



NWO-I

2019 Financial Annual Report

This financial statement is an English translation of the financial statement prepared on June 9th 2020. In case of any discrepancies or possible differences in interpretation between the English translation and the financial statement prepared on June 9th 2020, the latter prevail.” The original and official Dutch financial statements are available [here](#).

Foundation for Dutch Scientific Research Institutes (NWO-I)

Cover photo

Impression of earth observation satellite Sentinel-5P over Europe. The satellite contains the Tropomi instrument, which can detect gases in the atmosphere with great accuracy. This allowed scientists from NWO Institute SRON and elsewhere to calculate that an explosion in Ohio led to the emission of 50,000 tons of methane in the space of twenty days. They also discovered massive methane leaks at oil/gas facilities in Turkmenistan, which were releasing as much as 153 kilotons per year. The sealing of these leaks prevented a climate impact comparable to the use of one million cars.

Publication

ESA ATG media lab

The Foundation for Dutch Scientific Research Institutes (**NWO-I**) is a research organization under the Dutch Research Council (NWO). This foundation has its registered office in Utrecht. NWO-I consists of the following nine institutes:

- AMOLF | Physics of functional complex matter
- ASTRON | Netherlands Institute for Radio Astronomy
- CWI | Centrum Wiskunde & Informatica
- DIFFER | Dutch Institute for Fundamental Energy Research
- Nikhef | National Institute for subatomic physics
- NIOZ | Royal Netherlands Institute for Sea Research
- NSCR | Netherlands Institute for the Study of Crime and Law Enforcement
- SRON | Netherlands Institute for Space Research
- ARCNL | the collaboration the Advanced Research Center for Nanolithography

In addition, there are more than 200 working groups at universities (BUW: Administrative Unit for Research Groups at Universities) that are part of NWO-I. These working groups are distributed across the following Dutch universities:

Erasmus University Rotterdam | Leiden University | Radboud Universiteit | University of Groningen | Delft University of Technology | Eindhoven University of Technology | Twente University | Utrecht University | University of Amsterdam | Vrije Universiteit Amsterdam | Wageningen University and Research Center | Maastricht University Medical Center

The NWO-I Office supports the Foundation Board and the institutes.

Who finances the research?

NWO is NWO-I's most important financier. NWO-I also receives funding awarded by the European Union, the government and from collaborations with universities and industry.

How many people work at NWO-I?

At the end of 2019, NWO-I employed 1,765 FTE, including

- 569 scientific personnel;
- 494 PhD students;
- 702 technicians and other staff.

The researchers at the institutes collectively produced a total of 83 dissertations, 1,539 scientific (referenced) publications, 632 other publications and 6 patents in 2019. Approximately 65 PhD students also received their doctorates in a university working group.

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NWO-I Foundation

Foreword

I hereby present to you the 2019 Annual Financial Report of the Foundation for Dutch Scientific Research Institutes (NWO-I, part of NWO). With this publication, NWO-I renders account to its financiers and society at large.

The evaluation of the system of KNAW and NWO institutes was completed in early 2019. This important evaluation for NWO-I was announced in the Science Vision 2025. The boards of KNAW and NWO established an independent "portfolio committee" in 2017 with the request to analyze and assess the entire institute portfolio in relation to the knowledge landscape and scientific, societal and policy developments.

In its report, the portfolio committee concludes that the current portfolio of national research institutes adds value to our country's system of knowledge institutions by enhancing the clout of Dutch science as a whole. The committee also makes recommendations to further strengthen its coherence, quality, dynamism and responsiveness. The boards of KNAW and NWO have followed the committee's advice to set up a process that will strengthen the dynamics in the portfolio and provide more strategic steering of the portfolio.

NWO-I also evaluated the operation of NWO-I's governance model in 2019. This revealed that the initial model, as proposed at the time of inception, exhibited several areas of insufficiency. In order to amplify the organization's efficacy and agility, a proposal has been put forth to designate a single director bearing ultimate accountability for the foundation. A director of operations will be appointed as well. The central participation council provisionally sanctioned the proposed changes to the governance structure. Further steps, including the formalization of changes to bylaws and regulations, are slated for realization in 2020.

The onset of the global coronavirus pandemic in early 2020, coupled with the subsequent containment measures, has brought about significant societal impacts. NWO-I personnel have transitioned to remote work as much as possible, affecting the progression of scientific and technical endeavors across institutes and universities. NWO-I has prepared an initial outline assessment of the financial implications and risks. NWO-I does not expect this situation to affect continuity in the short term.

Thus, this annual financial report has been compiled under extraordinary circumstances. The audit of the annual financial report was conducted entirely remotely. I extend my sincerest appreciation to all the staff members who participated in the preparation of this annual report.

On behalf of the Foundation Board,

Prof. C.C.A.M. Gielen
chair of the board of the NWO-I Foundation
Utrecht, June 9, 2020

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Introduction

Before you lies the 2019 Annual Financial Report of the Foundation for Dutch Scientific Research Institutes (NWO-I).

What is the annual report about?

In this annual report, NWO-I provides administrative and financial accountability for its work in 2019. With this publication, NWO-I renders account to its financiers and society at large.

How is this annual report structured?

This annual report is divided into three parts. The first part consists of the board report, which includes an overview of events and financial developments in 2019. It also contains a description of how the NWO-I organization is structured. The second part contains the financial statements, which include the accounting policies, balance sheet, statement of income and expenditure, cash flow and notes thereto. The third part constitutes an independent auditor's audit opinion and the provisions from the articles governing the appropriation of the result. A list of abbreviations is provided at the end of this report.

Board Report

The first part of the annual report contains the board report. This report starts with an overview of the most important events in 2019. Chapter 2 then sets out the developments in NWO-I's financial position, income and expenses. Chapter 3 outlines the future trajectory with the multi-year budget. In conclusion, Chapter 4 elaborates on NWO-I's organizational structure.

1 Important events in 2019

The year 2019 was marked by an evaluation of governance. Section 1.1 details the implications of this evaluation. In 2019, NWO-I also successfully secured grants from various sources, including the EU and NWO, (see Section 1.2). The review of the portfolios of NWO and KNAW requires attention (Section 1.3) as do several housing-related developments (Section 1.4). Two institutes had the privilege of hosting royal visitors (Section 1.5).

1.1 Governance

An evaluation of NWO-I's existing governance model was carried out in the first quarter of 2019 after more than a year of working with the previously chosen model. This revealed several deficiencies in the model. To increase the efficacy and agility of the organization, it was proposed to appoint a single director with final responsibility for the foundation. A director of operations will be appointed as well.

The decision to modify the governance structure was submitted to the central participation council immediately after the summer and received provisional approval in early December. Further steps, including the formalization of changes to bylaws and regulations, are slated for realization in 2020.

Granting activities after merger settled no later than 2022

On January 1, 2017, the foundation for Fundamental Research on Matter (FOM) was transformed into NWO-I. In the process, the granting activities of the former FOM were transferred to NWO's Exact and Natural Sciences (ENW) domain. NWO-I continues to oversee the resolution of awards issued by FOM prior to January 1, 2017. This allows the institutes and the BUW to conclude ongoing programs and projects. The last program is expected to be administratively concluded in 2023. In 2019, the total amount of granting commitments decreased from €37m to €21m at the end of 2019. Table 1.1 shows how these granting liabilities will be settled over the next three years. Positive or negative balances of closed programs and projects are deducted from the item General in the following year. For 2019, this was positive €324k, decreasing the budgeted amount of €278k in 2020 to €46k.

Table 1.1 Size of granting commitments in multi-year perspective

Granting obligation NWO-I (amounts x €1,000)	12-31-2018	Movement 2019	12-31-2019
Of which to be financed at the expense of future NWO budgets	37,344	-16,412	20,932
Total granting obligation NWO-I	37,344	-16,412	20,932
Organizational units (amounts x €1,000)	12-31-2018	Movement 2019	12-31-2019
GENERAL	1,192	-960	232

AMOLF	818	-488	330
BUW	27,826	-12,424	15,402
DIFFER	1,139	-355	784
Nikhef	6,369	-2,185	4,184
Total NWO-I	37,344	-16,412	20,932

Organizational units (amounts x €1,000)	2020	2021	2022	Total
GENERAL	-46	278	0	232
AMOLF	330	0	0	330
BUW	8,638	3,708	3,056	15,402
DIFFER	353	431	0	784
Nikhef	2,012	1,736	436	4,184
Total NWO-I	11,287	6,153	3,492	20,932

1.2 Grants acquired in 2019

At the end of 2019, the volume of approved grant applications was €52,731k (2018: €90,848k), 43% of the total was earned at NWO (2018: 72%). The institutes also secured grants from the European Union and other parties. Table 1.2 provides an overview of the grants obtained.

Table 1.2 Summary of grants obtained 2019

Total honored in totals by funding group	Total budget granted	Own contribution	Contribution fixed costs
(amounts x €1,000)			
HONORED NWO	22,951	2,236	1,859
HONORED EU	10,308	2,451	3,978
HONORED OTHER	19,472	4,987	1,415
Total honored	52,731	9,674	7,252
Earn-in ambition	38,153		
Balance honoring versus ambition	14,579		

Of the projects honored by NWO, €7,349k relates to the Innovation Impulse and €2,600k was awarded for SKA. The remaining awards come from the National Science Agenda, WISE and various NWO grant instruments from the ENW and TTW domains.

EU grants honored include €1.5m for an ERC and a grant from the H2020 program for €3,597k, along with various other grant awards.

Included in Other is an approved application for €9m for the SPEXone project.

A volume of €123,112k in ongoing grant applications was still pending with the relevant funding groups at the end of 2019. This concerns a total of 125 applications, 86 of which were submitted to NWO. In 2019, 170 grant applications were rejected, representing a volume of €104,133k.

1.3 Portfolio evaluation

The Science Vision 2025 announced an evaluation of the system of KNAW and NWO institutes as they relate to each other. To carry out this evaluation, the boards of KNAW and NWO established an independent "portfolio committee" in June 2017, chaired by Prof. Dr. D. Frenkel. The boards asked this committee to analyze and assess the entire portfolio of institutes in relation to the entire knowledge landscape and relevant scientific, societal and policy developments. The evaluation report was released in February 2019. (url: <https://www.nwo.nl/beleid/wetenschapsvisie/portfolio>)

[evaluation+nwo+en+knaw+institutes+2018\)](#)

The portfolio committee concluded in its report that the current portfolio of national research institutes adds value to our country's system of knowledge institutions by increasing the clout of Dutch science as a whole. The committee also outlines a direction for the future development of the portfolio, and it makes recommendations to further strengthen its coherence, quality, dynamism and responsiveness. The boards of KNAW and NWO have followed the committee's advice to set up a process that will strengthen the dynamics in the portfolio and provide more strategic steering of the portfolio. In line with the committee's advice, all relevant stakeholders will be involved in advising on major societal and scientific questions that the portfolio is expected to respond to.

1.4 Housing developments

Opening of new ARCNL housing

Although ARCNL had relocated a few months earlier, building owner Matrix IC hosted the grand opening event of the Matrix VII building on March 21, 2019. Geert Haksteen, director of Matrix IC, and Joost Ector of Ector Hoogstad Architects explained the special features of the building. Udo Kock, Amsterdam's Alderman for Economic Affairs, then performed the opening ceremony. ARCNL leases almost the entire bottom two floors of the Matrix VII building, about forty percent of the total. Several other businesses will also be accommodated in the building.

Opening of new housing in Utrecht

June 3, 2019 was the day. Nova Zembla, the new home of NWO and NWO-I in Utrecht, opened its doors to all NWO staff.



The first day began with a small party; cheerful decorations, live music, the opportunity to take a selfie, a barista with fresh coffee and even two elevator operators escorting everyone inside. Of course, there was a ribbon to cut. An honor that belonged to Caroline Visser, who did so with verve after a short speech.

Next, it was time to explore the office, find a workspace and get to work. The official opening of the building planned for June 26 was postponed to 2020. Several aspects were not ready yet, including lighting, elevators and decorations. Consequently, the full splendor of the 'Home of Curiosity' concept could not be entirely unveiled at this time. Prominently displayed on top of the new NWO-I office building in Utrecht is the new logo, visible from every vantage point.

First pile of new SRON building driven

On October 18, 2019, the first pile of the new SRON building in Leiden was driven. Starting mid-2021, SRON's headquarters will be located on the BioScience campus, next to Leiden University's science building. SRON's steering committee approved the technical design, after which the final contract was signed with the MedicomZes/Kuijpers construction consortium.



This milestone marked the official commencement of construction, symbolized by the driving of the inaugural pile adjacent to Leiden University's science building. The first pile was driven by SRON Director Michael Wise, SRON Institute Manager Annemieke Beers and representatives of the partners who made the relocation to Zuid-Holland possible: Carel Stolker (college president and rector magnificus of Leiden University), Henry Werij (dean of Aerospace Engineering TU Delft), Adri Bom-Lemstra (deputy of the Province of Zuid-Holland), Paul Dirkse (alderman in Leiden), Caroline Visser and Jaap Schouten (both NWO board members).

During the ceremony, SRON was awarded a BREEAM Excellent design certificate, signifying the building's adherence to a broad spectrum of sustainability parameters, including ecology, pollution, water, materials, health and energy.

Start of design team for renovation of Nikhef building

The design team and project management firm were selected in March 2019. With that, the design phase of the renovation was launched. A team of JHK Architects, Deerns and Aronsohn developed a design to make the Nikhef building in Amsterdam future-proof once again. Project managers from Brink Management/Advies were selected to manage the process. The tendering process for the contractor in the construction team started in 2019 as well. The renovation consists of structural and technical modifications to prepare the building for Nikhef's operations. The look and feel will be more modern and the building will be made more sustainable. The redesigned layout will foster collaboration and informal meetings in a central location, preserving a tranquil environment in the other workspaces. With a new main entrance on the opposite side, Nikhef will soon enjoy improved visibility at the Amsterdam Science Park.

1.5 Royal visit

His Majesty King Willem-Alexander and Her Majesty Queen Maxima visited the Leibniz Institut für Ostseeforschung Warnemünde (IOW) on Monday, May 20. In the presence of the Royal Couple, the Royal Netherlands Institute for Sea Research (NIOZ), the Dutch Research Council (NWO), Project Management Jülich (PtJ), the aforementioned IOW and another eight Dutch and German institutions signed a declaration of intent for more German-Dutch cooperation to strengthen climate-proof coastal protection policy. The signatories aim to turn the declaration of intent into concrete agreements within six months.

NWO and the IOW organized an afternoon workshop focused on German-Dutch scientific

cooperation on various aspects of coastal protection. Some 20 researchers and PhD students/Postdocs attended from various institutions, including NIOZ, VU, WMR, TUD and Deltares. The following topics were covered:

- Coastal systems in change - geological, physical and ecological aspects
- Climate change and sea level rise - regional climate models
- Coastal engineering and coastal protection - building with nature
- Contaminants and water quality - micro-plastics in the sea

Central to the IOW's research program is coastal pollution from macro and microplastics in the Baltic Sea. The "Plastic School" project is an educational program in which many German high schools participate.

On September 18, 2019, the royal couple visited ASTRON and the Dwingeloo telescope as part of their "Regional Visit" to the province of Drenthe. The royal couple was welcomed at the Dwingeloo telescope by ASTRON director Carole Jackson. Tammo Jan Dijkema, employee at ASTRON and volunteer at CAMRAS, the organization that manages the Dwingeloo Telescope, then explained the history and current use of the Dwingeloo Telescope. The Telescope attracts many visitors each year and is regularly used for research by high school students.

Next, they continued their visit to ASTRON where ASTRON deputy director Marco de Vos was waiting to receive them. Astronomer Joeri van Leeuwen then explained about CORTEX, an international collaboration exploring the explosive universe through artificial intelligence. The research and its results will be widely applicable in society and science. This project attracts ASTRON international talent with members of the CORTEX team from around the world.

As part of attracting new talent, the royal couple then spoke with Daniëla Mikkers, project leader of the Open Science Hub Dwingeloo. She explained how children are introduced to the science and technology involved in building and using a radio telescope at a young age. In addition to this educational and public function, the Open Science Hub also contributes to the development of local entrepreneurs. The royal couple also met Jorrit Siebenga and Sjouke Kuindersma, the builders of the scale model of the Dwingeloo telescope, located in the Open Science Hub. The Open Science Hub is an initiative by ASTRON with investment and support from the Municipality of Westerveld and Rabobank Het Drentse Land.

2 Financial developments in 2019

This chapter sets out the developments in the financial position, treasury, developments in income and expenses and the result in 2019 in that order (Sections 2.1 to 2.5). Finally, Section 2.6 discusses post-balance sheet date developments, risks and expectations.

2.1 Developments in the financial position

The balance sheet total at the end of 2019 was €293.4m, a decrease of €7.6m compared to the position at the end of 2018 (€301.1m). This decrease is explained by a lower balance of receivables (€1.0m), lower balance of liquid assets (€8.4m). The corresponding changes on the liabilities side involve a €7.3m decrease in equity and a €2.1m decrease in current liabilities (see Table 2.1).

Table 2.1 Balance sheet total 2019 (x €1,000)

	12-31-2019	2019 Budgeted	12-31-2018
	x €1,000	x €1,000	x €1,000
Assets			
Fixed assets			
Intangible fixed assets	36	17	410
Tangible fixed assets	125,823	127,661	123,894
Financial fixed assets	2,288	1,609	1,983
	128,147	129,287	126,287
Current assets			
Receivables	35,330	34,460	36,402
Liquid assets	129,971	109,046	138,378
	165,301	143,506	174,780
Total assets	293,448	272,792	301,067
Liabilities			
Equity	86,040	83,135	93,391
Provisions	11,665	9,213	9,434
Long-term liabilities	84,226	80,000	84,594
Current liabilities	111,517	100,445	113,648
Total liabilities	293,448	272,792	301,067

Table 2.2 Financial key figures NWO-I

RATIOS	2019	2018
- Solvency	29%	31%
- Balance sheet total	293,448	301,067
- Working capital	53,784	61,132
- Current ratio	1.48	1.54

At 29% at the end of 2019, solvency decreased slightly compared to the end of 2018. This is largely due to the grant projects received in advance from NWO and third parties (€61,647k at the end of 2019 and €68,052k at the end of 2018) and the long-term investment grants received in advance (€84,226k at the end of 2019 and €84,594k at the end of 2018) in addition to a decrease in the balance sheet total, mainly caused by the decrease in equity by €7,351k.

The working capital is the difference between current assets and current liabilities. NWO-I's working capital decreased by €7,348k in 2019 (from €61,132k to €53,784k) and is more than sufficient to meet all current liabilities.

The current ratio reflects the extent to which current liabilities can be paid from the totality of inventories, short-term receivables and liquid assets. The current ratio at the end of 2019 was 1.48, which was lower than at the end of 2018. This is a safe value considering the reliability of the main debtor, NWO.

Table 2.2 Liquid assets according to cash flows

<i>Liquid assets according to funding flows</i>	2019 x €1,000	2018 x €1,000
- Cash flow from operating activities	-1,476	21,714
- Cash flow from investing activities	-6,931	-11,462
- Cash flow from financing activities	-	-
- Other balance sheet movements	-	-
<u>Movement in liquid assets</u>	<u>-8,407</u>	<u>10,253</u>

The liquid assets decreased in 2019 by €8,407k from €138,378k to €129,971. This decrease resulted largely from investing activities €6,931k and to a lesser extent a decrease in liquid assets from operating activities, see the cash flow statement in Chapter 10 and the notes in Chapter 13.

On balance, cash flow from operating activities resulted in a decrease of €1,476k mainly due to the balance of income and expenditure adjusted for depreciation and provisions (€9,217k), Receivables (€17,576k) and a decrease in Liabilities (€28,247k).

The cash flow from investing activities arises from the investments paid in the tangible fixed assets (€13,409k) and from the receipt of the item of €6,800k presented under Investment grant received in advance for the new SRON building.

Chapter 3.3 further discusses investment plans for the future; the method of financing coupled with the expected development of liquidity for the coming years is discussed in Chapter 3.4.

Non-financial performance indicators are included in Chapter 4, governance (4.4), code of scientific integrity (4.5), complaints procedure (4.6), sustainability (4.7) and horizontal

accountability (4.8).

2.2 Treasury

The rules for investing and borrowing money on NWO-I resources are laid down in treasury rules. The treasury rules were drafted based on the relevant legal framework (the 2001 / 2016 Government Accounts Act). The mandatory liquidity prognosis for at least 5 years is prepared quarterly. This obligation is yet to be included in the treasury rules. The legal framework is also constituted by the Regulations on investing, borrowing and derivatives OCW 2016 and the Treasury Banking regulations for local governments. The treasury rules were updated at the beginning of 2018. The premise of the treasury function is that NWO-I monies may not be invested or used to borrow money on. All liquid assets are held at the Ministry of Finance, via Treasury banking, with the exception of a specific bank account for the benefit of SRON (balance at end of 2019 €131k).

There were no long-term loans in 2019, see Chapter 11 Long-term liabilities and Liquid assets for bank guarantees issued.

2.3 Developments in income

NWO-I receives most of its grants from NWO. This State contribution is 55 percent of total income. There are virtually no restrictions on the use of the state contribution. The condition is that NWO-I reports to NWO for consolidation purposes on the basis of the accounting manual prepared under DAS 660. NWO-I also receives target and project grants from NWO. This accounts for about 20% of the total income. These grants are subject to the NWO grant scheme.

In addition to NWO grants, NWO-I receives about 22% in grants from the European Union, the Ministry of Economic Affairs and Climate (EZK), the Ministry of Education, Culture and Science (OCW), universities and companies. These items are generally subject to specific grant and contract conditions that may vary by allocation. Other income is about 3% of total income.

How did the income develop in 2019?

The realized income in 2019 came in at budget levels (see Table 2.3). This includes other income, which was €1m lower than budgeted. This is offset by a slight increase in other government contributions and grants and in income from work for third parties.

However, income in 2019 was clearly lower than income in 2018 (-€10.5m), which is almost entirely due to income from work for third parties. This is due to the expiration at BUW, where a decrease of €9.6m can be noted in income allocated for granting liabilities. This is in accordance with the agreements with NWO on the phasing out of the BUW, see winding down of granting activities in Chapter 1.1. BUW has a backlog of projects for which the income has already been recognized under the granting obligations. This is reflected in BUW's earmarked reserve, which amounted to €18,671k at the end of 2019 (end of 2018: €22,014k). In the coming years, income will decrease, while projects will require expenditure. This will be reflected in higher expenses and therefore a negative result, ultimately reducing the earmarked reserve to zero. This is expected to be the case by 2023.

Table 2.4 Budgeted and realized income and expenditure 2019 (x €1,000)

	2019 x €1,000	2019 Budgeted x €1,000	2018 x €1,000
Income			
State contributions	113,648	113,448	114,153
Other government contributions and grants	1,609	1,008	740
Income from work for third parties	84,308	83,864	94,975
Other income	5,965	6,969	6,193
Total income	205,530	205,289	216,061
Expenses			
Personnel expenses	142,706	140,464	137,744
Depreciation/amortization	6,687	9,649	7,932
Housing expenses	8,160	7,928	7,784
Other expenses	55,302	59,558	67,257
Total expenses	212,855	217,598	220,717
Balance of income and expenditure	-7,325	-12,309	-4,656
Realized revaluation	-	-	-
Financial income and expenditure	-22	-234	-37
Result	-7,347	-12,543	-4,693
Taxes	-	-	-
Result from participating interests	-4	-	-28
Result after taxes	-7,351	-12,543	-4,721
Third-party share in result	-	-	-
Total result	-7,351	-12,543	-4,721
	2019 x €1,000	2019 Budgeted x €1,000	2018 x €1,000
Distribution of result			
- Movement in general reserve	-145	-	-7
- Movement in earmarked reserves (public)	-5,316	-8,388	8,162
- Movement in earmarked Funds	-1,890	-4,155	-12,876
- Movement in other components	-	-	0
Total distribution of result	-7,351	-12,543	-4,721

2.4 Developments in expenditure

The total expenditure in 2019 was €4.7m lower than budgeted. At AMOLF (€1.1m), the BUW (€3.9m) and NWO-I General (€3.6m), lower than budgeted, while at CWI (€1.0m), NIOZ (€0.8m) and SRON (€1.5m), expenses were higher than budgeted.

Within NWO-I-General, the Other expenses were lower than budgeted (€2.0m). This was mainly

caused by lower project expenses than anticipated in the budget.

Total expenses were also lower than 2018 (€9.3m). The largest difference concerns the one-time interest expense paid in 2018 related to the netting agreement with NWO (€10.3m) and the expiration of the BUW (€3.5m). In the past, NWO-I had taken out several long-term loans with NWO with an average interest rate of 1.67%. A netting agreement was entered into between NWO and NWO-I in 2018. As a result of the agreement, the loans were repaid in full and the corresponding interest subsidy was settled (€10.3m). NWO paid the remaining investment grants to NWO-I. The current account with NWO was settled last. On balance, NWO paid €10,354k to NWO-I. In addition, various personnel developments at the institutes resulted in €3.5m higher expenses on balance and depreciation expenses were €1.2m lower compared to 2018, largely due to depreciation on buildings.

See Chapter 4.2 for further details on staffing and developments.

2.5 Developments in the result

The result (negative €7.4m) is €5.1m less negative than the budgeted result of negative €12.5m, due to the aforementioned variances in expenses. As a result, the earmarked reserves are drawn on €3.0m less than budgeted and the earmarked funds €2.3m while the general reserve decreases by €0.2m (budgeted: nil).

2.6 Description of key risks and uncertainties

Like most organizations worldwide, NWO-I is facing the COVID-19 pandemic or coronavirus crisis. The COVID-19 virus and the resulting crisis in the early 2020s are expected to pose risks and consequences for science and scientists in general and for NWO and NWO-I specifically. These consequences have no financial impact on the 2019 figures. The outlook on the financial risks for 2020 and beyond addresses this issue in more detail. To date, no other events have occurred after the balance sheet date that could materially alter the picture given in the financial statements.

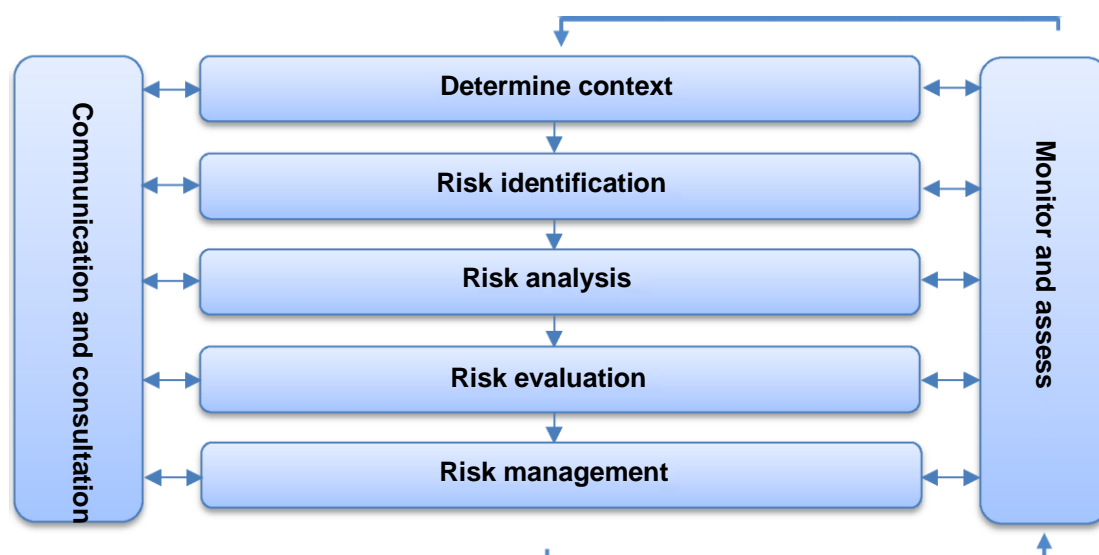
The following is an explanation of NWO risk management, what happened to the risks identified for 2019 and the risks anticipated for 2020.

How does NWO-I handle risk management?

When making decisions, it is important to understand the (potential) risks involved. This enables NWO-I to make a carefully considered decision. A system of risk management contributes to understanding the risks facing NWO-I.. Risk management is also mandatory on grounds of "good governance" and legislation.

Risk management is a continuous process in which we identify and analyze the risks that threaten the attainment of the organization's objectives. These risks are subsequently managed. Clear delineation of responsibilities and process setup is essential for good risk management. NWO-I follows NWO's risk management. NWO is risk averse in its approach because it primarily works with public funds. NWO uses a general framework for identifying, analyzing, controlling and monitoring risks (based on elements from COSO and ISO 3100). NWO-I's risk management takes place according to the cycle shown in Figure 2.1.

Figure 2.1 Risk management cycle at NWO-I



Maintaining and updating the risk register is part of the ongoing processes of the operations and the planning and control cycle at NWO-I:

- Risk management at the institute level:
 - the institutes have an internal risk management process to ensure that the institute register is kept up to date and that the risk management process is ongoing;
 - discuss the risk register in mid-year meetings with Foundation Board;
- Risk management at the level of NWO-I:
 - consolidation is done annually at the NWO-I level for the benefit of the Foundation Board;
 - the risks of the financial processes are identified and mitigated as part of the NWO-I new finance system project.

How have the risks identified for 2019 evolved?

The NWO-I 2018 annual financial report had mentioned a number of financial risks. The status of these risks is as follows:

- NIOZ's fleet is not replaced or not replaced on time. In 2019, the Executive Board decided to replace NIOZ's fleet.
- SRON may need additional revenue to meet its obligations for Spica/safari (depending on ESA decision); SRON has prepared an earn-in strategy for this in 2019. The final decision on the award of this project will not be determined until 2021.
- The 2020 Office budget deficit has been covered from the balance of earmarked reserves at the end of 2019; with €878k from the Office and €823k from the NWO-I General Reserve.
- Costs for development of NWO-I from 2020, including purchase and configuration of new administrative systems for Finance and P&O (total investment cost approximately €5m) are included in the 2020-2024 multi-year budget.

What are the strategic risks for 2020 and beyond?

The generic and strategic risks for NWO-I were identified by the Foundation Board at the beginning of 2019. For each risk, mitigation measures have been determined.

Risk	consequence	cause	existing control measures	positioning of risk
Unwanted commitments to third parties	NWO and its institutes enter into long-term commitments (uncontrolled).	Misjudgment of undesirable business and/or scientific consequences of a long-term commitment. Tension between scientific and valorization objectives.	Directive on legal entities and the policy framework for holdings of institutes. Approval must be granted in advance to participate in (long-term) commitments.	Medium
Data breaches	Reputational damage, potential damage to data subjects. Damage claims, and no longer being supplied with sensitive data for research	Due to improperly secured IT, PCs, systems and servers. By employees or persons associated with NWO-I (un)knowingly providing information that should not have been provided.	NWO-I safeguards this risk by maintaining and periodically updating (digital) security functionalities.	High
Digital intrusion at NWO-I	Reputational damage.	Unwanted access to the network may occur due to a failure to provide appropriate and updated security.	Firewalls, anti-virus software and spam filters. In addition, there is a process of logic-based access control. Off-the-Grid storage.	Medium
Unlawful and ineffective procurement	Noncompliance with applicable laws and regulations.	Procurement knowledge within NWO is limited, so employees are not aware of the obligations under the Procurement Act.	Procurement policies and procedures.	Low
failure to fulfill (delivery) obligations	Penalties/reputational damage.	project delays or cancellations	Make proper arrangements in advance and assess risks	Low
Fire/intrusion	Digital and/or physical data and goods/stock are lost as a result of fire/intrusion.	Fire can be caused by an internal or external event.	NWO-I has several insurance policies, including fire insurance. Encrypted storage of the sensitive data at a site >25km from the institute's location	Low
Hazardous substances	Results in major societal, reputational and financial consequences.	careless handling of hazardous substances	Procedures on the ordering, management and disposal of said substances.	Medium
Legitimacy	Not using resources for their intended purpose.	Lacking adequate and timely substantive and financial (steering) information.	Whether or not the research funds have been spent lawfully, is tested through substantive scientific and financial evaluations (e.g., by grantors, SEP cycle, portfolio evaluation)..	Medium
Integrity breaches	NWO-I must answer to its users and its stakeholders for breaches of integrity. There may also be material or non-material damage to parties or persons involved.	Codes of integrity are not adhered to and/or no longer align with current cultural values.	NWO-I safeguards for this risk via various codes of conduct for internal employees and for external individuals involved in work at NWO-I.	Medium
Insufficient resources to replace/update (major) infrastructure	Major impact on the scientific program.	Insufficient support or funding available (either from NWO-I or external funding).	Timely selection decision by NWO-I Foundation Board, including financial preconditions and political sensitivities.	High
No innovative NWO-I	Institutes cannot respond to new scientific developments or new opportunities.	Mismatch between institute's resources and resources for innovative operations (strategic, financial, human resources)	Institutes describe their vision for innovative research for a six-year time frame with a further look into the future in their Strategic Plan.	Medium
Discrepancy between ambition and the knowledge and capacity it demands	The required competencies are not present in qualitative and quantitative terms. Can result in dissatisfaction, staff turnover and high workload and stress among employees. Can result in NWO not achieving its strategic objectives.	NWO is unable to recruit and retain the right employees ("war for talent").	Apply strategic personnel planning, the right incentives to retain employees, good training policy, and good fringe benefits.	Medium
NWO-I does not have a real estate budget/policy	No provisions for major real estate investments.	No policy.	In recent years, renovations and new construction have been financed on a project-by-project basis. The policy is evolving, so provisions may be made in due course.	Medium

These strategic risks have not been quantified because a classification into three categories - high, medium and low - has been chosen. This classification forms the basis for reporting and managing the risks.

Each institute reports the risks to the Foundation Board periodically. The rating of a risk (as High, Medium, Low) is partly determined by the likelihood of an event occurring, taking into account the expected effect (effectiveness) of a control measure. The rating is also based on the quantitative (consequential damage) impact. This is recorded in the detailed risk register. In addition to the project portfolio, these risks are discussed with the management of each institute and the Foundation Board every six months, along with the financial figures, budget and forecast. Of course, this includes scientific developments that are also reviewed against the strategic plan and personnel developments and an eye for talent.

All of the strategic risks listed in the table come up in these discussions to a greater or lesser extent.

What are the financial risks for 2020 and beyond?

The financial risks for NWO-I are included in the 2020 budget adopted by the Foundation Board.

The main financial risks are:

- Several options are being explored to fully cover the future operating costs of NIOZ's newly acquired fleet. This currently has a negative effect on NIOZ's future results.
- Impact of SRON's move. The main risk consists of potential construction cost budget overruns. The situation is currently under control, the project is running on time and according to budget. There is also risk in terms of personnel, personnel retention and project execution in relation to the relocation planning.
- SRON's Safari project is committed to ESA, but its funding from ESA for SRON is not yet in place. The amount involves at least €7m.
- The NWO-I Office budget is not fully covered as of 2021. The financial deficit for the Office's 2021 budget and subsequent years is about €1.5m, decreasing to €1.2m in 2024. Decision-making is expected to take place in 2020 based on the new service delivery model.
- NWO-I is yet to receive commitment from NWO/OCW for 2020 salary compensation to accommodate the 2.6% increase in salary costs due to the 2020 CLA (collective labor agreement) concluded in early 2020.

Uncertainty surrounding the coronavirus crisis

The global outbreak of the coronavirus and the Dutch government's measures to control this outbreak bear a major impact on our society.

NWO-I employees have been working from home as much as possible since mid-March 2020, which impacts the progress of scientific and technical work at the institutes (and universities). The following is an explanation of the (financial) impact of these post-balance sheet events and the resulting going concern assumption.

NWO-I basically has 3 sources of funding, each with its own risk profile:

State contributions

This guaranteed income in the 2020 budget amounts to €116,902k, 58% of total income.
The cost of delayed activities remains covered.

Government contributions/grants other governments and project grants NWO

Income €41,773k, 20% of total income.

Delays in these projects may lead to extension of projects. Only a small portion of the costs resulting from extension will be charged to fiscal year 2020. Many costs will become apparent over the next 3-4 years.

On June 4, 2020, NWO published a guideline for "Ongoing research hampered by the coronavirus crisis," in which NWO adopts a flexible approach to working with researchers in order to find appropriate solutions, all budget neutral.

Income from work for third parties

Income €37,210k, 18% of total income.

In the context of this funding, the contractual agreements on performance delivery or accounting for deployment and/or costs, with third parties (EU/ESA /Other governments/ companies etc.) are important.

In case a performance obligation cannot be delivered at the agreed time, arrangements are or have been made for completion. Any overrun will lead to cost increases that will also be visible here spread over the fiscal years.

NWO-I made an initial outline assessment of the financial implications and risks in the event of a 3-month and 6-month (partial) closure of the institutes and a 50% and 100% "productivity decline," respectively. This also took into account compliance risks, project risks including possible extensions, projects with possible repayment obligations, possible risks associated with co-funding.

The total financial impact of the coronavirus crisis is projected between €6m and €17m spread over this year and the next few fiscal years for the respective scenarios. The negative effects for 2020 will be between €5m and €11m. These impacts will be reflected in the 2021-2025 multi-year budget to be prepared in fall 2020 (see also Chapter 3 Multi-year Budget 2020-2024), which includes the 2020 forecast.

NWO is in discussions with the Ministry of OCW, among others, regarding compensation for the impact of the coronavirus crisis on NWO-I.

NWO-I does not expect this situation to affect continuity in the short term.

3 Multi-year budget 2020-2024

On October 9, 2019, the Foundation Board adopted NWO-I's 2020-2024 consolidated multi-year budget. This budget was approved by NWO on November 21, 2019. This budget contains the income, expenses and net result. The appropriation of the net result is indicated as well. The budget is based on NWO's multi-year outlook for NWO-I known at the time and on the policies applicable at the time. For purposes of comparability, the budget figures have been converted to the current policies (see Tables 3.1 and 5 policies).

Therefore, this budget does not include the financial impact of the coronavirus crisis. This will follow in the multi-year budget 2021-2025 with the forecast for 2020.

This chapter focuses on this consolidated budget. Firstly, this section provides a succinct forecast of the (financial) future of NWO-I (Section 3.1). This is followed by the statements of budgeted income, expenses and the net result (Section 3.2). Section 3.3. lists investment plans and developments that may affect the multi-year budget. Accountability for continuity and the report of the Supervisory Board is contained in Sections 3.4 and 3.5.

3.1 Financial perspective

The institutes' basic grant is funded by NWO and includes incidental components in addition to structural components. The basic grant is expected to maintain its stable character in the coming years. In addition to the basic grant, the institutes successfully acquire project funds from NWO, the European Union, the government and from collaborations with universities and the business sector. The institutes are expected to maintain their project portfolio in the coming years.

Income for 2020 is budgeted at €203m. In the budget, NWO-I assumes grants and contracts that have already been secured. Additional conservative estimates were made of the benefits NWO-I will acquire for new programs and projects. In general, this reduces benefits over the longer term (see also Table 3.1). The income also decreases in the multi-year outlook due to the planned expiration of projects awarded under the former granting function of FOM, which is additionally funded by NWO.

The multi-year budget includes new funds for the relocation of SRON to Leiden and the OCW contribution to SKA investments through ASTRON.

3.2 Budgeted income and expenditure

The following shows how income and expenditure are expected to develop over the next five years, not yet taking into account the impact of the coronavirus crisis (Table 3.1).

income	Realization 2019	Approved 2020 budget	2021 budget	2022 budget	2023 budget	2024 budget
State contributions	113,648	116,902	119,896	118,421	115,766	114,754
Other government contributions and grants	1,609	6,520	4,540	1,000	1,000	500
Income from work for third parties	84,308	72,462	61,158	54,410	50,246	49,047
Other income	5,965	7,317	7,329	6,906	7,125	7,250
Total income	205,530	203,201	192,923	180,737	174,137	171,551
expenses						
Personnel expenses	142,706	135,320	126,776	117,495	113,399	109,006
Depreciation/amortization	6,687	8,805	11,463	11,608	13,054	12,750
Housing expenses	8,160	16,758	16,354	9,336	8,608	8,630
Other expenses	55,302	56,363	53,907	50,658	48,756	50,128
Total expenses	212,855	217,246	208,499	189,097	183,816	180,514
Balance of income and expenditure	-7,325	-14,045	-15,576	-8,360	-9,679	-8,963
Realized revaluation	0	0	0	0	0	0
Financial income and expenditure	-22	0	0	0	0	0
Result	-7,347	-14,045	-15,576	-8,360	-9,679	-8,963
Result from participating interests	-4	0	0	0	0	0
Total result	-7,351	-14,045	-15,576	-8,360	-9,679	-8,963

The most notable developments in this budget are:

- The main reasons for the decrease in income by €32m from 2020 to 2024 are the expiration of granting obligations via the BUW (-€21m) and the conservative estimation of income to be acquired through acquisition (-€11m). This is also reflected in lower expenditures.
- The item Income from work for third parties includes:
 - specific project grants such as NWO major and the Innovation Impulse (Venis, Vidis, Vici) implemented by the institutes;
 - benefits due to projects funded by the European Union projects from the framework programs and by the European Research Council (ERC);
 - income from businesses from PPP projects and contract research at the institutes.
- The expenses decreased due to the expiration of programs and projects in the BUW and the expiration of third-party funded projects at the institutes.
- The negative result consists largely of the earmarked reserves catching up on the expiring granting obligations, but also as a result of effects between obtaining grants and the expenses thereof, in depreciation, for example. As of 2023, the depreciation related to the fleet replacement at NIO remains uncovered, which also leads to a negative result.

All the NWO institutes secure funding in addition to the basic grant allocated by NWO from the State contribution. The motivation and approach depend on the mission and context of the institute and therefore vary from institute to institute. This also applies to the volume of grants and contracts that are yet to be acquired, recorded for each institute.



CORTEX: Self-learning machines start the quest for cosmic blasts

The National Science Agenda awarded €4.5m in 2019 to CORTEX, the Center for Real Time Research into the Explosive Universe.. The CORTEX collaboration between 13 partners from science, business and society aims to make self-learning machines faster: to better understand huge cosmic explosions, and for technological innovations for society.

Artificial intelligence has recently become an important part of our society. Virtual assistants in your cell phone and getting search results back tailored exactly to your preferences are commonplace. Self-learning machines also help in science, by discovering patterns in nature and the universe. But in order to enable self-driving cars or dynamic manufacturing, for example, these machines must become faster. Faster self-learning machines are also important for fundamental research, for example to map the newly discovered dynamic side of the universe. Bright explosions of light and gravitational waves occur all over the sky. Scientists and the public are curious as to where they come from.

"In CORTEX, we want to answer these open questions by linking fundamental research with society," says research leader Dr. Joeri van Leeuwen (ASTRON). "We can achieve such ambitious goals only when academic, applied, public and commercial partners work together."

3.3 Investment plans and circumstances affecting the budget

Fleet renewal at NIOZ

The plans for the NIOZ fleet replacement were further developed in 2019. The Executive Board made a proposed decision to replace the ships *Navicula* and *Pelagia*. The Executive Board's decision was approved by the Supervisory Board and also received a positive opinion from the Central Works Council. Several options are currently being explored, along with NWO, to fully financially cover future operating costs.

New SRON building

The progress of SRON's relocation from Utrecht to Leiden is on schedule and in line with the budget agreement. The budget includes €55.8m excluding the building land value. Over €51.2m is expected to be capitalized as investment and €4.6m will be recognized as direct construction costs. At year-end 2019, €10.9m was included as prepaid tangible fixed assets as far as the new construction is concerned.

Nikhef renovation

For the renovation of Nikhef, the NWO Executive Board made an allocation of €26m in 2018. Nikhef receives this as a basic grant of €1.3m per year in the period 2019 through 2038. Nikhef will supplement this themselves with funds from the basic funding (€6m, in the period 2017 - 2026)

and from data center operations (€7m, in the period 2019 - 2028) to achieve the total required amount of €39m.

Expiration of BUW

Research activities within the BUW were granted under the former granting function of FOM. The size of the BUW is decreasing as a result of its phasing out. The workforce decreased from 334 FTE at the end of 2018 to 220 FTE at the end of 2019. BUW is expected to be dissolved in 2023.

Effects of the coronavirus crisis

The effects of the coronavirus crisis are described in Chapter 2.6 Description of key risks and uncertainties: uncertainty surrounding the coronavirus crisis.

The total financial impact of the coronavirus crisis is expected to be between €6m and €17m spread over the next few fiscal years for the respective scenarios. The negative effects for 2020 will be between €5m and €11m.

3.4 Continuity section

The multi-year outlook regarding NWO's basic grant to NWO-I is outlined annually in NWO's Framework Letter. NWO-I's budget is drawn up based on the figures in the framework letter and on the project awards and contracts that have already been secured. The budget also includes a conservative estimate of grants and contracts yet to be secured. The multi-year budget of income and expenses can be found in Section 3.2.

NWO-I's 2020 budget includes an overview of the movement in NWO-I's equity. Equity will decrease in the coming years as a result of the expiration of projects honored prior to 2017 in the context of FOM's granting function and as a result of the utilization of allocated reserves at the institutes. In addition, various major investment projects, such as the replacement of the NIOZ fleet, the construction of the new SRON building, and the renovation of Nikhef, will significantly impact the development of the foundation's assets. Consequences are also expected for the carrying out of projects that were delayed due to the coronavirus crisis for 2020 and beyond. The latter effects were not taken into account in the Equity and liquidity tables below.

Equity (amounts x €1,000)	Realization year-end 2019	Budgeted year- end 2020	Budgeted year- end 2021	Budgeted year- end 2022	Budgeted year- end 2023	Budgeted year- end 2024
Equity	86,040	68,146	52,570	44,210	34,531	25,568

The budgeted decrease in equity also has implications for the projected position of the liquid assets. Liquid assets are decreasing due to large capital expenditures in 2021 and beyond. Liquidity is expected to be negative as of 2021. In 2020, when the multi-year budget 2021-2025 is prepared, the development in liquidity will be further monitored, taking into account the effects of the coronavirus crisis as well. In its multi-year budget, NWO has taken into account a loan to NWO-I to finance these large capital expenditures totaling €128.8m, which will be able to cover the budgeted deficit.

Liquidity (amounts x €1,000)	Realization 2019	2020 budget	2021 budget	2022 budget	2023 budget	2024 budget
Starting balance	138,378	111,280	27,552	-37,120	-85,956	-91,573
Revenues	229,906	206,723	194,180	182,868	174,375	171,085
Expenditure	238,313	290,451	258,851	231,704	179,992	169,847
Final balance	129,971	27,552	-37,120	-85,956	-91,573	-90,335

In 2019, the budget of the balance sheet in a multi-year perspective became available for the first time. In the balance sheet budget, a decision was made to offset the debit and credit positions of

the current account balances that the institutions have with NWO-I in general against cash and cash equivalents. This approach provides a clearer insight into the liquidity requirements for each institution and for NWO-I as a whole. The balance sheet budget provides insight into the expected positions of the different balance sheet items in a multi-year perspective. The budgeted balance sheet total will decrease by €80m in the coming years from 2020 to 2024, mainly due to the decreasing liquidity position influenced by large capital expenditures. The fixed assets increase substantially as a result of investments made. Capitalized parts of new construction and renovation projects are depreciated using the component method. Equity is decreasing as planned, in part because arrears in research are being cleared and the BUW's earmarked reserve is decreasing. Because of a lack of sufficient insight into the future, income from work for third parties has been budgeted conservatively, which results in a declining trend.

Balance sheet	Realization 2019	2020 budget	2021 budget	2022 budget	2023 budget	2024 budget
- Intangible fixed assets	36	0	0	0	0	0
- Tangible fixed assets	125,823	185,878	223,910	252,486	240,822	227,717
- Financial fixed assets	2,288	1,610	1,610	1,610	1,610	1,352
	128,147	187,488	225,520	254,096	242,432	229,069
- Receivables	35,330	34,722	33,133	32,094	31,306	31,067
- Liquid assets	129,971	27,552	-37,120	-85,956	-91,573	-90,335
	165,301	62,274	-3,987	-53,861	-60,268	-59,269
Total assets	293,448	249,762	221,534	200,235	182,165	169,801
Equity	86,040	68,146	52,570	44,210	34,531	25,568
- Provisions	11,665	8,091	7,620	5,540	4,487	4,619
- Debts	195,743	173,525	161,344	150,485	143,147	139,614
Total liabilities	293,448	249,762	221,534	200,235	182,165	169,801

The foundation's workforce will decrease in the coming years as a result of the expiration of the granting function and ashinking project portfolio. The ratio of permanent appointments to temporary appointments will shift in the coming years towards more permanent appointments, again primarily due to the expiration of the granting function where traditionally more temporary appointments would occur.

Personnel (Average number of employees FTE)	Realization 2019	2020 budget	2021 budget	2022 budget	2023 budget	2024 budget
Permanent appointments	865	824	813	799	788	775
Temporary appointment	900	729	613	545	522	508
Total	1,765	1,553	1,426	1,343	1,310	1,283

Personnel (Average number of employees FTE)	Realization 2019	2020 budget	2021 budget	2022 budget	Budget 2023	2024 budget
Executive Board/Management	18	20	20	20	20	20
Personnel in primary process/scientific positions	1061	796	687	616	590	576
Support staff/other employees	686	738	719	707	700	686
Total	1,765	1,553	1,426	1,343	1,310	1,283

The prescribed breakdown of personnel from the Dutch Accounting Standards published by the Dutch Accounting Standards Board is into Executive Board/Management of NWO-I, being the directors and institute managers (on average 2 FTE per institute); the personnel for the primary process (all scientific functions) and the support and other staff (such as technicians, ICT, facilities and the like, personnel and finance employees).

B.1. Reporting on presence and operation of the internal risk management and control system
This component is explained in Chapter 4.4. Governance.

B.2. Description of key risks and uncertainties
For this description, see Chapter 2.7.

B.3. Supervisory body reporting
This report is included in Chapter 3.5 Supervisory Board Report.

Conclusion on coronavirus crisis with respect to continuity

NWO-I has already taken various measures to ensure the continuity of activities, but will continue to closely monitor developments in the coronavirus outbreak in the coming months ahead and take additional measures where necessary. To date, no events have occurred after the balance sheet date that could materially alter the picture given in the financial statements.

3.5 Supervisory Board Report

In 2019, the Supervisory Board held six plenary meetings in the presence of the members of the Executive Board on both internal matters and external developments. The meetings were usually preceded by a closed session of the Supervisory Board. A delegation from the Supervisory Board attended the general meeting between the director and the Central Works Council in December. In accordance with the law and governance regulations, the Supervisory Board advised the Executive Board, in the presence of the auditor, on the 2018 annual report and financial statements and the 2020 budget. The council was also heard on the proposed decision for fleet renewal and changes in NWO-I governance. Following the expiration of the first terms of appointment of several members of the Executive Board, also members of the Foundation Board, the board nominated two new members to the minister after an external recruitment procedure.

In preparation for the Supervisory Board meetings, the audit committee met four times with the portfolio holder for operations and finance on internal control and operations. The audit committee discussed the findings regarding the 2018 financial statements and the 2019 management letter with the external auditor. The audit committee also advised on NWO-I's fleet renewal and governance. In preparation for NWO obtaining PIE status, the audit committee nominated Prof. Peter Sampers as an external member.

See NWO's Annual Report for a detailed report.

(URL: <https://www.nwo.nl/over-nwo/communicatie/iaarverslag>)

4 NWO-I in 2019

The Foundation for Dutch Scientific Research Institutes (NWO-I) was founded on April 15, 1946 under the name Foundation for Fundamental Research on Matter (FOM). As of January 1, 2017, FOM was transformed into NWO-I. On January 1, 2018, NWO-I merged with the foundations that maintained the institutes ASTRON, CWI, NIOZ, NSCR and SRON. NWO-I is (as FOM was) part of the Dutch Research Council (NWO).

The changes within NWO are aimed at enabling the research organization to respond effectively to advancements in science while fostering enhanced collaboration with society. This will be facilitated by making a clear distinction in the organization between awarding grants for research ("granting") and conducting research. The NWO now focuses on awarding grants, while NWO-I focuses on conducting research. This research is conducted at the institutes of NWO-I.

Section 4.1 shows which institutes are encompassed within NWO-I and outlines the organizational structure of NWO-I in greater detail. Next, Section 4.2 lists relevant developments for personnel. This is followed by NWO-I's strategy and goals in Section 4.3. Section 4.4 discusses governance, the guarantee of good governance and Section 4.5 the Code of Scientific Integrity. Finally, sections 4.6 and 4.7 explain how NWO-I deals with complaints and sustainability.

4.1 Structure of organization

As mentioned above, NWO-I is part of NWO. The link between NWO and NWO-I is laid down in NWO's management regulations and in NWO-I's articles. The NWO-I Foundation Board forms a personal union with the NWO Executive Board, meaning that both boards consist of the same individuals. The NWO Executive Board is responsible for setting the mission of each institute. The Foundation Board is responsible for governing the foundation and carrying out the mission of the institutes.

The following nine institutes comprise NWO-I:

- AMOLF | Physics of functional complex matter
- ASTRON | Netherlands Institute for Radio Astronomy
- CWI | Centrum Wiskunde & Informatica
- DIFFER | Dutch Institute for Fundamental Energy Research
- Nikhef | National Institute for subatomic physics
- NIOZ | Royal Netherlands Institute for Sea Research
- NSCR | Netherlands Institute for the Study of Crime and Law Enforcement
- SRON | Netherlands Institute for Space Research
- the collaboration ARCNL | Advanced Research Center for Nanolithography

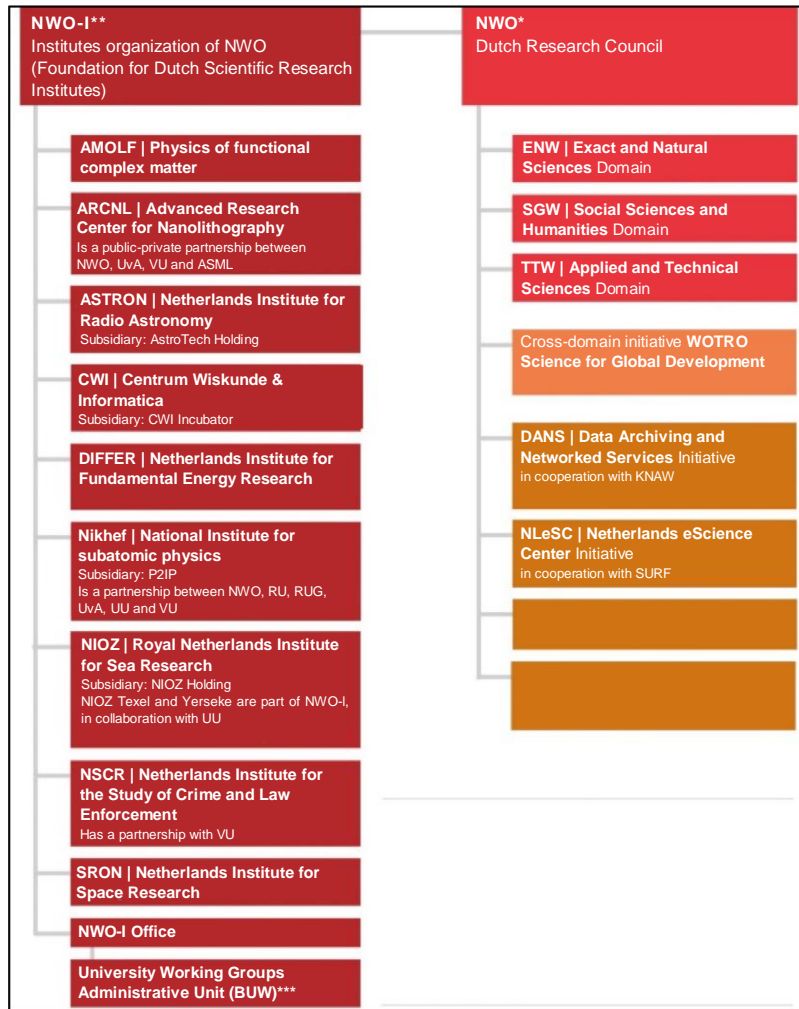
NWO-I also contains:

- the NWO-I Office (supporting)
- the Administrative Unit for Research Groups at Universities (BUW)

NWO-I participates in a large number of collaborations to promote research in NWO-I-related subareas. In many of these collaborations, NWO-I works together with universities such as UvA, VU, UU, RU, RUG and TU/e.

Figure 4.1 shows how these components are arranged in the organizational structure. It also shows how NWO and NWO-I relate to each other.

Figure 4.1 Organizational structure NWO-I in 2019



What are the different institutions focused on?

The institutes serve as catalysts or coordinators within specific research areas, working closely with universities and companies. In short, the various institutes focus on the following:

- AMOLF (Amsterdam) conducts high-quality research into the physics of functional complex matter
- ARCNL (Amsterdam) conducts high quality fundamental research in nanolithography, providing knowledge that contributes to the production of ever smarter and smaller electronics
- ASTRON (Dwingeloo) facilitates discoveries in radio astronomy
- CWI (Amsterdam) conducts fundamental and groundbreaking scientific research in mathematics and computer science and is committed to the successful transfer of its research results to society
- DIFFER (Eindhoven) conducts leading fundamental research in the fields of nuclear fusion and solar fuels by bringing together different disciplines in close collaboration with universities and industry
- Nikhef (Amsterdam) is the national institute for subatomic physics, pushing the boundaries of our knowledge about the elementary building blocks and interactions in the universe;
- NIOZ (Texel and Yerseke) focuses on groundbreaking fundamental and frontier-applied scientific marine and oceanic research; the latter primarily focuses on "Blue Growth": future economic activities at sea with a keen eye for sustainability
- NSCR (Amsterdam) develops empirically substantiated knowledge of crime and criminals in a social context, as well as prevention and (judicial) approaches to crime
- SRON (Utrecht and Groningen) is the national expert institute for scientific research from space, and home to the Dutch membership of the European Space Agency (ESA)

What does the NWO-I Office do?

The NWO-I Office prepares and implements the decisions of the Foundation Board. It also facilitates the institutes. The NWO-I office provides services to the institutes that offer benefits through jointness (such as economies of scale, quality enhancement, vulnerability reduction and cost reduction). This includes, for example, support in the areas of strategy, financial management, procurement, real estate, human resources, communications and legal affairs.

What does the University Working Groups Administrative Unit consist of?

The University Working Groups Administrative Unit (BUW) includes the approximately 140 university working groups at 12 university locations. At the head of each working group is a working group leader, usually a professor employed by the university involved. This working group leader is budget holder and directs NWO-I employees (PhDs, postdocs and technicians). The Office is responsible for managing research projects.

New (interim) directors and director reappointed

Following Catrien Bijleveld's departure as director of the NSCR, the Foundation Board appointed Peter van der Laan as interim director, partly with the task of ensuring the implementation of the NSCR's mission and strategy review conducted in the reporting year as of August 2019.

Following the departure of Christa Hooijer as director of the NWO-I Office, the Foundation Board appointed Ed van den Berg as interim Director of Operations of the Office as of September 2019, in anticipation of and in preparation for the change in NWO-I governance.

The Foundation Board (re)appointed Stan Bentvelsen as director of Nikhef effective December 2019.

What does the institute advisory council do?

As stipulated in the NWO-I articles, each institute has an institute advisory council. The institute advisory council has an independent position and provides solicited and unsolicited advice to the institute director and the NWO Executive Board. The institute director is the point of contact for the institute advisory council. In 2018, the Foundation Board adopted the regulations of the institute advisory council.

The premise is that the institute advisory council plays an important role in keeping the institute connected to relevant (national) stakeholders. The council contributes to the optimal maintenance of strategic relationships with science, the business community, local or national politics, and other relevant social parties. This is reflected in the composition of the institute advisory council with representatives from stakeholders from science, society and the business community. Council members with affinity for the institute's research; a critical interlocutor. It also includes one or more representative(s) from domain boards relevant to the institute.

In addition to the institute advisory council, virtually all the institutes have a science advisory council. This council advises the director of the institute on the scientific quality of the research conducted by the institute, on providing direction to the institute's research and on the alignment with and/or adherence to the broader international scientific context. In addition, the director may request advice on specific institute matters.

4.2 Staffing and personnel developments

At the end of 2019, the average staff size of NWO-I was 1,765 FTE, which is lower than the size as of January 1, 2019 (1,859 FTE). The decrease is expected and is explained by the phasing out at BUW.

Table 4.1 Average number of employees (in FTE) NWO-I as of 12-31-2018 and 12-31-2019

FTE average						
	NSS/T	NSS/P	PHD STUDENT	SS/T	SS/P	Total
as of 12-31-2018	112.5	577.9	586.0	325.5	257.1	1,859.1
as of 12-31-2019	105.3	596.9	493.7	301.3	267.8	1,765.0
Course	-7.2	19.0	-92.3	-24.2	10.7	-94.1

Legend	Description
NSS	Non-scientific staff
SS	Scientific staff
T	Temporary
P	Permanent

As of 12-31-2019, the Board/Management of NWO-I, being the directors and institute managers, consists of 18 FTE; the support and other staff (such as technicians, ICT, facilities and the like, human resources and finance employees) consists of 686 FTE and the personnel for the primary process (all scientific positions) consists of 1,061 FTE.

Works council: how is employee participation structured?

Each of the institutes has its own works council or employee representative body. NWO-I Office employees are represented on the NWO domain organization works council (one seat in that body is reserved for the NWO-I Office). Delegates from these works councils together make up NWO's Central Works Council. Employees in the BUW directly elect two representatives to the Central Works Council.

The Central Works Council consists of up to 16 members:

- AMOLF 1 delegate
- ASTRON 1 delegate
- ARCNL 1 delegate
- BUW 2 directly elected members
- CWI 1 delegate
- DIFFER 1 delegate
- Nikhef 1 delegate
- NIOZ 1 delegate
- NSCR 1 delegate
- NWO domain organization and NWO-I office 5 delegates (including 1 from NWO-I)
- SRON 1 delegate

The works council is established according to the Works Councils Act (WOR). The works council supports and advises the Executive Board and board of directors in decision-making around important decisions, from the perspective of the staff in the interest of the continuity of the organization. Broadly speaking, the law provides for three tools to help a Works Council do its job. These are the Right to be Consulted, the Right of Consent and the Right of Initiative. The right to

be consulted applies for the category "important decisions concerning the organization," the right of consent applies for changes in personnel matters (insofar as they are not covered by a collective labor agreement) and the right of initiative extends to all domains and the NWO-I Office. In addition, the Works Council has the right to summon members of the Executive Board, to inspect all documents that, in the opinion of the Works Council, may be relevant to its opinion, to organize consultations of the employees represented, etc.

The NWO Works Council conducts informal meetings every other Tuesday. There is also a monthly meeting with the Director. Consultation with the Director takes place twice a year, along with the Central Works Council.

Diversity Policy

In 2018, the NWO Executive Board adopted the Diversity Policy Implementation Plan.

Within the diversity policy, NWO-I has three spearheads. These are:

- increased entry and advancement of women in science and engineering
- more influx of people with occupational impairments in accordance with the Participation Act
- shape activities around the LGBTI target group.

Several networking meetings were organized in 2019 as part of the above spearheads, including networking meetings for members of the LGBTI community.

The directors' meeting set 5-year targets for NWO-I to increase the proportion of female employees in science and engineering to 25% and 10%, respectively.

The Women In Science Excel (WISE) program serves to encourage more women in science and engineering. The third call within this program yielded three WISE awards within the institutes in 2019. In June 2019, the Foundation Board decided to transform the WISE program into an employer fund from which institutes can receive a financial contribution if they hire a female researcher.

The table below shows the actual numbers and percentages of women by personnel category. The rates as of 1-1-2020 are still lower than the target rate. NWO-I intends to grow toward the target over the next 5 years.

Table 4.2 Number and percentage of women by personnel category

1-1-2020						1-1-2019					
Type of personnel	M.		P		Final total	Type of personnel	M.		P		Final total
Non-scientific staff/Temporary	81	63%	48	37%	129	Non-scientific staff/Temporary	86	66%	44	34%	130
Non-scientific staff/Permanent	470	72%	182	28%	652	Non-scientific staff/Permanent	462	73%	174	27%	636
PhD students	340	69%	155	31%	495	PhD students	402	69%	180	31%	582
Scientific staff/Temporary	234	71%	95	29%	329	Scientific staff/Temporary	239	69%	105	31%	344
Scientific staff/Permanent	244	85%	42	15%	286	Scientific staff/Permanent	240	87%	37	13%	277
Total all employees NWO-I	1,369	72%	522	28%	1,891	Total all employees NWO-I	1,429	73%	540	27%	1,969

PhD programs

PhD students are employees who conduct scientific research via a learning trajectory that culminates in a doctoral thesis and a doctoral degree, which acknowledges their status as independent scientific researchers. The primary and principal requirement for conducting scientific research is substantive knowledge in the PhD student's own research field.

The substantive development of the PhD student requires much more than substantive scientific knowledge. Being a fully-fledged Doctor of Science with good job prospects requires "soft skills" in addition to subject area knowledge and research skills.

Organizational units (institutes and the BUW) determine exactly which training courses (in terms of

content and provider) they will organize for their PhD students in addition to internal training and “hard skills” training. Joint procurement and organization of training and courses that are offered frequently and to many NWO-I PhD students has added value.

In connection with the expiring contracts with relevant training agencies, a procurement procedure was organized in 2019 in line with the 2012 Procurement Act in order to award the trainings through a tendering procedure from 2020.

A multiple private tender procedure for training for PhD students culminated in a “PhD training program” from 2020, which includes the joint procurement and organization of four training courses: Taking charge of your PhD project, The art of presenting science, The art of scientific writing and Career orientation. The trainings are conducted by three different agencies.

NWO-I Office move to Nova Zembla

As of June 2019, the NWO-I Office has moved into new office space, the Nova Zembla building, along with the NWO TTW and SIA domains. The new office was designed to support flexible or activity-based working. So-called dynamic and focus zones have been set up on the various floors. This allows employees to choose a workstation that suits their tasks at any given time, including the option to work in either The Hague or Utrecht. One floor has been dedicated to meetings of different sizes and includes an auditorium.

Partial agreement on new implementing regulations

On December 10, 2019, the director and the Central Works Council reached agreement on part of the implementing regulations (UVR). IR 1 (Commuting Expenses) and IR 4 (Study Facilities) were further negotiated and agreed upon in 2020.

Job classification system review

The job classification system review project started in 2018 is nearing completion in 2019. The project covers the support functions within NWO-I and the functions in NWO-D. Scientific and technical positions at NWO-I were excluded for the time being.

Effective May 1, 2019, NWO-D employees were assigned to a new job profile. The majority of employees with support positions at NWO-I could have received job profiles at that time as well. But support departments at institutes are smaller than those at NWO-D, resulting in more combination positions that may require additional profiles. Indeed, tasks that, because of their size, result in unique profiles at NWO-D are sometimes combined into one position at institutes. The second half of 2019 was used to analyze these situations and to have appropriate profiles established for them. By the end of 2019, almost all NWO-I employees with support functions had new job profiles as well. NIOZ employees received their new profiles in January 2020. At DIFFER, employees will receive their new profiles in February 2020. This is in response to ongoing internal changes in responsibilities and tasks. And profiles have yet to be prepared for 11 employees with 11 unique positions.

In the second half of 2019, consultations took place between the director and Central Works Council on whether consent or advice should have been sought regarding the new job classification system. The resulting agreement was that the criteria that determine the job level, which are part of the new job profiles, were submitted to the Central Works Council for approval. The Central Works Council will receive new job profiles for their perusal.

Policy pursued in relation to controlling benefits:

Most of the influx into benefits arises from the expiration of the employment contracts of PhD students.

Our policy for controlling benefits after dismissal or - for the most part - after the expiration of temporary contracts is as follows. To assist PhD students in their job search immediately after NWO-I, we offer the opportunity to enroll in individual basic training courses on career planning. During their employment, the PhD students are invited to undertake skills training in order to increase their chances of finding subsequent employment after the end of their employment at NWO-I.

NWO-I has also concluded an agreement with service provider Qare, who carries out the reintegration obligations on behalf of NWO-I, which we bear as self-insurer, in cases where the candidate is expected to encounter difficulty in finding a new job. They monitor whether the former employee is complying with the obligations under the Unemployment Insurance Act and also advise on the use of reintegration resources (e.g., training, trial placement and the like).

NWO-I is self-insured for the Unemployment Insurance Act, which means that the costs must be borne by NWO-I. The implementation of the Unemployment Insurance Act is performed by the UWV. The UWV sends monthly invoices to NWO-I which must be paid on the basis of the statutory obligation. Charges are charged to the component where the former employee was employed during employment with NWO-I.

This contributes to compliance with laws and regulations in the event of dismissal.

4.3 NWO strategy 2019-2022: connecting science and society

On April 12, 2018, NWO announced its new strategy for the period 2019 - 2022. The institutes gathered in NWO-I follow this strategy. NWO's strategic plan describes five ambitions to contribute to its mission in the coming years:

- Nexus (connecting agendas, science and society)
- People (prospects for researchers)
- Research (collaboration for excellence and innovation)
- Infrastructure (accessible and sustainable scientific infrastructure)
- Knowledge utilization (effective use of knowledge through co-design and co-creation)

NWO's mission is to promote scientific research with scientific and societal impact. In doing so, NWO maintains a focus on fundamental research. In the coming years, NWO-I intends to work on this new strategy by being groundbreaking, engaged, reliable and connecting. These four core values say something about how NWO-I carries out its tasks and how it wants to collaborate with researchers, companies, governments and civil society organizations.

What do these core values mean?

- Groundbreaking: NWO-I is breaking new ground and exploring the frontiers of knowledge, application and processes. In doing so, it goes further than others go.
- Engaged: NWO-I's employees stand for their organization and anticipate what is going on in science and society.
- Reliable: NWO-I does what it promises. Employees are honest, open and careful. And can be held accountable to that effect.
- Connecting: NWO-I is all about togetherness and the big picture. It is open and brings stakeholders, expertise and agendas together.



What objectives follow from this strategy?

NWO-I works toward this strategy through the following objectives in its articles:

- to promote excellence in science and boost the quality of scientific research in general
- to commission high-quality scientific research in specific areas
- to initiate and encourage new developments in scientific research
- to communicate to society knowledge of the results of scientific research it has initiated, conducted and promoted
- to manage the institutes.

Financial policy of NWO-I

NWO-I's main financial management tool is the budget. The Foundation Board adopts this based on a multi-year perspective. The 2019 budget adopted and approved by NWO is included in Chapter 3.

NWO-I falls within NWO's scope of consolidation. This means that NWO prepares consolidated financial statements in which the assets, liabilities, income, expenses and results of NWO-I are combined with those of NWO's other group entities.

4.4 Governance

NWO-I's Foundation Board adheres to the Code of Good Governance for Public Service Providers. The NWO-I Foundation Board forms a personal union with the NWO Executive Board, meaning that both boards consist of the same individuals. The NWO Executive Board is responsible for the comprehensive strategy, mission and programming of the NWO Institutes.

The Foundation Board is responsible for the operations of the NWO institutes. This includes the functioning of NWO-I as a whole, the approving of the financial statements, the budget and the appointing and dismissing of directors. The Director of NWO-I is the secretary of the Foundation Board and also director of the NWO-I Office. The responsibilities and powers of the Foundation Board are laid down in the articles and internal regulations of NWO-I.

Both the NWO Executive Board and the Foundation Board are advised by a Supervisory Board. An audit committee has been formed within the Supervisory Board. Among other things, the audit committee monitors the quality of operations, the financial reporting process, the statutory audit of the financial statements and the effectiveness of the internal risk and control system.

Who are the members of the NWO-I Foundation Board/ NWO Executive Board?

- Professor Stan Gielen (chair, portfolio holder for ARCNL)
- Caroline Visser (vice chair, portfolio holder Operations and Finance)
- Professor Niek Lopes Cardozo, chair of Exact and Natural Sciences (ENW) domain, portfolio holder AMOLF and Nikhef
- Professor Wim van den Doel (chair of SGW domain, portfolio holder DIFFER, NIOZ, NSCR)
- Professor Wim van den Doel is no longer a member of the Board as of January 1, 2020. He will be succeeded by Professor Anita Hardon (chair of SGW domain) effective June 1, 2020. For now, Professor Jaap Schouten is portfolio holder for DIFFER, Professor Niek Lopes Cardozo for NIOZ and Prof. Stan Gielen for NSCR.
- Professor Jaap Schouten (chair of TTW domain, portfolio holder ASTRON, CWI, SRON)
- Professor Jaap Schouten will leave on April 1, 2020 and will be succeeded as of March 1, 2020 by Professor Margot Weijnen
- Professor Jeroen Geurts (chair of ZonMw domain).

Interim member of the NWO Executive Board:

- Professor Hans de Bruijn (ad interim chair of SGW domain)

Interim director of operations NWO-I Office:

- Ed van den Berg MBA

What are the institute directors responsible for?

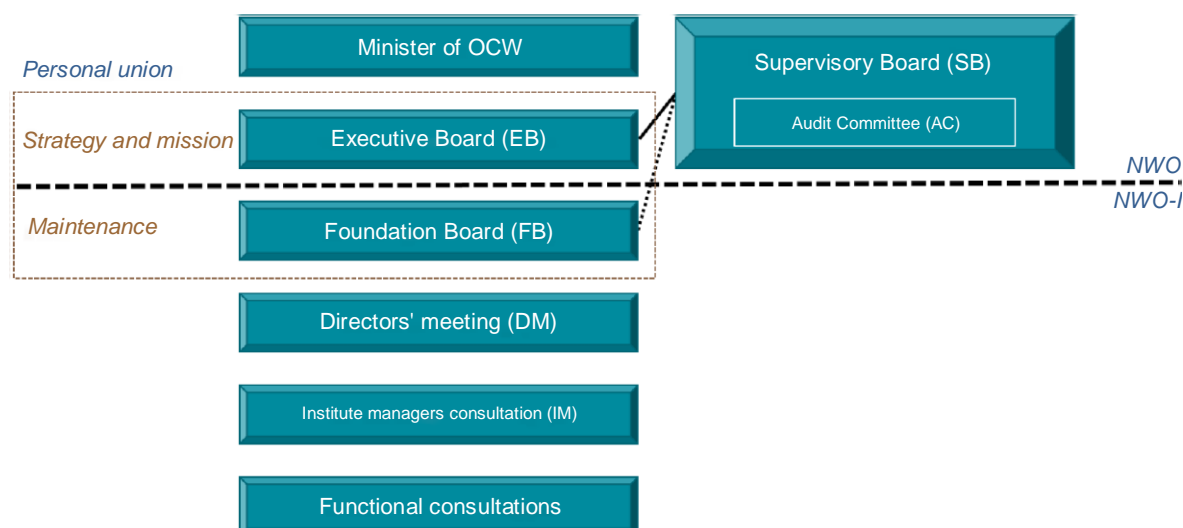
Institute directors are integrally responsible for the day-to-day management of the institute. They also bear responsibility for the scientific fleshing out of the institute's mission and the accompanying strategy. They receive support in this regard from an institute manager or equivalent officer who is operationally responsible for the management of the institute.

The institute directors and the NWO-I director jointly form, on an equal basis, the directors' meeting. These directors discuss developments at the level of the institutes organization, the institutes and the NWO-I Office. They also share experiences and set up joint policy frameworks that apply to the entire institutes organization. The directors' meeting makes annual mutual (performance) agreements on what the NWO-I Office and the institutes want to jointly achieve for the operations. The Foundation Board ratifies these agreements.

In addition to the meeting of directors, there is also a meeting of institute managers and various functional meetings at NWO-I (communications, ICT, finance and personnel & organization).

Figure 3.2 shows an overview of how NWO-I's governance is set up.

Figure 3.2 Governance NWO-I



Internal audit

NWO's Internal Audit (IA) department is used for the entire group, including NWO-I. The purpose, duties, responsibilities, powers and functioning of the department are detailed in an audit charter and in a quality control system and policy. As such, it forms a framework for IA's service provision to the directors of NWO and NWO-I, the NWO Executive Board, NWO-I's Foundation Board, the audit committee and the NWO Supervisory Board.

The advice will relate primarily to risk management within NWO, the redesign of the primary process and the (key) controls included in that process. An audit plan and detailed work program will be prepared for each audit and coordinated with the manager or director responsible for the subject (auditee). A draft report is prepared for each audit and discussed with the auditee for their comments. Those comments will be incorporated, after which the report will be finalized. Audit reports are discussed in the NWO management team and Executive Board or the NWO-I meeting of directors and Foundation Board, depending on the topic. A summary on all topics will be presented annually to the Audit Committee of the Supervisory Board. The first reports from audits were delivered in 2019.

Internal management and control system

An AO/IC has been agreed upon within NWO-I and is being acted upon. The findings resulting from the external auditor's management letter are discussed and explained in the Foundation Board and audit committee. The Foundation Board and the audit committee will provide direction to the NWO-I organization on matters related to development and/or improvement.

NWO's internal audit department will also conduct investigations that culminate in a report with findings and recommendations that are discussed with stakeholders and revisited by the audit committee. An examination of the process of procurement at two institutes was conducted in 2019 in accordance with the audit plan.

The Foundation Board and audit committee are periodically briefed on the financial position of NWO-I in the form of quarterly reports in addition to the financial statements and multi-year budget. These documents pay due attention to developments within the organization, risks, order book and liquidity in a multi-year perspective in addition to annual forecast and numerical analysis.

4.5 Code of scientific integrity

In October 2018, the new Dutch Code of Scientific Integrity took effect and NWO and NWO-I began implementing it. For now, this implementation has been confirmed with a new complaints procedure and attention will be devoted in 2020 to raising awareness among NWO-I researchers. Previously, NWO-I had its own procedure for reporting suspicions of "infringement of scientific integrity" or scientific misconduct. No use was made of this in 2019.

4.6 Complaints procedure

NWO-I has an individual right of complaint which aims to provide the employee, trainee or seconded person with the opportunity to have their complaint about conduct by or on behalf of the employer towards the employee discussed and investigated in such a manner as to ensure fair complaint handling with reasonable protection of their individual interests. The procedure is laid down in the implementing regulations. There were no complaints handled by the NWO-I Complaints Committee in 2019.

4.7 Sustainability

NWO is an organization that values sustainability, environment and climate. NWO puts this into practice by, among other things, striving for paper-free working, no unnecessary use of plastic, making its buildings as climate-neutral as possible and having employees use public transportation.

An external firm was commissioned in 2019 to conduct what is known as a baseline measurement to determine the climate impact of the NWO-I. In 2020, the results will be used in further developing a sustainability policy.

4.8 Horizontal accountability

Horizontal accountability involves internal and external actors. Important actors include the NWO Supervisory Board and the Audit Committee (see 3.5 Supervisory Board Report) in addition to the Works Council (see 4.2 section Works Council: how is employee participation structured?). Other actors for whom the financial statements are important are NWO, partly for the purpose of consolidating the NWO-I figures in its financial statements in rendering account to the Ministry of Education, Culture and Science, the European Union and other granting parties, the tax authorities, the bank and the Ministry of Finance for the purpose of Treasury banking, in addition to insurance companies and other creditors.

FINANCIAL STATEMENTS

This financial statement is an English translation of the financial statement prepared on June 9th 2020. In case of any discrepancies or possible differences in interpretation between the English translation and the financial statement prepared on June 9th 2020, the latter prevail.” The original and official Dutch financial statements are available [here](#).

5 General accounting policies

General

The Foundation for Dutch Scientific Research Institutes (NWO-I) is based in Utrecht. The organization is registered with the Chamber of Commerce under number 41150068. According to its articles, NWO-I's objectives are to:

- a. promote excellent science and the quality of scientific research in general;
- b. conduct high-quality scientific research in specific areas;
- c. initiate and encourage new developments in scientific research;
- d. disseminate the knowledge derived from scientific research, initiated, conducted, and supported by NWO-I, for the betterment of society;
- e. manage institutes;

and do everything that is directly or indirectly related to the above or can be conducive to it.

On January 1, 2017, the Foundation for Fundamental Research on Matter (FOM) was transformed into the Foundation for Dutch Scientific Research Institutes (NWO-I). NWO-I, the institutes organization of NWO, includes the former FOM institutes AMOLF, ARCNL, DIFFER and Nikhef and the more than 140 university working groups of the former FOM projects. From January 1, 2018, the other NWO Institutes also merged with NWO-I: ASTRON, CWI, NIOZ, NSCR and SRON. The NWO-I Office supports all the institutes. NWO-I falls within NWO's scope of consolidation.

NWO-I has twelve sub-administrations, namely for the eight institutes, ARCNL, BUW, the Office and NWO-I General, in which the budgets that fall directly under the Board are administered.

Standards applied

The financial statements have been prepared in accordance with the Dutch Accounting Standards (DAS 660). These regulations provide that the provisions of Title 9, Book 2 of the Dutch Civil Code and the Guidelines for Annual Reporting apply, subject to the exceptions indicated therein. The financial statements were prepared on June 9, 2020.

The principles applied for the valuation of assets and liabilities and the determination of results are based on historical expenses.

Principles for the valuation of assets and liabilities and the determination of the result

General accounting policies

These financial statements have been prepared under the going concern assumption. Unless otherwise stated, assets and liabilities are stated at nominal value. An asset is recognized in the

balance sheet when it is probable that the organization will receive future economic benefits, the value of which can be measured reliably. A liability is recognized in the balance sheet when it is probable that settlement of the liability will be accompanied by an outflow of resources embodying economic benefits, the size of which can be measured reliably.

Income is recognized in the statement of income and expenditure when an increase in economic potential, associated with an increase in an asset or a decrease in a liability, has occurred, the size of which can be measured reliably. Expenses are recognized when a decrease in the economic potential related to a decrease in an asset or increase in a liability has taken place, the size of which can be measured reliably.

If a transaction results in virtually all or all future economic benefits and all or virtually all risks relating to an asset or liability being transferred to a third party, the asset or the liability is no longer reported in the balance sheet. Assets and liabilities are also no longer reported in the balance sheet from the moment at which the conditions of the likelihood of the future economic benefits and/or the reliability of the determination of the value are no longer satisfied.

Income and expenditure are allocated to the period to which they relate. The financial statements are presented in euros, the organization's functional currency. All financial information is indicated in thousands of euros unless otherwise stated. Negative values in the tables are shown in brackets ().

ARCNL

NWO-I is participant in the Advanced Research Center for Nanolithography (ARCNL) collaboration. NWO-I appoints one of the four members of the ARCNL Governing Board. 25% of ARCNL's value is therefore consolidated in NWO-I's financial statements (proportional consolidation). In the financial statements, the inter-entity debts, receivables and transactions have been eliminated in proportion to the share in ARCNL.

Scope of consolidation

The following legal entities belong to the scope of consolidation (DAS 217.301) of NWO-I:

- Astrotec Holding (100%) in Dwingeloo
 - o ILA Microservers B.V. (100%) in Dwingeloo
- CWI Incubator (100%) in Amsterdam
- NIOZ Holding (100%) in Den Hoorn
- Particle Physics Inside Products (P2IP) in Amsterdam (100%)
- Stichting Wiskunde en Informatica Conferenties te Amsterdam (100%)

Based on Article 407(1), Book 2, Title 9 of the Dutch Civil Code, the aforementioned organizations are not consolidated. The exemption for consolidation on the grounds that the effect on NWO-I's solvency and liquidity is negligible is applied. The participating interests are accounted for under financial fixed assets in the financial statements.

Other affiliated parties

The other affiliated parties are parties with which NWO-I is permanently affiliated, directly or via its institutes, and which satisfy the definition of an affiliated party:

	Nature of affiliation
- JIV-ERIC	Joint Institute
- Stichting C.A. Muller Radio Station	Director appointment
- Stichting Lofar	Director appointment
- Stichting International LOFAR Telescope	Founding partner
- ZonMw	Director appointment
- Stichting Beheer Wetenschappelijk Centrum Watergraafsmeer	Participation on board
- Stichting Netherlands eScience Center	Participation on board

Use of estimates

The preparation of the financial statements requires the management to form opinions and make estimates and assumptions that affect the application of policies and the reported values of assets and liabilities, and income and expenditure. The actual results may deviate from these estimates. The estimates and underlying assumptions are subject to continuous reassessment. Revisions to estimates are recognized in the period in which the estimate is revised and in any future periods affected. Estimates relate to amounts recognized under assets and liabilities as well as the recognition of income and expenses during the reporting period. The main estimates are in provisions and the depreciation period used on fixed assets. The assumptions underlying the estimates are named in the notes to the relevant items.

Foreign currency accounting policies

Monetary assets and liabilities in foreign currency are converted into the functional currency as of the balance sheet date at the exchange rate in effect on that date. Non-monetary assets and liabilities in foreign currency, which are recognized at the historical cost price, are converted into euros at the exchange rates in effect on the transaction date. The exchange rate differences arising on conversion are recognized as income or expense in the statement of income and expenditure.

Transactions in foreign currencies during the reporting period are accounted for in the financial statements at the exchange rate on the transaction date. Conversion differences are recognized directly in the result. NWO-I does not constitute a reserve for conversion differences.

Exchange rate differences arising from the conversion of a non-monetary balance sheet item denominated in a foreign currency that has been valued at fair value are recognized directly in equity as part of the revaluation reserve, if the change in value of the non-monetary item is also recognized directly in equity.

Financial instruments

Loans granted and other receivables

Financial instruments include both primary financial instruments, such as receivables, securities and debts, and financial derivatives.

For the accounting policies for the primary financial instruments, please refer to the treatment per balance sheet item.

Loans granted and other receivables are initially recognized at fair value plus any transaction costs and subsequently at amortized cost using the effective interest method. Income and expenses are recognized in the statement of income and expenditure as soon as the loans granted and other receivables are transferred to a third party or become impaired, or undergo the amortization process.

Other financial liabilities

Other financial liabilities are measured on initial recognition at fair value less transaction costs and subsequently at amortized cost using the effective interest method. The repayment obligations t+1 of the long-term liabilities are included in current liabilities.

Determination of fair value

The fair value of a financial instrument is the amount for which an asset could be traded or a liability settled between knowledgeable and willing parties in an arm's-length transaction. A number of notes in the financial reporting require the determination of the fair value of financial instruments. The fair value is determined by discounting the expected cash flows at a rate equal to the prevailing risk-free market interest rate for the remaining term plus credit and liquidity surcharges.

Netting

An asset and a liability item are netted in the financial statements only if and to the extent that:

- a sound legal instrument is available to settle the asset and the liability item netted and simultaneously; and
- there is a firm intention to settle the netted amount as such or both items simultaneously.

Price risk

NWO-I undertakes few commercial activities, so there is little price risk.

Credit risk

Accounts receivable include receivables from grantors and receivables from other debtors. The credit risk on these receivables is limited.

Interest rate risk and cash flow risk

There is no interest rate risk as there are no long-term loans at the end of 2019. The policy is not to use derivative financial instruments to manage (interim) interest rate fluctuations.

Liquidity risk

NWO-I uses treasury rules to manage liquidity risks. The fundamental principle of the treasury rules is that the NWO-I monies may not be invested or used as collateral. All liquid assets are held at the Ministry of Finance, with the exception of a specific bank account for the benefit of SRON (balance at end of 2019 €129k).

6 Balance sheet valuation accounting policies

Intangible fixed assets

An intangible fixed asset is included in the balance sheet if:

- it is probable that future economic benefits associated with an asset will accrue to the group; and
- the expenses of the asset can be reliably measured.

Expenditure on an intangible fixed asset that does not meet the conditions for capitalization (for example, expenditure on research and internally developed brands, logos, publication rights and customer files) is recognized directly in the statement of income and expenditure.

The intangible fixed assets are valued at acquisition or manufacturing price, less accumulated amortization and, if applicable, cumulative impairments.

Intangible fixed assets are amortized systematically on the basis of their estimated useful life with a maximum of twenty years. The useful life and amortization method are reassessed at the end of each fiscal year. The amortization rate for the financial system is 25%.

Tangible fixed assets

Tangible fixed assets in own use are valued at cost (acquisition or manufacturing price) less accumulated depreciation and, if applicable, accumulated impairments and, if applicable, taking into account a residual value.

Contributions received from grantors for the purpose of financing tangible fixed assets are accounted for as investment grants received in advance under the long-term or current liabilities, respectively. The investment grants are realized according to the depreciation of the relevant tangible fixed assets. The release of the investment grants is deducted as movement in investment grants from depreciation expense in the statement of income and expenditure.

The depreciation is calculated as a percentage of the acquisition price according to the straight-line method. The rate is based on the expected useful life of the asset. Land and tangible fixed assets under construction and prepayments on tangible fixed assets are not depreciated.

Depreciation takes place from the moment the asset is put into use. If the expectation regarding the depreciation method, useful life and/or residual value undergoes changes over time, they are accounted for as a change in estimate.

The following depreciation rates are applied:

- Land: no depreciation
- Buildings: 3% - 20% per year
- Vessels: 7.15% per year
- Installations and equipment: 10%, 15% or 20% per year, depending on economic life
- Computer equipment: 25% per year
- Office furniture: 10% per year
- Means of transport: 20% per year

For buildings, the depreciation method is used with the application of the component method. The components can be divided into shell, elevators, floors, roofing and other. Depreciation periods are determined based on the estimated replacement maintenance.

Major maintenance costs are included in the cost as soon as these expenses are incurred and the capitalization criteria are met. The carrying amount of the components to be replaced is then

considered disinvested and charged to the statement of income and expenditure as a lump sum. All other maintenance expenses, insofar as they constitute 'minor' maintenance, are recognized directly in the statement of income and expenditure.

Financial fixed assets

Participating interests where the organization can exercise significant influence on the business and financial policy are measured according to the equity method on the basis of their net asset value. Participating interests with a negative asset value are stated at zero. If NWO-I guarantees the debts of the participating interest in question, a provision is created, provided there is an expected outflow of resources. This provision is formed primarily at the expense of the receivables from this participating interest and, for the remainder, under the provisions, for the amount of the share in the losses suffered by the participating interest, or for the expected payments by the organization for this participating interest.

Participating interests in which no significant influence is exercised are valued at acquisition price or permanently lower value in use.

NWO-I provides interest-bearing monetary loans to startup companies of former employees as part of the valorization of research results. These so-called starter loans are recorded on the balance sheet at nominal value. For each loan, an estimate is made of the risk that the loan cannot be repaid. In that case, a provision for irrecoverability is made.

Impairments

Fixed assets with a long economic life are reviewed for impairment whenever changes or circumstances arise that suggest that the carrying amount of an asset may not be recoverable.

Disposal of fixed assets

Assets available for sale are measured at the lower of their carrying amount and net realizable value.

Projects in progress

Projects in progress are determined based on the "percentage of completion" method, or PoC method. The balance of projects in progress is valued at the directly attributed cost of labor and materials with a surcharge for indirect costs of personnel expenses. Invoiced installments / advances received are deducted from the balance of projects in progress.

Grant projects and third-party projects

NWO-I is involved in many complex grant projects and third-party projects. Projects with a positive balance are included under receivables. Projects with a balance of amounts received in advance are included in current liabilities.

Other current receivables

Current receivables are initially recognized at fair value and subsequently measured at amortized cost less any necessary provision for irrecoverability.

Liquid assets

Liquid assets means cash, balances in bank accounts, bills of exchange and checks. Liquid assets are stated at face value. These are at the organization's free disposal unless otherwise noted. Liquid assets not (expected to be) available to the group for more than twelve months are classified as financial fixed assets.

Equity

The items presented under equity are the general reserve, earmarked reserves, and the earmarked funds.

The general reserve consists of the reserves at the free disposal of NWO-I. If a more limited spending possibility has been imposed by the Foundation Board, the part of the equity thus segregated is designated as an earmarked reserve. All reserves of the institutes and Office are earmarked reserves. If the more limited spending possibility has been imposed by third parties, this portion is designated as an earmarked fund. The statement of changes shows all earmarked funds separately.

Provisions

Unless otherwise stated, all provisions are measured at the nominal value of the expenditures expected to be necessary to settle the liabilities and losses.

A provision is recognized in the balance sheet when there is:

- a legally enforceable or constructive obligation resulting from a past event; and
- of which a reliable estimate can be made; and
- it is likely that settlement of that obligation will require an outflow of funds.

If it is probable that any of the expenses expected to be necessarily incurred to settle the provision will be reimbursed by a third party, wholly or in part, the reimbursement is presented as a separate asset. Additions to the provisions are made at the expense of the statement of income and expenditure. Expenditures are made directly from the provision. No discount rate is used for provisions.

Provision for social policy, reorganizations and other legal status

This relates to the expenses of the 2015-2017 Social Plan for the 2015 reorganization at NIOZ. The provision was formed to cover future salary expenses of redundant employees. The calculation is based on the maximum benefit period of the employee in question and the expected transition payments or other charges.

Provision for long-service awards

This provision for jubilee benefits is accrued on a straight-line basis in proportion to the number of years of service of an NWO-I employee at a WVOI employer and/or employed by Dutch universities affiliated with the VSNU. The assumptions used for the provision are:

- calculation rule: benefit payable * accrual rate (what percentage of the 25 and/or 40-year long service has already been accrued), increased by a surcharge of 2% per year for salary increases and adjusted for the average likelihood of NWO-I employees staying on;
- changes in the workforce are taken into account; a correction factor is applied to the calculated amount in connection with possible departures. This correction factor is based on 4.2% for 2019.

Unemployment contributions

NWO-I is self-insurer for the Unemployment Insurance Act (WW) and, in addition to the regular WW, has negotiated an Enhanced Scheme (BWOI) with the unions. If an employee of NWO-I becomes unemployed, the benefit is fully at the expense of NWO-I. The provision for unemployment benefits is based on the obligation to former employees known on December 31, 2019. These relate to benefit expenses payable during the maximum term of the benefit period at nominal value.

Long-term sick

In case of illness, NWO-I is obligated to continue paying employees 100% of their salary during the first year and 70% during the second, or 85% in case of sufficient reintegration. Pursuant to DAS 271, a provision has been created for the future salary costs of employees who are sick on December 31, 2019 and for whom it is fairly certain that they will not return to work or will not return to work fully.

The liability is calculated as the present value of future salary payments and transition payments.

Transition payment under the Work and Security Act

NWO-I employees who, after temporary employment, do not leave voluntarily are entitled to a transition payment in accordance with the Work and Security Act and the supplementary Balanced Labor Market Act.

As a result of amended legislation (Balanced Labor Market Act), as of January 1, 2020, a provision must be created for all temporary employees, regardless of the period of their employment. Until January 1, 2020, a minimum employment period of two years applied. As a result, provision was made for more employees. After all, temporary employment contracts of up to two years are now also entitled to a (low) transition payment, in contrast to previous years.

The starting points used to calculate the size of the provision are:

- calculation rule for each temporary employee: payable benefit * accrual percentage (what percentage of the temporary employment is accrued at the reference date), increased with a surcharge of 6.7% due to the employer's contribution under the health insurance act;
- no discount rate is used in the calculation. NWO-I's liquid assets are managed by the Ministry of Finance in the context of treasury banking. The current interest rate is 0%. Short and long-term interest rates in the euro area are expected to remain low (see, for example, the Financial Markets Risk Report 2019 from the Netherlands Bureau for Economic Policy Analysis);
- when CAO salary increase or employer commitment in negotiations is known but not yet processed in the salary system, and thus in the basic data, it is indeed taken into account;
- no correction factor is applied for earlier termination of temporary contracts because this is rare.

Generation Plan scheme

NWO-I employees with an employment contract who are within five years of the state pension age can participate in the Generation Plan scheme. Pursuant to this regulation, this employee shall be granted extraordinary leave with partial retention of pay. The scheme came into effect for the first time with the 2018-2019 CLA for Research Institutions. The provision was created to cover the salary costs of this scheme. This provision for future payments to current participants of the Generation Plan for Research Institutions is based on a calculation of the rights accrued by employees up to the end of the year. This exclusively concerns the rights of employees who are actually using the scheme as of the balance date.

Provision for remediation of radioactive materials PiMu

The basement of the PiMu building, located on a lot at the Amsterdam Science Park which NWO-I holds in leasehold until the end of 2023, contains materials that have become radioactive due to accelerator activities in the 1980s. NWO-I has an obligation to ensure proper disposal of the radioactive materials prior to termination of the leasehold. The cost of removing these radioactive materials will be equally shared between NWO-I and landowner NWO. For these removal costs, a provision was made in 2016 by NWO-I for the full obligation, a claim on landowner NWO was subsequently recognized separately.

In setting up the provision, NWO-I used both internal and external specialists to estimate these costs. This was based on the following starting points:

- the costs incurred in Project Emin (removal of radioactive material from a previous project) for demolition/dismantling;
- external estimate for installation and removal of sheet pile walls for PiMu only;
- estimate other hours engineer/supervision;
- disposing of 76 drums of radioactive material;
- indexation of 2.5%.

The estimate includes a 10% contingency because the range of the cost estimate is about 20%.

Investment grants received in advance (long-term)

NWO-I received investment grants for the new construction and/or renovations of the following buildings: AMOLF, CWI, DIFFER, NIOZ and SRON.

For these grants, an annual release in proportion to the depreciation is recognized in favor of the statement of income and expenditure. The release is deducted from the item depreciation. The portion that will be released in 2020 is presented under current liabilities, investment grants received in advance (current).

Current liabilities and accrued liabilities

Liabilities with a remaining maturity of up to one year on the balance sheet date are designated as current liabilities. Liabilities are not netted with assets.

Accrued liabilities are amounts received in advance (including earmarked contributions) and amounts yet to be paid regarding expenses allocated to an expired period.

For supplementary grants made available for multiple years, the unspent portion is held on the balance sheet as an accrued liability. Release to the credit of the statement of income and expenditure then takes place annually pro rata to the expenditure. Upon conclusion of the grant, the entire remainder is released and any result is taken. With this method of accounting, amounts received in advance are allocated to successive periods systematically and proportionate to time.

Financial assets and liabilities no longer included in the balance sheet

A financial instrument is no longer recognized in the balance sheet if a transaction results in all or virtually all rights to economic benefits and all or virtually all risks relating to a position being transferred to a third party.

7 Accounting policies for the statement of income and expenditure

Determination of results

Income and expenditure are allocated to the fiscal year to which they relate. Gains are recognized only insofar as they have been realized on the balance sheet date. Losses and risks originating before the end of the year under review are taken into account if they have become known before the adoption of the financial statements.

Income

Revenue from the provision of services is recognized proportionally to the services provided, based on the services performed before the balance sheet date relative to the total services to be provided.

State contributions OCW/EZK via NWO

State contributions from OCW/EZK via NWO are recognized as income in the statement of income and expenditure in the fiscal year to which the allocation relates.

Grant projects

In the case of the grant projects, funded by NWO and the European Union, among others, the income in a year depends on the expenses incurred, since the income is accounted for in proportion to the expenses (or, as the case may be, in proportion to the realization of the project).

Grants are recognized as income in the statement of income and expenditure in the fiscal year in which the subsidized costs were incurred, in the event of an own contribution to a subsidized project, the own contribution is spread over the term (matching).

Projects in progress

For projects in progress, income is recognized based on the "percentage of completion" method, or PoC method. Under this method, actual expenses are assessed in relation to the outstanding income and expenses for each project. The balance of projects in progress is valued at the directly attributed cost of labor and materials with a surcharge for indirect costs of personnel expenses. Invoiced installments / advances received are deducted from the balance of projects in progress.

Profit recognition of projects financed by third parties is determined in accordance with the PoC method. Expected losses are recognized in the statement of income and expenditure as soon as they are known. A predefined own contribution to a project is not regarded as a loss on a current project, as a result of which no additional loss provision is created. If the result of a current project cannot be reliably estimated, revenue is recognized in the statement of income and expenditure only up to the amount of the project costs that are likely to be recoverable ("percentage of completion with zero profit" method).

Income in kind

Income in kind is stated at fair value (insofar as this can be reliably determined and is material) and recognized in the statement of income and expenditure.

Expenses

The expenses are determined in accordance with the aforementioned accounting policies and allocated to the fiscal year to which they relate. (Foreseeable) liabilities and possible losses originating before the end of the fiscal year are taken into account if they were known before the preparation of the financial statements and if the conditions for including provisions are satisfied.

Periodic interest charges and similar expenses are charged to the year for which they are owed.

Where grants are involved, the commitment accounting system is applied. That is, when the grant is allocated, the entire grant is recognized directly as an expense (regardless of when this payment takes place). This applies, for example, to personnel grants from NWO-I for a university tenure-track position.

Personnel expenses

Salaries and social charges (including pension contributions) are recognized in the statement of income and expenditure on the basis of the employment conditions, insofar as they are payable to employees.

NWO-I is affiliated with the Stichting Pensioenfond ABP. ABP is a sectoral pension fund with a defined benefit pension plan (multi-employer defined benefit scheme). Given that the pension plan is a multi-employer plan, the pension plan has been accounted for as a defined contribution plan.

The pension regulations prescribe a policy funding ratio of 128.2%, a limit that may be flexible depending on the interest rate and asset portfolio. ABP's year-end 2019 policy funding ratio was 95.8%. A decrease of almost 8%-point compared to year-end 2018, but still below the policy funding ratio. A recovery plan should ensure that ABP gets the policy funding ratio to at least 128.2% within a maximum of 10 years from 2017. A recovery plan is purely a calculation to be able to decide whether the pensions must be reduced.

The premise is that the pension expense to be recognized in the reporting period is equal to the pension contributions payable to the pension fund for that period. A liability is recognized for any pension contributions payable that remain unsettled on the balance sheet date. If the pension contributions already paid by the balance sheet date exceed the pension contributions payable, an asset is recognized under prepayments and accrued income if the fund will refund this amount or offset it against future payable pension contributions.

A provision is also recognized at the balance sheet date for existing additional liabilities to the fund and employees if it is probable that an outflow of funds will be required to settle those liabilities and the amount of the liabilities can be reliably estimated. Whether or not additional liabilities exist is assessed on the basis of the administration agreement with the fund, the pension agreement with the employees and other (explicit or implicit) commitments to employees. The provision is measured at the best estimate of the present value of the amounts required to settle the liabilities on the balance sheet date.

The group recognizes a liability if the group has demonstrably made an unconditional commitment to pay a severance or transition payment. If the dismissal is part of a reorganization, the group

recognizes the cost of a severance or transition payment in a provision for reorganization costs.

Financial income and expenditure

Interest income is recognized on a time-proportionate basis in the statement of income and expenditure. This takes into account the effective interest rate of the asset concerned, if the amount is determinable and likely to be received.

Periodic interest charges and similar expenses are charged to the year for which they are owed.

Result from participating interests

The share in the results of investee companies includes the group's share in the results of these investee companies. Gains and losses on transactions that involved the transfer of assets and liabilities between the group and the non-consolidated participating interests, or between its participating interests themselves, are not recognized if they can be deemed unrealized. The results of participating interests acquired or disposed of during the fiscal year are recognized in the result of NWO-I from the moment of acquisition and until the moment of disposal, respectively.

Cash flow statement

The cash flow statement has been prepared in accordance with the indirect method.

The cash in the cash flow statement consists of liquid assets and short-term securities. The securities can be considered highly liquid investments. Short-term highly liquid investments can be converted into cash without restrictions and without material risk of impairment as a result of the transaction.

Exchange rate differences on cash are shown separately in the cash flow statement.

Income and expenditure arising from interest, dividends received and tax on profits are included in cash flow from operating activities. Dividends paid are included under the cash flow from financing activities.

The acquisition price of acquired group companies and the sale price of sold group companies are included in cash flow from investing activities, to the extent that payment in cash has been made. Cash present in these group companies has been deducted from the purchase price or sale price respectively.

Transactions involving no exchange of cash are not included in the cash flow statement.

8 Balance sheet on December 31, 2019 after result appropriation

	12-31-2019	2019 Budgeted	12-31-2018
	x €1,000	x €1,000	x €1,000
Assets			
Fixed assets			
Intangible fixed assets	36	17	410
Tangible fixed assets	125,823	127,661	123,894
Financial fixed assets	2,288	1,609	1,983
	128,147	129,287	126,287
Current assets			
Receivables	35,330	34,460	36,402
Liquid assets	129,971	109,046	138,378
	165,301	143,506	174,780
Total assets	293,448	272,792	301,067
Liabilities			
Equity	86,040	83,135	93,391
Provisions	11,665	9,213	9,434
Long-term liabilities	84,226	80,000	84,594
Current liabilities	111,517	100,445	113,648
Total liabilities	293,448	272,792	301,067

9 Statement of income and expenditure after profit appropriation

	2019	2019 Budgeted	2018
	x €1,000	x €1,000	x €1,000
Income			
State contributions	113,648	113,448	114,153
Other government contributions and grants	1,609	1,008	740
Income from work for third parties	84,308	83,864	94,975
Other income	5,965	6,969	6,193
Total income	205,530	205,289	216,061
Expenses			
Personnel expenses	142,706	140,464	137,744
Depreciation/amortization	6,687	9,649	7,932
Housing expenses	8,160	7,928	7,784
Other expenses	55,302	59,558	67,257
Total expenses	212,855	217,598	220,717
Balance of income and expenditure	-7,325	-12,309	-4,656
Realized revaluation	-	-	-
Financial income and expenditure	-22	-234	-37
Result	-7,347	-12,543	-4,693
Taxes	-	-	-
Result from participating interests	-4	-	-28
Result after taxes	-7,351	-12,543	-4,721
Third-party share in result	-	-	-
Total result	-7,351	-12,543	-4,721

10 Cash flow statement

	12-31-2019		12-31-2018	
	x €1,000	x €1,000	x €1,000	x €1,000
Cash flow from operating activities				
Balance of income and expenditure	-7,325		-4,656	
<u>Adjustments for:</u>				
Depreciation/amortization	14,311		15,106	
Changes in provisions	2,231		302	
Interest expenses associated with interest subsidies	0		10,309	
Change in working capital				
Receivables (-/-)	17,576		10,731	
Current liabilities	-28,247		-10,041	
Total cash flow from operations	-1,454		21,751	
Interest received	23		25	
Interest paid (-/-)	-45		-62	
	-22		-37	
<u>Total cash flow from operating activities</u>		-1,476		21,714
Cash flow from investing activities				
Investments in tangible fixed assets (-/-)	-13,409		-11,532	
Disinvestments in tangible fixed assets	-		39	
Investments in intangible fixed assets (-/-)	-13		-	
Disinvestments in intangible fixed assets	-		-	
Investments in participating interests and/or joint ventures (-/-)	-		-	
Investment grants received in advance	6,800		-	
Movements in loans (-/-)	-		-	
Other investments in FVA (-/-)	-309		31	
<u>Total cash flow from investing activities</u>		-6,931		-11,462
Cash flow from financing activities				
Newly taken loans	-		-	
Repayments on long-term liabilities (-/-)	-		-	
<u>Total cash flow from financing activities</u>		-		-
Other balance sheet movements		-		-
<u>Movement in liquid assets</u>		-8,407		10,253
Balance at start of fiscal year	138,378		128,125	
Balance at end of fiscal year	129,971		138,378	
Movement in liquid assets	-8,407		10,253	

11 Notes to the balance sheet

ASSETS

Intangible fixed assets

	Purchase price 01-01-2019	Depreciation cumulative 01- 01-2019	Book value 01-01-2019	Investments 2019	Commissioning 2019	Investments 2019	Depreciation 2019	Other impairments +/- 2019	Purchase price 12-31- 2019	Cumulative depreciation + Other downward value adjustments 12-31-2019	Book value 12- 31-2019
	x €1,000	x €1,000	x €1,000	x €1,000	x €1,000	x €1,000	x €1,000	x €1,000	x €1,000	x €1,000	x €1,000
Intangible fixed assets											
Costs of research and development	846	819	27	13	-	-	21	-	859	840	19
Concessions, licenses and intellectual property rights	-	-	-	-	-	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-	-	-	-	-	-
Prepaid on intangible fixed assets	-	-	-	-	-	-	-	-	-	-	-
Other intangible fixed assets	1,463	1,080	383	-	-	-	366	-	1,463	1,446	17
Intangible fixed assets	2,309	1,899	410	13	-	-	387	-	2,322	2,286	36

The intangible fixed assets are the capitalized costs of the acquisition of software, website, promotional films and a new finance system. €366k was written off in 2019 on the finance system which was put into use in 2016.

Tangible fixed assets

For comparative purposes, the statement of movements for 2018 is presented in addition to the statement of movements in the tangible fixed assets for 2019.

	Purchase price 01-01- 2018	Depreciation cumulative 01-01-2018	Book value 01-01-2018	Investments 2018	Commissioning 2018	Disinvestments 2018	Depreciation 2018	Other impairments +/- 2018	Purchase price 12-31- 2018	Cumulative depreciation + Other downward value adjustments 12-31-2018	Book value 12- 31-2018
	x €1,000	x €1,000	x €1,000	x €1,000	x €1,000	x €1,000	x €1,000	x €1,000	x €1,000	x €1,000	x €1,000
Tangible fixed assets											
Buildings	158,078	61,284	96,794	1,082	18	91	7,957	-90	159,087	69,151	89,936
Land	1,357	1,357	1,357	1,696	-	-	-	-	3,053	-	3,053
Inventory and equipment	88,662	64,651	24,011	4,536	511	1,379	6,311	-1,340	92,330	69,622	22,708
Other tangible fixed assets	9,270	6,579	2,691	15	-	-	437	-	9,285	7,016	2,269
Fixed assets under construction and prepaid on tangible fixed assets	1,703	-	1,703	4,754	-529	-	-	-	5,928	-	5,928
Tangible fixed assets not in service to operations	-	-	0	-	-	-	-	-	-	-	-
Tangible fixed assets	259,070	132,514	126,556	12,083		1,470	14,705	-1,430	269,683	145,789	123,894

	Purchase price 01-01- 2019	Depreciation cumulative 01-01-2019	Book value 01-01-2019	Investments 2019	Commissioning 2019	Disinvestments 2019	Depreciation 2019	Other impairments +/- 2019	Purchase price 12-31- 2019	Cumulative depreciation + Other downward value adjustments 12-31-2019	Book value 12- 31-2019
	x €1,000	x €1,000	x €1,000	x €1,000	x €1,000	x €1,000	x €1,000	x €1,000	x €1,000	x €1,000	x €1,000
Tangible fixed assets											
Buildings	159,087	69,151	89,936	2,156	3,139	-	7,907	2	164,382	77,060	87,322
Land	3,053	-	3,053	-	-	-	-	-	3,053	-	3,053
Inventory and equipment	92,330	69,622	22,708	3,667	547	-	5,589	2	96,544	75,213	21,331
Other tangible fixed assets	9,285	7,016	2,269	-	-	-	432	-	9,285	7,448	1,837
Fixed assets under construction and prepaid on tangible fixed assets	5,928	-	5,928	10,038	-3,686	-	-	-	12,280	-	12,280
Tangible fixed assets not in service to operations	-	-	0	-	-	-	-	-	-	-	-
Tangible fixed assets	269,683	145,789	123,894	15,861	-	-	13,928	4	285,544	159,721	125,823

The tangible fixed assets increased as a result of investments (€15,861k).

- Increase in Buildings, €5,295k, of which €2,965k at NIOZ for the new building in Yerseke and €1,606k at Nikhef for the climate project; of this increase, €2,156k relates to investments and €3,139k relates to commissioning of the related assets in the reporting year.
- Increase in Inventory and equipment, €4,214k, of which €2,026k relates to Non-project related equipment, partly for the benefit of the new building in Yerseke and €1,349k relates to Non-project-related computer equipment mainly at CWI for regular maintenance; of this increase, €3,667k relates to investments and €547k relates to commissioning of the assets in question during the reporting year.

- Increase in Assets Under Construction, €6,352k, of which €9,391k relates to the proposed New SRON building and in addition there is commissioning of assets which were still Under Construction at the end of 2018 €3,686k. Depreciation amounted to €13,928k, with depreciation of Buildings €7,907k and Inventory and equipment €5,589k. The depreciation on Other tangible fixed assets amounts to €432k, which mainly relates to the ships at NIOZ. At year-end 2019, the tangible fixed assets amounted to €125,832k, therefore increasing by €1,929k.

Land

Ownership

NWO-I owns the following lots of land:

- Landsdiep 4 and Zuider Haaks 5 and 7 in Den Hoorn (Texel, section P, number 704)
The main building of NIOZ is located on this lot.
- Korringaweg 7 in Yerseke (Reimerswaal, section Y, number 869 (previously 407))
The branch location of NIOZ is located on this lot. Ownership of the land was acquired as of 12-20-2018.
- Oude Torenstraat 39 in Yerseke, (Yerseke, section G, number 6808)
The guest accommodation of NIOZ is located on this lot.
Veenschapsweg in Schoonebeek (Schoonebeek, section C, number 5183 (file name: 208 Schoonebeek property deed)).

Leasehold

NWO-I is leaseholder of the following lots:

- Science Park 104 in Amsterdam (Watergraafsmeer, section B number 5192 (created from 5057))
AMOLF is located on this lot. The leasehold ends on November 30, 2060.
- Science Park 105 and 107 in Amsterdam (Watergraafsmeer, section B, numbers 5054 and 5055)
Nikhef and the UvA are located on this lot. The leasehold ends on November 30, 2060.
- Science Park 108 in Amsterdam (Watergraafsmeer, section B number 5187 (created from 5106))
This lot contains the PiMu laboratory building that will be used by Nikhef as of June 1, 2019. The leasehold ends on December 31, 2023.
- Science Park 123 in Amsterdam (Watergraafsmeer, section B, number 4046)
CWI is located on this lot. The leasehold ends on December 31, 2023.
- Science Park in Amsterdam (Watergraafsmeer, section B, number 5188 (created from 5106))
There is no building on this lot. The leasehold ends on December 31, 2023.
- Science Park in Amsterdam (Watergraafsmeer, section B, number 5189 (created from 4876))
There is no building on this lot. The leasehold ends on December 31, 2023.
- Sorbonnelaan 2 in Utrecht (Utrecht, section N, number 1017)
SRON is located on this lot. The leasehold ends on December 31, 2082.
- Niels Bohrweg in Leiden (Leiden, section X, number 4620)
New construction is being built on this lot for SRON.
- Oude Hoogeveensedijk 4 in Dwingeloo (Dwingeloo, section E, numbers 1560 and 1602)
The main building of ASTRON is located on this lot. The leasehold ends on January 31, 2042.
- Schattenberg 1 in Zwiggelte (Westerbork, section A, numbers 2957 and 3131 and Rolde, section T, number 1661)
A total of 14 parabolic antennas of ASTRON, the Westerbork Synthesis Radio Telescope (WSRT), are located on these lots.
At numbers 2957 and 3131 there are 12, 2 of which are mobile. There is also a small office building and some other structures (including a shed).
At number 1661, about 1.5 kilometers east, are two more mobile radio telescopes.
The leasehold ends for all plots on January 31, 2026.
- De Zaale 20 in Eindhoven (Tongelre, section D, number 1197 (partial))
DIFFER is located on this lot. The leasehold ends on September 11, 2063.

NOTE 1: The land of NIOZ Haven is leased from the Municipality of Texel. As such, NIOZ Haven falls under NIOZ Holding and is therefore not a direct part of the NWO-I foundation and does not need to be disclosed in the NWO-I financial statements/board report.

NOTE 2: The “Watergraafsmeer, section B, number 4045” lot at Science Park in Amsterdam is held in leasehold by Stichting SURF and concerns the WCW building section Z (including Conference rooms, Boiler house and small area with CWI and Nikhef offices).

This lot is subject to an easement for use by CWI, Nikhef and Stichting Beheer WCW. The leasehold ends on December 31, 2023.

Rights of superficies and user agreements

ASTRON has concluded 34 rights of superficies, including for the LOFAR antennas, other outdoor stations, cables and pipelines. ASTRON also has 4 land user agreements, for the construction, use and maintenance of infrasound sensors.

Buildings

The buildings owned by NWO-I comprise the following locations:

• Science Park 102 in Amsterdam	AMOLF
• Science Park 104 in Amsterdam	AMOLF
• Science Park 105 in Amsterdam	Nikhef (main building)
• Science Park 107 in Amsterdam	Nikhef
• Science Park 108 in Amsterdam	Nikhef (laboratory building)
• Science Park 110 in Amsterdam	Nikhef (office building)
• Oude Hoogeveensedijk 4 in Dwingeloo	ASTRON
• Schattenberg 1 in Zwiggelte	ASTRON
• Schattenberg 2 in Zwiggelte	ASTRON
• Emelangen 0 in Wijster	ASTRON
• Science Park 123 in Amsterdam	CWI
• De Zaale 20 in Eindhoven:	DIFFER
• Landsdiep 4 in Den Hoorn	NIOZ
• Zuider Haaks 5 in Den Hoorn	NIOZ
• Zuider Haaks 7 in Den Hoorn	NIOZ
• Zuider Haaks 18 in Den Hoorn	NIOZ
• Zuider Haaks 20 in Den Hoorn	NIOZ
• Korringaweg 7 in Yerseke	NIOZ
• Oude Torenstraat 39 in Yerseke	NIOZ
• Meerpaalweg 3 in Yerseke	NIOZ
• Sorbonnelaan 2 in Utrecht	SRON

The UvA wing adjoining Nikhef is owned by NWO-I. NWO-I has granted the UvA right of use until the end of the leasehold/superficies of NWO-I with NWO. The UvA is entitled to sublet. The private sale value of the buildings was appraised in December 2015.

The insured value of all movable and immovable assets, irrespective of whether they are owned, managed, or utilized by NWO-I, as well as the movable and immovable assets for which NWO-I bears responsibility, amounts to €703,415k as of January 1, 2020.

The property valuation [WOZ-waarde] of the real estate owned by NWO-I is €83,828k (reference date January 1, 2018).

Financial fixed assets

	Book value 01-01- 2019	Investments and loans provided 2019	Disinvestments and loans repaid 2019	Other movements +/- 2019	Results of participations +/- 2019	Book value 12-31- 2019
	x €1,000	x €1,000	x €1,000	x €1,000	x €1,000	x €1,000
Financial fixed assets						
Other participating interests	1,535	-	-		-4	1,531
Receivables from group companies (NWO)	-	-	-	-		-
Receivables from other participating interests	-	-	-	-		-
Receivables from OCW/ EZ	-	-	-	-		-
Receivables from Municipalities and Joint Arrangements	-	-	-	-		-
Other receivables	448	-	-	309		757
	1,983	-	-	309	-4	2,288
Financial fixed assets						

Other participating interests

This concerns the 100% interest in:

- Astrotec Holding BV (ATH) with registered office in Dwingeloo €609,000
- CWI Incubator with registered office in Amsterdam €247,000
- NIOZ Holding with registered office in Texel, which includes NIOZ Haven BV (100%) and the participating interest in Control Union Water BV (39%) €576,000
- Particle Physics Inside Products BV (P2IP), with registered office in Amsterdam €99,000

Other receivables

NWO-I provides money loans as part of the valorization of research results. At the start of the year under review, loans had been made to three parties, namely Particle Physics Inside Products BV (P2IP), Innoseis and Delft Circuits (total outstanding balance €100k). In addition, a permanent advance was provided to WCW (€350k) and a Prepaid VAT debt of €307k was recognized in connection with ARCNL's housing.

3.1 Affiliated parties

NWO provides ICT, facility services and housing for the NWO-I office. NWO charges on €900k to NWO-I for this. NWO-I receives €900k for this as part of the basic grant.

Name	Legal form 2019	Domicile	Code activities	Equity December 31, 2019	Result of year 2019	Income 2019	Article 2:403 of the Dutch Civil Code	Participation	Consolidatio n	Equity December 31, 2018	Result of year 2018	Income 2018
				x €1,000	x €1,000					x €1,000	x €1,000	
Stichting Wetenschappelijk Centrum Watergraafsmeer (WCW)	Foundation [Stichting]	Amsterdam	4	TBD	TBD		No	0%	No			
Employers association [Vereniging]	Association	The Hague	4	TBD	TBD			0%				
Research institutions (WVOI)	Cooperative	Eindhoven	4	-	-		No	0%	No			
Cooperative Association Environment TU/e												
Campus	Association [Vereniging]											
AstroTec Holding BV	Private company [BV]	Dwingeloo	4	609	-150	1,097	No	100%	No	759	1	493
Dysi Analytics	Private company [BV]	Assen	4				No	17%	No			
Dysi Software Innovations	Private company [BV]	Visvliet	4				No	17%	No			
Dutch Sigma	Private company [BV]	Dwingeloo	4				No	20%	No			
Sigma Opto-Mechanics	Private company [BV]	Dwingeloo	4				No	20%	No			
ILA Microservers	Private company [BV]	Dwingeloo	4	-3	-1	-	No	100%	No	-2	-1	-
Lofar C.V.	Limited partnership [CV]	Dwingeloo	4					25%				
Stichting LOFAR	Foundation [Stichting]	Dwingeloo	4				No	0%	No			
Stichting JIV-ERIC	ERIC Foundation	Dwingeloo	4				No	0%	No			
Stichting CAMRAS	Foundation [Stichting]	Dwingeloo	4				No	0%	No			
Stichting ILT	Foundation [Stichting]	Dwingeloo	4					0%	No			
Stichting International LOFAR Telescope	Foundation [Stichting]	Dwingeloo	4				No	N/A	No			
NIOZ Holding	Private company [BV]	Den Hoorn	4	497	-1	-	Yes	100%	No	498	-29	-
NIOZ Haven	Private company [BV]	Den Hoorn	4	195	28	300	No	100%		167	26	334
Control Union Water	Private company [BV]	Den Hoorn	4	470	51	1,258	No	39%	No	330	-53	652
Particle Physics Inside Products (P2IP)	Private company [BV]	Amsterdam	4	99	79	-	No	100%	No	20		10
Amsterdam Scientific Instruments Holding (ASIH)	Private company [BV]	Amsterdam	4				No	0%	No			
Amsterdam Scientific Instruments	Private company [BV]	Amsterdam	4					0%				
Omics2Image Sensiflex	Private company [BV]	Maastricht	4				No	0%	No			
Wikunde en Informatica Conferenties	Private company [BV]	Amsterdam	4				No	0%	No			
CWI Incubator	Foundation [Stichting]	Amsterdam	4	33	8		No	100%	No	25	3	
Internationales Begegnung- und Forschungszentrum für Informatik Schloss Dagstuhl GmbH	Private company [BV]	Amsterdam	4	241	10-			100%		251	-1	
MonetDB	gGmbH	Wadern, D	4	TBD	TBD		No	0%	No			
MonetDB Solutions	Private company [BV]	Almere	4	TBD	TBD			17%		note	note	
Spinque Photosynthetic	Private company [BV]	Almere	4	TBD	TBD			5%		note	note	
Stokhos	Private company [BV]	Utrecht	4	TBD	TBD		No	22%	No	note	note	
Seita Energy Flexibility	Private company [BV]	Amsterdam	4	TBD	TBD		No	30%	No	note	note	
Datapex SWAT.holding	Private company [BV]	Amsterdam	4	TBD	TBD		No	50%	No	note	note	
Stichting Netherlands eScience Center	Private company [BV]	Amsterdam	4	TBD	TBD		No	10%		note	note	
Coöperatie SURF U.A.	Private company [BV]	Amsterdam	4	TBD	TBD		No	8%	No	note	note	
Joint arrangement Darwin	Arrangement [Gemeenschapsoepelijke regeling]	Amsterdam	4	TBD	TBD		No	25%	No	note	note	
Center for Bioeconomy	Foundation [Stichting]	Amsterdam	4	TBD	TBD		No	N/A	No			
	Cooperative [Coöperatie]	Utrecht	4	TBD	TBD		No	N/A	No			
	Joint Arrangement [Gemeenschapsoepelijke regeling]		4	N/A	N/A		No	N/A	No			

Covenant Netherlands Space Office			4	N/A	N/A		No	N/A	No			
Data Archiving and Networked Services			4	N/A	N/A		No	N/A	No			
ESRF			4	N/A	N/A		No	N/A	No			
European and Developing Countries			4	N/A	N/A		No	N/A	No			
Clinical Trials Partnership			4	N/A	N/A		No	N/A	No			
European Polar Board			4	N/A	N/A		No	N/A	No			
SKA Organization			4	N/A	N/A		No	N/A	No			
ZonMw			4	N/A	N/A		No	N/A	No			
				<u>2,141</u>	<u>4</u>	<u>2,655</u>				<u>2,048</u>	<u>-54</u>	<u>1,489</u>

Legend for Code table: 1. Contract education, 2. Contract research, 3. Real estate, 4. Other

It should be noted that the 2019 annual figures included in this table are draft figures.

CURRENT ASSETS

Short-term receivables

	12-31-2019	12-31-2018
	x €1,000	x €1,000
Receivables		
Accounts receivable general	7,687	9,056
Receivables from Municipalities and Joint Arrangements	-	-
Receivables from group companies (NWO)	7,788	9,381
Receivables from other participating interests	513	58
Receivables from personnel	93	99
Other authorities	-	-
Valuation of Projects in progress	1,089	917
Other receivables	12,978	13,814
Taxes and social insurance contributions	80	423
Prepaid costs	6,524	4,042
Advances provided	-	-
Interest receivable	-	-
Other prepayments and accrued income	-1	125
Less: Provision for irrecoverability -/-	-1,421	-1,513
Receivables	35,330	36,402

The amount of accounts receivable as of 12-31-2019 is €7,687k (2018: €9,056k).

The decrease (€1,369k) is caused by a decrease in trade receivables (€1,112k), which is particularly evident at Nikhef (€1,038k) and NWO-I General (€1,127k). In contrast, AMOLF and NIOZ show an increase in the trade receivables position at year-end (€472k and €519k, respectively)

The item Receivables from Group Companies (NWO) balance at year-end 2019 (€7,788k) includes the outstanding balance of grant projects to be received (2019: €5,555k, 2018: €6,565k).

Valuation of Projects in progress

	12-31-2019	12-31-2018
	x €1,000	x €1,000
Valuation of Projects in progress		
Realized billable costs NWO	-	598
Expected losses -/-	-	-
Invoiced installments -/-	-	-515
Valuation of projects in progress NWO	-	84
Realized billable third-party costs	3,148	3,910
Expected losses -/-	-	-
Invoiced installments -/-	-2,059	-3,077
Valuation projects In progress third-parties	1,089	833
Valuation of Projects in progress	1,089	917

The balance of the valuation of projects in progress with a debit position involves research projects for which the research costs at year end exceed their invoiced installments. On balance, a net amount remains to be claimed from the relevant financiers. A position of Projects in Progress exists at SRON and, to a lesser extent, at NSCR.

Other receivables

	12-31-2019	12-31-2018
	x €1,000	x €1,000
Other receivables third parties	2,240	1,234
Other receivables affiliated parties Advances on grant projects for	-	208
third parties	10,738	12,372
<u>Other receivables</u>	<u>12,978</u>	<u>13,814</u>

The balance of Other receivables decreased by €836k compared to 2018, of which €1,634k relates to advances on third-party grant projects. The balance represents grant projects where year-end research costs exceeded their declared installments. On balance, a net amount remains to be claimed from the relevant financiers. The decrease in this item is particularly noticeable at CWI, Nikhef and the BUW.

	12-31-2019	12-31-2018
	x €1,000	x €1,000
<i>Taxes and social insurance contributions</i>		
Payroll taxes	-	-
Turnover tax	76	406
Social insurance contributions	-	-
Other taxes	4	17
<u>Taxes and social insurance contributions</u>	<u>80</u>	<u>423</u>

Prepaid expenses amount to €6,524k, which is €2,482k higher than at the end of 2018, which is due to the 2020 ESRF prepaid contribution (€2,824k).

	12-31-2019	12-31-2018
	x €1,000	x €1,000
<i>Provision for irrecoverability</i>		
Balance as at January 1	-1,513	-1,513
Withdrawal (+/+)	-92	-29
Allocation (-/-)	-	29
<u>Less: provision for irrecoverability</u>	<u>-1,421</u>	<u>-1,513</u>

Liquid assets

Liquid assets decreased by €8,407k in 2019 compared to the end of 2018. In particular, a decrease was noted at CWI (€2,789k), NIOZ (€2,196k) and NWO-I General (€14,007k), while SRON showed an increase (€9,685k) due to pre-financing for the New building in Leiden (€6,800k).

	12-31-2019	12-31-2018
	x €1,000	x €1,000
Cash	22	17
Bank account balances	174	1,354
Current account balance Treasury banking	129,775	137,007
<u>Liquid assets</u>	<u>129,971</u>	<u>138,378</u>

- Liquid assets consist of cash and bank balances and are freely available to the institution with the exception of €369k;
- Liquid assets of €369k are not freely withdrawable due to bank guarantees issued to the lessor of the premises at the Van Vollenhovenlaan Utrecht and to the lessor of the premises at the Science park Amsterdam;
- The intraday limit at ABN-AMRO Bank is €10,200k.

LIABILITIES

Equity

	Balance as of 01-01- 2018 x €1,000	Result +/- 2018 x €1,000	Other movements +/- 2018 x €1,000	Balance at 12-31- 2018 x €1,000
General reserve	1,612	-7	-	1,605
Earmarked reserve (public)	79,344	8,162	-	87,506
Earmarked reserve (private)	-	-	-	-
Earmarked fund (public)	17,102	-12,837	-	4,265
Earmarked fund (private)	54	-39	-	15
Revaluation reserve	-	-	-	-
Other legal reserves	-	-	-	-
Reserves under the articles	-	-	-	-
Third-party share	-	-	-	-
Equity	98,112	-4,721	-	93,391
	Balance as of 01-01- 2019 x €1,000	Result +/- 2019 x €1,000	Other movements +/- 2019 x €1,000	Balance at 12-31- 2019 x €1,000
General reserve	1,605	-145	-	1,460
Earmarked reserve (public)	87,506	-5,316	-	82,190
Earmarked reserve (private)	-	-	-	-
Earmarked fund (public)	4,265	-1,890	-	2,375
Earmarked fund (private)	15	-	-	15
Revaluation reserve	-	-	-	-
Other legal reserves	-	-	-	-
Reserves under the articles	-	-	-	-
Third-party share	-	-	-	-
Equity	93,391	-7,351	-	86,040

The movements in Equity are the movements based on the appropriation of the net result in 2019. In 2019, NWO-I has a negative result of €7,351k. The Equity thus moves from €93,391k at the end of 2018 to €86,040k at the end of 2019.

The general reserves decreased by €145k to €1,460k. The movement occurs at NWO-I General, the institutes do not have a general reserve.

The earmarked reserve (public) decreases by €5,316k in 2019.

The earmarked reserve is intended for, among other things:

- specific financial risks (to be specified and approved by Foundation Board)
- depreciation charges of buildings, building-related installations (as long as there is no maintenance plan for the buildings) and infrastructure investments
- the mismatch in time between operating grants for new construction and renovation and the associated expenses (in particular, the new SRON building and renovation of Nikhef)
- buffer capital without specific allocation.

The main decrease occurred within the BUW due to the expiration of the research contracts. The remaining balance of the

earmarked reserve within the BUW is €18,671k.

The earmarked public funds decreased by €1,890k to €2,375k. The remaining balance of earmarked funds consists mainly of the sector plan funds within the BUW (€2,128k).

The earmarked funds private at the end of 2018 amounts to €15k. This is the remaining balance of a donation of €250k which, in agreement with the donor, has been used for a research project of a young researcher in the field of fundamental cosmology.

	Balance as of 01-01-2019 x €1,000	Newly awarded 2019	Result +/- 2019 x €1,000	Other movements +/- 2019 x €1,000	Balance at 12-31-2019 x €1,000
<i>Earmarked fund (public)</i>	-	-	-	-	-
Sector plan	3,903	-	-1,775	-	2,128
Einstein telescope	345	-	-115	-	230
Investment in clean room	17	-	-	-	17
New ASTRON building	-	-	-	-	-
Interest on loan new DIFFER building	-	-	-	-	-
Mission Strengthening & Society Impulse	-	-	-	-	-
Earmarked fund (public)	4,265	-	-1,890	-	2,375
<i>Earmarked fund (private)</i>	-	-	-	-	-
Private funds (ANBI)	15	-	-	-	15
Earmarked fund (private)	15	-	-	-	15

Foundation capital

The foundation capital is €45.38.

Provisions

	Balance as of 01-01-2019 x €1,000	Allocations 2019 x €1,000	Withdrawals 2019 x €1,000	Release 2019 x €1,000	Interest rate movement (at present value) 2019 x €1,000	Balance at 12-31-2019 x €1,000	Short-term portion < 1 year x €1,000	long-term > 1 year x €1,000
Provisions								
Personnel provisions	6,400	4,308	-1,320	-756	-	8,632	2,583	6,049
Provision for loss-making contracts	-	-	-	-	-	-	-	-
Other provisions	3,034	-	-1	-	-	3,033	-	3,033
Provisions	9,434	4,308	-1,321	-756	-	11,665	2,583	9,082
Breakdown Provisions								
	x €1,000	x €1,000	x €1,000	x €1,000	x €1,000	x €1,000	x €1,000	x €1,000
Personnel-related provisions								
Provision for social policy, reorganizations and other legal status	1,413	100	-	-214	-	1,299	294	1,005
Leave savings and sabbatical leave	-	-	-	-	-	-	-	-
Own risk W/GA	-	-	-	-	-	-	-	-
Provision for long-service awards	967	175	-46	-53	-	1,043	68	975
Unemployment contributions	797	987	-126	-212	-	1,446	527	919
Long-term sick	-	1,456	-	-	-	1,456	27	1,429
Other personnel provisions	3,223	1,590	-1,148	-277	-	3,388	1,667	1,721
Total personnel provisions	6,400	4,308	-1,320	-756	-	8,632	2,583	6,049

Provisions are generally long-term in nature.

Provisions increased by €2,231k to €11,665k.

Personnel-related provisions

The Provision for social policy, reorganizations and other legal positions amounts to €1,299k and mainly concerns the reorganization provision at NIOZ, which was set up to cover future salary costs of redundant employees. An amount of €1,199k was reserved for this at the end of 2019. In connection with the relocation of SRON from Utrecht to Leiden, a

provision for reorganization was made (€100k).

The Long-service provision (€1,043k) relates to future obligations to employees in respect of bonuses based on the current CLA. The provision is measured at the nominal value of the expenditures expected to be necessary to settle the obligation.

Unemployment contributions

Based on the forecast, the provision increased by €649k. The allocation for 2019 amounts to €987k, of which €396k is assigned to CWI and €479k to NIOZ. The withdrawal amounted to €126k and the release amounted to €212k. The balance of unemployment benefits amounted to €1,446k.

Long-term sick

In case of illness, NWO-I is obligated to continue paying employees 100% of their salary during the first year and 70% during the second, or 85% in case of sufficient reintegration. Pursuant to DAS 271, a provision has been created for the future salary costs of employees who are sick on December 31, 2019 and for whom it is fairly certain that they will not return to work or will not return to work fully.

The liability is calculated as the present value of future salary payments and transition payments.

This provision was created in 2019 and amounts to €1,456k.

The Other personnel provisions (€3,388k) consists of:

1. €2,100k from the provision for *Transition payment under the Work and Security Act* (of which €698k at the BUW) and
2. *Other provisions* of €1,288k, this includes the *Generation Plan Scheme* (€521k) and provisions at SRON.

These provisions are detailed below.

Transition payment under the Work and Security Act

NWO-I employees who, after temporary employment, do not leave voluntarily are entitled to a transition payment in accordance with the Work and Security Act and the supplementary Balanced Labor Market Act. As a result of amended legislation (Balanced Labor Market Act), as of January 1, 2020, a provision must be created for all temporary employees, regardless of the period of their employment. Until January 1, 2020, a minimum employment period of two years applied. This results in the need to make provision for more employees. After all, temporary employment contracts of up to two years are now also entitled to a (low) transition payment, in contrast to previous years. This, together with the fact that "incumbent" employees have accrued higher entitlements, leads to an increase in the provision for almost all organizational units of NWO-I, if we exclude the BUW's employment relationships. However, due to the decrease in staff in the BUW, the overall level shows a decrease.

This provision decreased by €104k on balance in 2019. The provision at year-end 2019 was €2,100k (2018: €2,204k).

Generation Plan scheme

This provision for future payments to current participants of the Generation Plan for Research Institutions is based on a calculation of the rights accrued by employees up to the end of the year. This exclusively concerns the rights of employees who are actually using the scheme as of the balance date. The scheme came into effect for the first time with the 2018-2019 CLA for Research Institutions. The balance at year-end 2019 was €800k.

The other provisions within the personnel provisions concern a contribution to the salary costs for employees who have transferred to other employment (term of 5 years starting January 1, 2017). On the other hand, it concerns a provision for the Euclid project in which SRON made a commitment in 2012 for a contribution of a total of €700k (running through 2023).

Other provisions

The item Other provisions within Provisions includes the Provision for remediation of radioactive materials PiMu. The basement of the PiMu building, located on a lot at the Amsterdam Science Park which NWO-I holds in leasehold until the end of 2023, contains radioactivity that arose in the 1980s. NWO-I has an obligation to ensure proper disposal of the radioactive materials prior to termination of the leasehold. The cost of removal will be equally shared between NWO-I and landowner NWO. In 2016, the required scope of the total provision was determined and the provision was immediately recognized in its entirety in the 2016 fiscal year. An estimation uncertainty exists in the amount determined, because it will not be known how much radioactivity is still present and what the actual cost will be until the actual removal takes place. In accordance with DAS 252, the NWO contribution has been deducted from the expenses. Short-term receivables include the NWO contribution of €1,536k (€1,269k excl. VAT) as receivable from NWO.

Long-term liabilities

	Balance as of 01-01-2019	Loans taken out	Repayments	Balance at 12-31-2019	Term > 1 year	Term > 5 years
	x €1,000	x €1,000	x €1,000	x €1,000	x €1,000	x €1,000
Amounts owed to group companies (NWO)	-	-	-	-	-	-
Amounts owed to other participating interests	-	-	-	-	-	-
Amounts owed to credit institutions	-	-	-	-	-	-
Amounts owed to Ministry of Finance	-	-	-	-	-	-
Amounts owed to municipalities and Joint Arrangements	-	-	-	-	-	-
Investment grants received in advance (long-term)	84,594	6,800	-7,168	84,226	84,226	57,727
Long-term liabilities	84,594	6,800	-7,168	84,226	84,226	57,727

The balance of long-term liabilities concerns the investment grant received from NWO in advance, being the pre-financing of new construction and renovation projects. In 2019, an amount of €6,800k was also received from the Municipality of Leiden and Province of Zuid-Holland for the benefit of SRON's New Building in Leiden. There is also a Conditional right provided by NWO for the Housing New Construction Leiden. At the end of the year under review, this right still amounted to €40,368k.

9. Current liabilities

	12-31-2019	12-31-2018
	x €1,000	x €1,000
Amounts owed to group companies (NWO)	35,812	39,117
Amounts owed to other participating interests	155	169
Amounts owed to credit institutions	-	-
Amounts owed to Ministry of Finance	-	-
Amounts owed to municipalities and Joint Arrangements	-	-
Pre-invoiced installments Projects	120	374
Accounts payable	6,826	4,413
Taxes and social insurance contributions	7,325	7,293
Pensions	1,708	1,550
Liabilities in respect of work for third parties	-	-
Other	8,000	8,564
Investment grants Received in advance (short-term)	6,579	6,815
Amounts received in advance	1,104	1,222
Vacation pay and days	14,383	12,519
Interest payable	-	-
Other accrued liabilities	29,505	31,612
Current liabilities	111,517	113,648

The total of current liabilities is €111,517k and has decreased by €2,131k.

The decrease in Amounts Owed to Group Companies (€3,305k), is explained as follows:

Grant Projects NWO received in advance decreased by €3,076k. In particular, a decrease occurred at ASTRON (€1,034k), CWI (€1,210k), DIFFER (€1,008k) and the BUW (€1,553k). NIOZ notes an increase of €1,524k compared to the 2018 reporting year.

The BUW is expiring and no new projects will be added, therefore this item will decrease annually until it reaches zero. For the other institutes, this item fluctuates annually depending on the projects granted, the installment receipts and expenses incurred in a fiscal year. NIOZ was awarded a number of NWO projects in 2019 including a VICI of which 80% will be disbursed at inception as the first tranche, being €1.2m.

Pre-invoiced installments Projects

	12-31-2019	12-31-2018
	x €1,000	x €1,000
Pre-invoiced installments Projects		
Realized billable costs NWO	-	-
Expected losses -/-	-	-
Invoiced installments -/-	-	-
Valuation pre-invoiced NWO	-	-
Realized billable third-party costs	-	-171
Expected losses -/-	-	-
Invoiced installments -/-	120	545
Valuation pre-invoiced third parties	120	374
Pre-invoiced installments Projects	120	374

The item Pre-invoiced installments Projects relates to research projects for which the invoiced installments at the end of the year under review exceed the realized research costs. Compared to 2018, the balance decreased by €254k at SRON.

	12-31-2019	12-31-2018
	x €1,000	x €1,000
Accounts payable	6,826	4,413

The balance of accounts payable is €2,413k higher compared to 2018, manifested in particular at Nikhef and SRON due to invoices still to be paid for the New Building.

	12-31-2019	12-31-2018
	x €1,000	x €1,000
Taxes and social insurance contributions		
Payroll taxes	6,860	6,776
Turnover tax	465	517
Social insurance contributions	-	-
Other taxes	-	-
Taxes and social insurance contributions	7,325	7,293

The decrease in the item Other (€564k) mainly relates to short-term debts to third parties. At the BUW, these payables decreased by €1,862k, due to approximately €2m higher accrued expenses for FELIX/HFML and TUD being included at the end of 2018 compared to 2019. In contrast, an increase of €708k can be observed for Nikhef due to contributions still to be paid for SurfSara and EGO. On balance, minor changes compared to 2018 can be observed for the other institutes (increase €590k).

Other accrued liabilities are the items Other accrued liabilities and Third-party grant projects, according to the specification below:

	2019	2018
Other accrued liabilities		
Other accrued liabilities	2,151	930
Third-party grant projects	27,354	30,682
Other accrued liabilities	29,505	31,612

Third-party grant projects decreased by €3,328k. Nikhef (€970k), NIOZ (€1,446k), SRON (€1,079k) and the BUW (€3,165k) record a decrease, while AMOLF (€832k) and ASTRON (€3,210k) show an increase compared to last reporting year. On balance, the movement for the other institutes represents a decrease of €710k compared to 2018.

The BUW is expiring and no new projects will be added, therefore this item will decrease annually until it reaches zero. For the other institutes, this item fluctuates annually depending on the projects granted, the installment receipts and expenses incurred in a fiscal year.

At ASTRON, the increase includes an item of €1,460k to be paid to project partners (end 2018: nil).

9. Off-balance sheet rights and liabilities

The amounts included in the statement of off-balance sheet rights and liabilities exclude VAT, and VAT generally increases costs for NWO-I.

Off-balance sheet commitments								
(amounts x €1,000)	12-31-2018 Movements		12-31-2019 < 1 year		2 to 5 years, inclusive	From 5 years onward	Total	
1. Contingent liabilities and unrecognized liabilities								
a) Claims submitted by third parties	0	0	0	0	0	0		
b) Guarantees and sureties issued, etc.	17,854	-1,178	16,676	1,172	5,012	10,492	16,676	
c) Liabilities from orders for tangible fixed assets	2,710	30,290	33,000	24,992	8,008	0	33,000	
d) Other off-balance sheet liabilities	4,005	3,814	7,819	4,947	2,479	394	7,819	
Future liabilities	0	0	0	0	0	0	0	
Fiscal unit for VAT NWO and NWO-I	0	0	0	0	0	0	0	
TOTAL contingent liabilities and unrecognized liabilities	24,569	32,926	57,495	31,111	15,499	10,886	57,495	
2. Long-term financial liabilities								
a) Rights of use and other rights (leasehold, superficies, rental, lease and leasing)	3,957	319	4,276	948	1,393	1,935	4,276	
b) Obligations under partnerships and potential risks of financial setbacks arising from these commitments.	360	-268	93	55	38	0	93	
TOTAL Long-term financial liabilities	4,317	52	4,369	1,003	1,431	1,935	4,369	
TOTAL Off-balance sheet liabilities	28,886	32,978	61,864	32,114	16,929	12,821	61,864	

Off-balance sheet rights								
(amounts x €1,000)	12-31-2018 Movements		12-31-2019 < 1 year		2 to 5 years, inclusive	From 5 years onward	Total	
1. Contingent rights and unrecognized rights								
a) Claims submitted to third parties	0	40,368	40,368	1,392	5,568	33,408	40,368	
b) Other	0	501	501	479	22	0	501	
TOTAL Off-balance sheet rights	0	40,869	40,869	1,871	5,590	33,408	40,869	

Contingent liabilities and unrecognized liabilities

Claims submitted by third parties

There are no claims filed by third parties.

Guarantees and sureties issued, etc.

Compared to 2018, the liability decreased by €1,178k, which included an expiration of the €1,425k ARCNL lease agreement. The lease obligation at ARCNL with the effective date being the date of handover and a term until December 31, 2033 amounts to €15,876k at the end of the reporting year.

A bank guarantee was also issued for ARCNL in the amount of €286k. As part of ARCNL's collaboration with UvA and VU, the financial position of the in-kind contribution was determined at year-end. At year-end 2019, it had increased by €247k.

Liabilities from orders for tangible fixed assets

Compared to 2018, the liability increased by €30,290k, which includes an expiration of €1,568k and new liabilities of €31,858k, which include €31,717k related to the award to the MedicomZes-Kuipers consortium for the New SRON Building in Leiden.

Other off-balance sheet liabilities

Compared to 2018, the liability increased by €3,814k, including an expiration of €1,468k. New liabilities in 2019 amount to €5,283k, being €1,444k in research contracts at SRON, €1,413k related to the hiring third parties at the Office and €593k at ASTRON for Building Maintenance and Catering.

Future liabilities

For 2019 and beyond, NWO-I has committed itself as far as the BUW is concerned by means of project allocations. Furthermore, NWO-I holds multiple commitments to provide financial contributions to partnerships.

NWO-I's personnel is its largest asset. NWO-I therefore has liabilities for its personnel as well, both when it comes to permanent and temporary staff. All of these liabilities result from NWO-I's normal business operations and are covered from the grant contributions from NWO and contracts concluded with third parties.

Fiscal unit for VAT NWO and NWO-I

On September 28, 2017, the request was submitted to the Tax Authorities for a fiscal unit for VAT between NWO and NWO-I as of January 1, 2017. Although formal confirmation has not yet been received, the financial statements for 2018

and 2019 have been prepared under the assumption that the fiscal unit for VAT purposes has been established. A consequence of a fiscal unit is that NWO-I becomes (jointly and severally) liable for the tax debts of this fiscal unit as a whole.

Long-term financial liabilities

Rights of use and other rights

Compared to 2018, user fees and other rights are lower by €138k, including €116k related to the VU-NWO/NSCR Lease Agreement.

Liabilities under cooperative arrangements and potential risks of financial setbacks arising from these liabilities

Compared to 2018, these liabilities decreased by €268k.

Off-balance sheet rights

Contingent rights and unrecognized rights

a. Claims submitted to third parties

This concerns the Housing New Construction Leiden: NWO allocates an annual grant to SRON/NWO-I (€19,700k in 2020), which includes an unearmarked basic grant of €1,392k per year. This grant must be recognized as 100% income and, consequently, flows through the statement of income and expenditure to the earmarked reserve in equity (annually until 2048).

b. Other

At the end of the reporting year, these amount to €501k for the NWO-I office. This balance represents part of the salary costs that can be recovered from third parties. these amount to €501k, concerning the NWO-I office, part of whose salary costs can be charged to third parties.

12 Notes on statement of income and expenses

INCOME

State contributions

	2019	2018
	x €1,000	x €1,000
State contributions		
State contributions OCW/EZK via NWO	113,148	113,514
Other grants OCW/EZK through NWO	500	639
<u>State contributions</u>	113,648	114,153

The total State contributions are €113,648k, which is €5,050k lower than the position at the end of 2018. The decrease is due to a one-time income realization in 2018 for the Pelagia cash shift (€2,308k) while the expiration of the Pelagia cash shift occurred in 2019 (€824k). In addition, NWO made allocations in 2019 for the Nikhef Renovation and the SRON Housing Costs (total approx. €2,700k)

Government contributions/grants from other authorities

	2019	2018
	x €1,000	x €1,000
Provincial contributions and grants Other	282	518
Municipal and Joint arrangement contributions and subsidies	91	222
Other authorities	1,236	-
<u>Other government contributions and grants from other authorities</u>	1,609	740

The other government contributions and grants from other authorities concerns a provincial contribution from the Province of Noord-Brabant and from the Municipality and Eindhoven Region for DIFFER (€373k) as well as the contribution from the Ministry of Economic Affairs and Justice and Security at ASTRON (€1,196k) under the item Other authorities as newly started projects in 2019.

Income from work for third parties (contract activities)

	2019	2018
	x €1,000	x €1,000
Contract research	82,452	92,401
License revenue	-	-
Other income from work for third parties	1,856	2,574
<u>Income from work for third parties (contract activities)</u>	84,308	94,975

The total income from work for third parties (contract activities) amounted to €84,308k and was €10,667k less than at year-end 2018.

	2019	2018
	x €1,000	x €1,000
International organizations	14,950	15,432
National authorities	7,583	7,959
NWO	41,260	49,028
KNAW	-	4
Other nonprofit organizations	8,011	5,851
Businesses	10,647	14,127
<u>Contract research</u>	<u>82,453</u>	<u>92,401</u>

The income Contract research (€82,453k) decreased by €9,948k compared to 2018, which is mainly reflected in:

- income International organizations (€14,950k) decreased by €482k. Particularly at ASTRON (€1,599k, less Asterics income) and NWO-I General (€485k) there is a decrease, while SRON (€2,041) notes an increase due to more ESA income.
- the income National governments (€7,583k) decreased €376k.
- NWO's income at the end of 2019 is €41,260k, including €16,412k related to NWO expiration Granting (2018: €22,938k). The expiration of Granting is a result of the granting commitments made by the former FOM and guaranteed by NWO.
- the income from Other Non-profit organizations (€8,011k) increased by €2,160k, particularly at ASTRON (€1,231k) and NIOZ (€555k)
- the income from Businesses (€10,647k) decreased by €3,480k. The decrease is particularly visible at the BUW (€1,471k), due to the expiration of projects) but also at ASTRON (€1,580k), DIFFER (€481k) and SRON (€1,197k).

The BUW's income decreased in particular because of the expiration of Granting, whereby the annual contribution from NWO to fulfill the granting commitments each year will decrease to zero in 2023. The income for projects by NWO and third-party projects is determined by the annual expenses and changes mainly with grants received in advance from NWO and third parties. In due course, as the projects reach completion, these items will diminish to nil as well. After all, there will be no new projects.

For the institutes, the income in these items fluctuates yearly depending on newly awarded projects and on the expenses incurred in a fiscal year, or the income is determined using the PoC method.

Other income

The character of this income, with the exception of rental income, is incidental.

	2019	2018
	x €1,000	x €1,000
Rental income	4,106	4,182
Secondment of personnel	290	105
Gifts	-	-
Sponsoring	16	-
Catering revenue	-	-
Other	1,553	1,906
<u>Other income</u>	<u>5,965</u>	<u>6,193</u>

Rental income

Nikhef has agreements for an indefinite period of time with over 160 parties for the use of facilities in the Nikhef data center. As a result, this has become a structural source of income for Nikhef.

It concerns income in the context of internet *exchange housing* and the renting out of buildings not used for research.

Rental income decreased by €76k compared to 2018.

Other

Other income amounts to €1,553k and is €353k lower than in 2018, which is particularly visible at NIOZ due to a VAT refund and damage payment Pelagia included under this item last year. This is not the case in 2019.

EXPENSES

	2019	2018
	x €1,000	x €1,000
Expenses		
Personnel expenses	142,706	137,744
Depreciation/amortization	6,687	7,932
Housing expenses	8,160	7,784
Other expenses	55,302	67,257
Total expenses	212,855	220,717

Personnel expenses

	2019	2018
	x €1,000	x €1,000
Personnel expenses		
Wages, salaries, social insurance and pension costs	124,007	117,861
Other personnel expenses	18,915	20,118
Fees received -/-	-216	-235
Personnel expenses	142,706	137,744

Breakdown

<i>Wages and salaries</i>		
Wages and salaries	95,522	92,613
Social insurance costs	12,105	11,877
Pension contributions	16,380	13,371
<u>Wages and salaries</u>	<u>124,007</u>	<u>117,861</u>
<i>Other personnel expenses</i>		
Allocations personnel provisions	2,588	2,520
Non-employee personnel expenses	4,940	4,454
Other	11,387	13,144
<u>Other personnel expenses</u>	<u>18,915</u>	<u>20,118</u>
Other benefits that reduce personnel expenses -/-	-216	-235

The personnel expenses amounted to €142,706k and increased by €4,962k compared to 2018. The increase in costs is particularly visible in Wages and salaries (€2,909k) due to the increase in collective labor agreement salaries of 2.4%. Nikhef (€735k), NIOZ (€2,955k) and SRON (€1,287) show the largest increase, which can also be related to staffing levels, while the BUW shows a decrease (€2,342k) in salary costs due to the successive expiration of contracts. At SRON and Nikhef, and to a lesser extent at NIOZ, the increase is partly related to an increase in staffing levels. At NIOZ, there was a release of €1,526k from the provision for reorganization in 2018.

The item pension premiums amounts to €16,380k, which is €3,009k higher than last year. This increase is partly explained by higher premiums and partly by the additional pension costs involved (€1,610k), which were also taken into account in the Leave days still payable.

Other personnel expenses (€18,915k) are €1,203 lower than at the end of 2018, with a decrease in the item Other of €1,757k and an increase in expenses of staff not on the payroll of €486k. ASTRON increased its hiring of temporary staff by €535k. Other personnel expenses, from payroll, are uniformly accounted for under other personnel expenses in 2019 and at the BUW, other personnel expenses decrease by €954k, which is related to lower salary costs due to the decrease in staffing levels at the BUW. At NIOZ, there is a higher coverage of salary expenses due to higher salary costs, which reduces other expenses (on balance by €971k).

The number of FTEs at year-end is 1,765 which is FTE 94 lower than at year-end 2018. In particular, the BUW showed a decreasing workforce (113.7 FTE), which is in line with the expiration of the research projects within the BUW. 220.3 FTE remain at the BUW at the end of 2019.

Mention based on WNT

On January 1, 2013, the Senior Executives in the Public and Semi-Public Sector (Standards for Remuneration) Act (WNT) came into effect. The WNT applies to NWO-I. The maximum remuneration applicable for NWO-I was €194,000.00 (General Maximum Remuneration) in 2019. The senior executives identified within our organization with an employment contract are not employed by any other WNT-liable institution(s) as senior executives (entered into as of January 1, 2019).

1a. Senior executives with an employment contract and senior executives without an employment contract as of the 13th month of job performance.

Table 1a Senior executives with an employment contract													
amounts x €1	C. Offerhaus - Hooijer	H.J. Bakker	M.C.M. van de Sanden	S.C.M. Bernsteijn	J.W.M. Franken	J.C.M. Beeten	H. Brinkhuis	C.A. Jackson	M.W. Wisse	L.B.F.M. Meurs	Ph van der Laan	C.C.J.H. Bijleveld	C.C.J.H. Bijleveld
Job details	NWO-I director	Director Amolf	Director DIFFER	Director Nihaf	Director ARCNL	Director CWI	Director NOZ	Director ASTRON	Director SRON	Senior Scientist A <->	Interim director NSCR	Director NSCR	Senior researcher 1 <1>
Start and end of job performance in 2019	01/01 - 8/12	01/01 - 12/31	01/01-12/31	01/01 - 12/31	01/01 - 12/31	01/01 - 12/31	01/01 - 12/31	01/01 - 12/31	01/01 - 12/31	01/01 - 12/31	09/01 - 12/31	01/01 - 08/31	09/01 - 12/31
Part-time factor in FTE (notional) employment?	1	1	1	1	1	0.9	1	1	1	1	1	1	0.9474
	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Remuneration													
Remuneration and taxable expense allowances	€ 74,341.39	€ 139,690.60	€ 162,734.03	€ 162,734.03	€ 151,777.38	€ 146,462.89	€ 165,636.43	€ 115,179.22	€ 123,197.32	€ 139,478.68	€ 38,771.68	€ 91,085.50	€ 38,974.17
Remuneration payable over time	€ 12,021.62	€ 20,433.38	€ 20,874.96	€ 20,874.96	€ 20,819.12	€ 18,793.08	€ 20,874.96	€ 20,228.40	€ 19,873.80	€ 20,227.32	€ 6,483.12	€ 12,775.68	€ 6,387.84
Remuneration	€ 66,363.01	€ 160,033.96	€ 183,608.99	€ 183,608.99	€ 172,396.50	€ 165,245.97	€ 186,711.39	€ 135,407.82	€ 143,071.12	€ 159,708.20	€ 45,254.20	€ 103,881.18	€ 45,362.01
Individually applicable remuneration maximum	€ 119,097.53	€ 194,000.00	€ 194,000.00	€ 194,000.00	€ 194,000.00	€ 174,600.00	€ 194,000.00	€ 194,000.00	€ 194,000.00	€ 194,000.00	€ 64,843.84	€ 122,382.85	€ 61,433.05
-/- Undue amount paid													
Total remuneration	€ 66,363.01	€ 160,033.96	€ 183,608.99	€ 183,608.99	€ 172,396.50	€ 165,245.97	€ 186,711.39	€ 135,407.82	€ 143,071.12	€ 159,708.20	€ 45,254.20	€ 103,881.18	€ 45,362.01
Reason why the excess is or is not allowed	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2018 data													
Start and end of job performance in 2018	01/01 - 12/31	01/01 - 12/31	01/01 - 12/31	01/01 - 12/31	01/01 - 12/31	01/01 - 12/31	01/01 - 12/31	01/01 - 12/31	01/01 - 12/31	01/01 - 12/31	01/01 - 12/31	01/01 - 12/31	01/01 - 12/31
Part-time factor 2018 in FTE	1	1	1	1	1	0.9	1	1	1	1	1	1	0.9474
(Notional) employment relationship	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	Yes	yes	yes
Remuneration plus payable expense allowances	€ 107,595.11	€ 142,138.98	€ 158,702.61	€ 158,702.61	€ 148,382.27	€ 142,756.02	€ 158,702.61	€ 116,872.05	€ 136,012.53	€ 128,858.17			
Remuneration payable over time	€ 17,850.00	€ 18,576.84	€ 19,107.60	€ 19,107.60	€ 18,965.44	€ 17,146.56	€ 19,019.88	€ 17,895.56		€ 18,927.60		€ 17,495.24	
Subtotal	€ 125,277.11	€ 160,716.82	€ 177,810.21	€ 177,810.21	€ 167,257.71	€ 159,902.58	€ 177,722.49	€ 134,567.61	€ 154,840.13	€ 146,357.41		€ 146,357.41	
Individually applicable remuneration maximum	€ 189,000.00	€ 189,000.00	€ 189,000.00	€ 189,000.00	€ 189,000.00	€ 170,100.00	€ 189,000.00	€ 189,000.00	€ 189,000.00	€ 189,000.00		€ 179,059.60	
Total remuneration 2018	€ 125,277.11	€ 160,716.82	€ 177,810.21	€ 177,810.21	€ 167,257.71	€ 159,902.58	€ 177,722.49	€ 134,567.61	€ 154,840.13	€ 146,357.41		€ 146,357.41	
<1> Officer is designated as a senior executive until no later than September 1, 2023 in connection with previous position as Director NSCR.													
<-> Officer is designated as a senior executive until no later than December 31, 2022 in connection with previous position as Director SRON.													
Table 1b Senior executives without employment contract													
amounts x €1	EJT van de Berg a.s.												
Job details	Director of Operations a.s.												
Calendar year	2019												
Start and end of job performance in 2019	09/02 - 12/31												
Number of calendar months of job performance in the calendar year	4												
(Notional) employment?	yes												
Indiv. Applicable remuneration cap													
Maximum hourly rate in the calendar year	€ 187.00												
Maximums based on standard monthly amounts?	€ 103,600												
Individually applicable maximum entire period calendar month 1	€ 87,833.90												
through 12													
Remuneration (all amounts excluding VAT)													
Actual hourly rate lower than the maximum hourly rate?	Yes												
Remuneration in the relevant period	€ 61,061												
Remuneration entire period calendar month 1 through 12	€ 61,061												
Amount unduly paid and not yet recovered													
Reason why the excess is or is not allowed	N/A												
Explanation of claim for undue payment	N/A												
Total remuneration	€ 61,061												

Top officers with remuneration of €1,700 or less

Table Executive Board		
Name of senior executive	Position	
C.C.A.M. Gielen	President	
C.E. Visser	Vice president	
J.C. Schouten	Board member	
H.W. van den Doel	Board member	
L.J. Braakman	Board member	until January 13, 2019
N.J. Lopes Cardozo	Board member	from September 1, 2019
J.J.G. Geurts	Board member	

Accountability regarding the income of board members is provided in the NWO Annual Report.

Table 2 Benefit due to termination of employment	
amounts x €1	C. Offerhaus - Hooijer
Job details	NWO-I director
Employment in FTE	1
Year in which employment ended	2019

Benefit due to termination of employment	
Agreed benefits due to termination of employment	€ 6,571.06
Individually applicable maximum	€ 75,000.00
Total benefits due to termination of employment	€ 6,571.06
Of which paid in 2019	€ 6,571.06
Amount unduly paid and not yet recovered	N/A

Depreciation/amortization

	2019 x €1,000	2018 x €1,000
Depreciation/amortization		
Amortization on intangible fixed assets	387	401
Depreciation on tangible fixed assets	6,417	7,604
Depreciation charges passed on	-117	-73
<u>Depreciation/amortization</u>	<u>6,687</u>	<u>7,932</u>
	2019 x €1,000	2018 x €1,000
<i>Breakdown</i>		
Depreciation on tangible fixed assets	13,929	14,705
Movements in investment grants (-/-)	-7,512	-7,101
Total depreciation on tangible fixed assets	<u>6,417</u>	<u>7,604</u>

Depreciation of tangible fixed assets (€13,929k) is €776k less than in 2018, mainly due to lower depreciation charges at ARCNL (€284k), DIFFER (€293k) and Nikhef (€224k), partly because an additional depreciation charge was recognized in the 2018 financial statements in connection with the change in accounting policy Buildings

Investment grants (being a contribution from NWO for New Construction) have been deducted from depreciation of tangible fixed assets.

Housing expenses

	2019 x €1,000	2018 x €1,000
Housing expenses		
Rent expenses	816	567
Insurance expenses	371	391
Maintenance expenses (minor maintenance)	2,020	2,512
Energy and water	2,865	2,273
Cleaning costs	1,007	1,016
Housing taxes and levies	486	514
Other housing expenses	596	511
<u>Housing expenses</u>	<u>8,160</u>	<u>7,784</u>

The increase in Housing expenses amounted to €376k compared to 2018. Besides the increase in Rent charges (€249k, at

ARCNL in particular), there is more Energy charges (€592k, of which €295k at Nikhef, due to higher energy tariffs) and less Maintenance costs (€493k, especially at NIOZ due to more major maintenance, which has been capitalized according to the component method).

Other expenses

	2019 x €1,000	2018 x €1,000
Other expenses		
Administration and management expenses	15,014	23,463
Inventory and equipment	6,356	8,729
Allocation to other provisions	-38	-23
Other	33,970	35,088
<u>Other expenses</u>	55,302	67,257
 Administration and management expenses		
ICT costs	1,214	1,333
Outsourced work	4,540	4,568
Auditor's costs	938	665
Interest expenses associated with interest subsidies	-	10,309
Other administration and management expenses	8,321	6,588
Administration and management expenses	15,013	23,463
 <i>Breakdown Auditor's costs</i>		
Cost of audit of financial statements	710	598
Other audit engagements	22	29
Advice on tax matters	6	-
Other non-audit services	200	38
<u>Auditor's costs</u>	938	665
 Other		
Research-related costs	27,323	29,351
Travel and subsistence expenses	4,734	5,560
Other expenses	1,914	177
Other costs	33,970	35,088

The Other expenses amount to €55,302k and are therefore €11,955 lower than 2018.

This includes €10,309k related to the return of the interest subsidy obtained in previous years (Administration and management costs), which, as a result of the settlement agreement between NWO and NWO-I, has been fully charged to the result in 2018 (ASTRON €2,909k, NIOZ €287k, NWO-I General €7,113k). Other items remained almost the same compared to 2018.

The item Inventory and equipment decreased by €2,373k compared to 2018. Particularly at DIFFER, less acquisitions were made in 2019 for inventory and equipment (€1,165k) as well as at the BUW (€994k).

The item Other (€33,970k) decreased by €1,118k, consisting of a decrease in research-related expenses by €2,028k and a decrease in travel and accommodation expenses by €826k in addition to an increase of €1,737k in other expenses.

For the BUW, in 2019, Other expenses decreased by a total of €1,578k compared to 2018. This is explained by the completion of more than 120 projects in 2019, which has reduced activity in the BUW.

The audit costs for the audit of the 2019 financial statements have been fully accounted for to the best of the available knowledge. The expenses included under this item for 2019 relate to the current auditor Ernst & Young Accountants LLP. In addition, €200k was included as Other non-audit services for support on the Financial Statements 2018 by EY Advisory.

Netherlands LLP (standard advisory services). The item other audit engagements of €33k relates to the audit of projects by Ernst & Young Accountants LLP, of which €11k together with the item other audit engagements other network of €6k are included under research-related costs.

2019 amounts x €1,000	Ernst & Young Accountants LLP	Other network	Total network
Audit of the financial statements	710		710
Other audit engagements	33	6	39
Tax consultancy		6	6
Other non-audit services	200		200
Total	943	12	955

Other network items concern €6k for R.S. Accounting Statia B.V. (St. Eustatius) for NIOZ for other audit engagements and €3k for KroeseWevers Audit B.V. and €3k for PricewaterhouseCoopers Accountants N.V. for advisory services in tax matters.

Financial income and expenditure

	12-31-2019 x €1,000	12-31-2018 x €1,000
Financial income		
Interest receivable and similar income	23	25
<u>Financial income</u>	<u>23</u>	<u>25</u>
Financial expenses		
Interest payable and similar expenses	45	62
<u>Financial expenses</u>	<u>45</u>	<u>62</u>
<u>Financial income and expenditure</u>	<u>-22</u>	<u>-37</u>
<u>Result from participating interests</u>	<u>-4</u>	<u>-28</u>

Financial income and expenditure amounted to €-22k and concerned interest income for Starter Loans (€23k) as well as bank charges, exchange rate and cash differences (€45k).

In 2019, the result on investments is negative €4k. In 2018, the result was negative €28k.

NET RESULT

The result for the 2019 financial year amounts to negative €7,351k and is allocated within equity according to the specification below. For further explanation, see the relevant balance sheet items in the Notes to the balance sheet.

	2019 x €1,000	2019 Budgeted x €1,000	2,018 x €1,000
Distribution of result			
-Movement in general reserve	-145	-	-7
-Movement in earmarked reserves (public)	-5,316	-8,388	8,162
-Movement in earmarked Funds	-1,890	-4,155	-12,876
-Movement in other components	-		0
Total distribution of result	-7,351	-12,543	-4,721

13 Notes cash flow statement

The cash flow statement provides a different understanding of NWO-I's cash flow and shows what caused the decrease in liquidity of €8,407k.

On balance, cash flow from operating activities resulted in a decrease of €1,476k mainly due to the depreciation (€14,311k), Receivables (€17,576k) and a decrease in Liabilities (€28,247k).

The cash flow from investing activities results in a decrease in liquid assets of €6,931k, mainly due to investments in the tangible fixed assets (-€13,409k) and Investment grant received in advance for the New SRON Building (€6,800k).

14 Events after balance sheet date

Like all organizations worldwide, NWO-I is facing the COVID-19 pandemic or coronavirus crisis. To date, the ultimate consequences of this outbreak remain unclear, both for society as a whole and NWO-I in particular. NWO-I has already taken various measures to ensure the continuity of activities, but will continue to closely monitor developments in the coronavirus outbreak in the coming months ahead and take additional measures where necessary. To date, no events have occurred after the balance sheet date that could materially alter the picture given in the financial statements.

OTHER INFORMATION

15 Independent auditor's opinion

16 Provisions in the articles on result appropriation

The articles contain no stipulations concerning the result appropriation.

The following is an English translation of the independent auditor's report issued 9 June 2020.

Independent auditor's report

To: the board of the Foundation for Dutch Scientific Research Institutes,

Report on the financial statements 2019 included in the annual report

Our opinion

We have audited the financial statements 2019 of the Foundation for Dutch Scientific Research Institutes, based in Utrecht.

In our opinion the financial statements included in this annual report give a true and fair view of the financial position of the Foundation for Dutch Scientific Research Institutes as at 31 December 2019, and of its result for the year 2019 in accordance with the RJ-Richtlijn 660 Onderwijsinstellingen (Dutch Generally Accepted Accounting Principles for Educational Institutions) and in accordance with the provisions contained in Wet Normering Topinkomens (WNT) (Standards for Remuneration Act).

Emphasis of matter due to COVID-19

The financial statements comprise:

- The balance sheet as at 31 December 2019;
- The statement of income and expense for the year 2019;
- The notes comprising of a summary of the accounting policies and other explanatory information.

Emphasis of matter relating to uncertainty about Corona

The developments around the Corona (Covid-19) pandemic have a profound impact on people, society and on the economy. This impacts operational and financial performance of organizations and the assessment of the ability to continue as going concern. The financial statements and our auditor's report thereon reflect the conditions at the time of preparation. The impact may continue to evolve, giving rise to the inherent uncertainty.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing and the Auditing Protocol for WNT 2019. Our responsibilities based on these are further described in the 'Our responsibilities for the audit of the financial statements' section of our report. The Foundation for Dutch Scientific Research Institutes is confronted with this uncertainty as well, that is disclosed in the Board report on pages 31 and the disclosure in paragraph Events after the balance sheet date in the annual report on page 85. We draw attention to these disclosures. Our opinion is not modified in respect of this matter.

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

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

Compliance with anti-cumulation provision of WNT is unaudited

In accordance with the “Controleprotocol WNT 2019” (WNT Auditing Protocol 2019), we did not audit the compliance with the anti-cumulation provision in Section 1.6a of the WNT and Section 5(1) (n and o) of the “Uitvoeringsregeling WNT” (WNT Implementation Regulation). Therefore, we did not audit whether or not a remuneration maximum was exceeded by a senior management official as a result of possible employment as senior management official at other institutions that are subject to the WNT, nor did we audit whether the required disclosure is accurate and complete in this respect.

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 :

- Board Report
- Other data

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 all information in accordance with the RJ-Richtlijn 660 Onderwijsinstellingen (Dutch Generally Accepted Accounting Principles for Educational Institutions)

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 RJ-Richtlijn 660 Onderwijsinstellingen 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 Board is responsible for the preparation of the other information, including the board report and other data in accordance with the RJ-Richtlijn 660 Onderwijsinstellingen .

Description of responsibilities for the financial statements

Responsibilities of the Board for the financial statements

The Board is responsible for the preparation and fair presentation of the financial statements in accordance with the RJ-Richtlijn 660 Onderwijsinstellingen and in accordance with the provisions contained in Wet Normering Topinkomens (WNT). In this respect, the Board is also responsible for such internal control as the Board determines is necessary to enable the preparation of the financial statements and compliance with relevant laws and regulations, without material misstatements, whether due to fraud or error.

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

Our responsibilities for the audit of the financial statements

Our responsibility 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 maintained professional skepticism throughout the audit and have exercised professional judgment where relevant, in accordance with Dutch Standards on Auditing, de Regeling Controleprotocol WNT 2019 (Regulation Auditing Protocol WNT), 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,
 - illegitimately generating of income and expenditures as well as movements in the balance sheet that are of material importance
- 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 internal control of the education institution's internal control;
- Evaluating the appropriateness of accounting policies used, the financial criteria applied for legitimacy and the reasonableness of accounting estimates and related disclosures made by the board;
- Concluding on the appropriateness of the 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 education institution's ability of 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 institution 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 and whether the income and expenditure recognized in the financial statements as well as movements in the balance sheet have in all material respects been legitimately generated.

We communicate with the 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.

Utrecht, 9 June 2020

Ernst & Young Accountants LLP

D.E. Engwerda RA

LIST OF ABBREVIATIONS

ABP	General Pension Fund for Public Employees [Algemeen Burgerlijk Pensioenfonds]
AMOLF	Physics of functional complex matter (institute)
AO	Administrative organization
ARCNL	Advanced Research Centre for Nanolithography
ASTRON	Netherlands Institute for Radio Astronomy
BUW	the Administrative Unit for Research Groups at Universities
CLA	collective labor agreement
CWC	central works council
CWI	Centrum Wiskunde & Informatica
DIFFER	Dutch Institute for Fundamental Energy Research
DUBBLE	Dutch-Belgian BeamLinE
ENW	NWO Exact sciences and Physics
ERC	European Research Council
EU	European Union
EZK	Ministry of Economic Affairs and Climate
FOM	Foundation for Fundamental Research on Matter
FTE	full time equivalent
IC	internal control
KNAW	Royal Netherlands Academy of Sciences
Nikhef	National Institute for subatomic physics
NIOZ	Royal Netherlands Institute for Sea Research
NSCR	Netherlands Institute for the study of Crime and Law enforcement.
NWO	Dutch Research Council
NWO-I	Foundation for Dutch Scientific Research Institutes
PhD	trainee researcher
OCW	Ministry of Education, Culture and Science
P2IP	Particle Physics Inside Products BV
PPS	Public Private Partnerships
RU	Radboud University Nijmegen
RUG	University of Groningen
Executive Board- NWO	NWO Executive Board
Supervisory Board	NWO Supervisory Board

SEP	Standard Evaluation Protocol
SKA	Square Kilometer Array
SRON	Netherlands Institute for Space Research
TTW	NWO Domain of Applied and Technical Sciences
TUD	Delft University of Technology
TU/e	Eindhoven University of Technology
UU	Utrecht University
UvA	University of Amsterdam
VSNU	Association of Cooperating Dutch Universities
VU	Vrije Universiteit
WISE	Women In Science Excel (program)
WNT	Top Income Standardization Act
WVOI	Employers Association Research Institutions
WW	Unemployment Law

Colophon

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