Change in other operating activities	-10,976	14,174
<b>Net cash flow from operating activities</b>	<b>-8,572</b>	<b>12,190</b>
<b>Cash flow from investment activities</b>		
Sale and redemption of financial assets (shares and bonds)	62,608	65,247
Purchase of deposits	-10,000	-
Purchase of intangible assets	-392	-809
Purchase of financial assets (shares and bonds)	-49,848	-69,330
<b>Net cash flow from investment activities</b>	<b>2,368</b>	<b>-4,892</b>
<b>Cash flow from finance activities</b>		
Issue of shares and share premium	6,000	-
<b>Net cash flow from financing activities</b>	<b>6,000</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>	<b>-204</b>	<b>7,298</b>
Cash and cash equivalents 1 January	13,232	5,934
<b>Cash and cash equivalents as at end of period</b>	<b>13,028</b>	<b>13,232</b>
<b>Additional disclosure with regard to cash flows from operating activities:</b>		
Interest income received	161	131
Interest paid	41	10



## 2.5 NOTES TO THE FINANCIAL STATEMENTS 2017

### 2.5.1 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 and is a wholly owned subsidiary of VIVAT NV (VIVAT) with a registered office at Utrecht, the Netherlands.

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 2017 of VIVAT have been published on its website ([www.vivat.nl](http://www.vivat.nl)).

The financial statements were authorized for issue by the Management Board on 20 June 2018.

#### 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 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, 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 and decommissioning. 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.

### 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 and cash equivalents

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

### Equity

#### *Issued 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.

#### **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 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**

Operating expenses consist primarily of staff costs (all currently employed personnel is hired by VIVAT NV 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 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.

#### **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. The statutory tax rate is 25%.

### **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	2017	2016
Investments and maintenance expenses in IT equipment	-	758
<b>Total</b>	<b>-</b>	<b>758</b>

##### Changes in Investments and Maintenance Expenses in IT Equipment

in € thousands	2017	2016
Accumulated acquisitions costs	2,593	2,201
Accumulated depreciation	1,729	1,443
Accumulated decommissioning	864	-
<b>Total</b>	<b>-</b>	<b>758</b>
At 1 January	758	446
Purchases	392	809
Depreciation	-286	-497
Decommissioning	-864	-
<b>Total</b>	<b>-</b>	<b>758</b>

In July 2017, ACTIAM outsourced its middle and back office activities to BNP Paribas. As a result, the intangible assets have been decommissioned. After this decommissioning in 2017 of € 864 thousand (2016: € 0) the amount at year-end was nil.

#### 2. FINANCIAL ASSETS

##### Breakdown of Financial Assets

in € thousands	2017	2016
Shares	12,273	250
Bonds	3,910	29,176
Deposits	10,000	-
<b>Total</b>	<b>26,183</b>	<b>29,426</b>

##### Shares

The increase of shares is caused by investments in a money market fund. In 2016 investments in the ACTIAM Mixfonds Neutraal (former: SNS Optimaal Oranje Fund) took place.

##### Bonds

The entire bond portfolio consists of Dutch government bonds. The duration of the bonds is 0.3. These investments are part of ACTIAM's investment portfolio in cash management process.

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

##### Deposits

The amount of € 10 million consists of two deposits of € 5 million. The maturity date of these deposits is 5 March 2018 respectively 11 October 2018.

### Changes in Shares

in € thousands	2017	2016
At 1 January	250	-
Purchased	29,980	247
Divestments	-17,965	-
Revalued	8	3
<b>Total</b>	<b>12,273</b>	<b>250</b>

### Changes in Bonds

in € thousands	2017	2016
At 1 January	29,176	25,406
Purchased	19,868	69,083
Divestments	-21,438	-2,244
Redemptions	-23,205	-63,003
Interest addition	-236	237
Amortisation	-257	-285
Revalued	2	-18
<b>Total</b>	<b>3,910</b>	<b>29,176</b>

## 3. RECEIVABLES

### Breakdown of Receivables

in € thousands	2017	2016
Asset management fees to be received	18,569	16,336
Trade receivables	49	161
Corporate income tax	440	691
Accrued assets	657	50
<b>Total</b>	<b>19,715</b>	<b>17,238</b>

Receivables fall due in less than one year.

## 4. CASH AND CASH EQUIVALENTS

### Cash and Cash Equivalents

Cash and cash equivalents comprise bank account balances at SNS Bank NV, KAS BANK NV and ABN AMRO Bank NV. At year-end 2017 the cash and cash equivalents stood at € 13.0 million (2016: € 13.2 million). Cash and cash equivalents are at the company's free disposal.

## EQUITY

### 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 Decree (Financial Supervision Act).

The required internal minimum capital was € 28.2 million (2016: € 20.7 million) according to the 2017 ICAAP performed by the Management Board in close cooperation with Risk Management. At the end of the reporting period ACTIAM's equity was € 32.5 million.

The share premium reserve increased with € 6 million due to a capital injection by VIVAT.

## LIABILITIES

### 6. CURRENT LIABILITIES

in € thousands	2017	2016 <sup>1</sup>
Debts to group companies	4,853	8,078
Management fee payable	8,150	6,955
Asset management fee rebate payable	6,928	16,371
Variable remuneration and allowances payable	1,668	1,971
Regulatory expenses	565	568
Audit fees	248	445
Accrued liabilities	4,043	551
<b>Total</b>	<b>26,455</b>	<b>34,939</b>

<sup>1</sup> In the 2016 figures an amount of € 1.042 million has been reclassified from Accrued liabilities to Management fee payable.

#### Asset Management Fee Rebate Payable

This item mainly concerns distribution and rebate fees payable to SRLEV NV, 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 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.

### 7. COMMITMENTS AND CONTINGENCIES

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

### 8. CORPORATE INCOME TAX GROUP

The Dutch government announced, following a verdict from the European Court of Justice of 22 February 2018, that it intends to publish a proposal of law affecting the tax position of consolidated tax groups in the second quarter of 2018. The proposed legislation is expected to have retroactive force until 25 October 2017 and may therefore, when enacted, have a financial impact on the tax year 2017.

The statutory tax rate is equal to the effective tax rate.

### 9. RELATED PARTIES

#### Identity of 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. 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

As a wholly owned subsidiary of VIVAT, ACTIAM maintains standard at arm's length relations with Anbang, 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, with effect from the first of January 2015 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 NV.





In € thousands	VIVAT		AFFILIATES		TOTAL	
	2017	2016	2017	2016	2017	2016
<b>Positions</b>						
Asset management fees to be received	-	-	896	-	896	-
Debts to group companies	4,853	8,078	-	-	4,853	8,078
Asset management fee rebate payable	-	-	6,928	16,371	6,928	16,371
<b>Transactions</b>						
Employee benefits expenses	7,370	8,917	-	-	7,370	8,917
Other operating expenses	3,245	4,703	-	-	3,245	4,703
Distribution fees expenses	-	-	17,759	17,943	17,759	17,943
Asset management fees rebate	-	-	17,261	24,511	17,261	24,511
Asset management fees income	327	137	32,313	33,912	32,640	34,049

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 three employees as at 31 December 2017 (31 December 2016: 3). Reference is made to Paragraph 1.9 Remuneration Policy for the actual remuneration of key management personnel. There are no loans, advances and guarantees outstanding on 31 December 2017 (and 2016) and/or granted to key management personnel during 2017.

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

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

## 2.5.3 NOTES TO THE PROFIT AND LOSS ACCOUNT

### 11. INCOME

#### Breakdown of income

in € thousands	2017	2016
Asset management fees income	95,543	97,451
Asset management fees rebate	-17,261	-24,511
<b>Total</b>	<b>78,282</b>	<b>72,940</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 NV. As requested and approved by VIVAT, SRLEV NV 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 NV. 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 NV.

The amount of € 17.3 million includes a minus of € 133 thousands related to the final rebate for 2016. The final rebate for 2017 is € 19 thousand higher than the estimate. The amount of € 19 thousand is booked in 2018 and will be presented in the 2018 financial statements.

### 12. ASSET MANAGEMENT FEES EXPENSES

#### Breakdown of asset management fees expenses

in € thousands	2017	2016
Costs of outsourced asset management	12,636	12,956
Custodial fees	4,306	3,800
Distribution fees	17,759	17,943
<b>Total</b>	<b>34,701</b>	<b>34,699</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 NV. 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 Investment Funds and ACTIAM Index Funds.

### 13. EMPLOYEE BENEFITS EXPENSES

#### Breakdown of employee benefit expenses

in € thousands	2017	2016
Salaries and wages	11,766	12,516
Pension costs	1,821	1,941
Social security contributions	1,094	1,241
Other personnel expenses	2,628	1,750
Charged from group companies	7,370	8,917
<b>Total</b>	<b>24,679</b>	<b>26,365</b>

The employee benefits expenses 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 115 FTEs (2016: 136 FTEs), which reconciles to the average headcount as stated in [1.9 Remuneration Policy](#).

## 14. OTHER OPERATING COSTS

### Breakdown of other operating expenses

in € thousands	2017	2016
Costs data vendors	3,621	3,415
Costs external advisors	1,689	827
Costs operational errors	427	536
Automatisation	1,806	3,381
Recharged expenses	2,740	4,055
Recharged depreciation	505	647
Other costs	5,812	1,106
<b>Total</b>	<b>16,600</b>	<b>13,967</b>

Due to the outsourcing of the middle and back office asset management operations, fund and investment accounting and reporting services to BNP Paribas Securities Services the years 2017 and 2016 are not comparable.

#### Costs external advisors

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 2017. The Independent Auditor's remuneration in 2017 consisted € 21 thousands in audit fees (2016: €20 thousands 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 € 132 thousands (2016: € 60 thousands). The ISAE 3402 is an assurance engagement and is an audit related service.

#### Other costs

In 2017 the other costs mainly consists of costs related to the outsourcing of certain mid- and back-office asset management operations, fund and investment accounting and reporting services to BNP Paribas Securities Services.

## 15. NET FINANCE COSTS

### Breakdown of net finance costs

in € thousands	2017	2016
Interest income	161	131
Interest expenses and result on financial assets	-60	-23
Amortisation	-256	-285
<b>Total</b>	<b>-155</b>	<b>-177</b>

#### Interest income

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

#### Interest expenses and result on financial assets

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

## 16. PROFIT APPROPRIATION

The profit for 2017 in the sum of € 748.000 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 2017:



## Proposed profit appropriation

in €	2017
Distribution to shareholder	-
Addition to other reserve	748,000
<b>Total</b>	<b>748,000</b>

Utrecht, the Netherlands, 20 June 2018.

ACTIAM NV

H. van Houwelingen

D.G. Keiller

A.A. Gast



## 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

### INDEPENDENT AUDITOR'S REPORT

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

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2017 INCLUDED IN THE ANNUAL REPORT

#### Our opinion

We have audited the financial statements 2017 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 2017, and of its result for 2017 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The balance sheet as at 31 December 2017
- The profit and loss account for 2017
- 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 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

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 pursuant to 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 a 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, 20 June 2018

Ernst & Young Accountants LLP

signed by J.C.J. Preijde

