MARS PENSIOEN FONDS

Annual Report

2021

Stichting Mars Pensioenfonds
Established in 1964

Statutory seat in Meierijstad
Trade Register of the Chamber of Commerce number: 41081174

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REPORT OF THE PENSION BOARD

INTRODUCTION BY CHAIRMAN

With the disappearance of the negative effects of Covid-19 on financial markets our investment position went to above Euro 1.9 billion versus liabilities of close to Euro 1.4 billion leading to a Funded Status of 138% by the end of 2021. This was the terrific result from the return on our investments close to 10% and a light increase in interest rates. The policy funding ratio reached 130% which was 12% above the required solvency position by DNB. The strong improvement in our financial position made us decide to cover our position through the already existing Tail Risk Hedging programme during the month of May. Whilst towards year-end we reached the second de-risking trigger, which decreased downward risks even more still leaving open sufficient upside. This is in the interest of all our stakeholders.
Since the beginning of 2022 interest rates have risen further as a result of inflationary expectations.

On the basis of the financial position at the end of September we were able to grant an indexation of 1.75% as at 1 January 2022. As the financial position at the end of September was not yet high enough to grant the full indexation there is a catch-up indexation of nearly 0.5% that we hope to be able to pay as from 1 January 2023. Also, there is a small cap coming from the Wage Index, which we hope to be able to pay as soon as the Wage Index rises above the Target Indexation, but always together with a regular indexation.

The whole of 2021 all our work and that of our partners was done from home pretty much like in 2020 and even up till April 2022. It has been impressive that we were able to complete the transition from TKP, Groningen to Blue Sky Group (BSG), Amstelveen. BSG is now our new Pension Provider as from 1 January 2022. BSG is also the Pension Provider for the KLM Pension Funds and the Pension Fund of Phillips.

We are paying increasing attention to the ESG element of our investment policy, i.e. behaving as a responsible and aware investor and have been working on an updated policy document that we approved in the first quarter of 2021. Additions are ESG beliefs on top of our investment beliefs and we have agreed to become signatory to the UNPRI. This is an initiative of the United Nations with regards to Principles of Responsible Investing. By signing we declare that we agree that ESG factors matter and need to be considered seriously. We have adjusted our website to inform beneficiaries of MPF. The ESG policy is not a stationary point but will be further developed over the next years as it has become a permanent factor of consideration.

The Pension Board took the initiative together with the Business to set up a joint project structure to deal with the WTP (Wet Toekomst Pensioenen). This will take effect as soon as possible in 2022.

We also spend a lot of time on our Governance and People planning. As part of our Integral Risk Management (IORP-2) we now have Key Function Holders (KFH) in place for Risk Management, Actuarial and Internal Audit.
Since a couple of years, we work with a Talent Pool from which we can source new Board or Committee members when vacancies arise. One person in the talent pool is Paul van Beek. As Wim van de Laar stepped down in 2021 as Board member representing the members, we have proposed Paul to DNB to succeed him by June 2022. Other people in the Talent Pool are Joris Janssen and Eric van Deijck. As we decided to increase the Accountability Council from 3 to 6 members because of important decisions as to the WTP ("Wet Toekomst Pensioenen"), we were able to appoint them to the Accountability Council in March 2022 as representatives of the Members. As Harry Faassen resigned as Board member on behalf of Beneficiaries, he was able to join the Accountability Council as Beneficiaries representative. Both the members and retirees were supportive in the appointment of all new Accountability members and Pension Board members. Judith Vermeulen who joined the Pension Office in 2021, changed role in the Accountability Council from the member side to the employer side.

Finally, we have worked on the transition from me to our proposed new Chairman, Fred Nieuwland. This was decided and communicated in December 2021.

I would like to wish Fred, and all new members of the Pension Board and Accountability Council a lot of success in the future.

Veghel, 16 June 2022

William van Ettinger
Chairman of the Board

1 KEY FIGURES

	2021	2020	2019	2018	2017
Members and retirees					
Active members	1,294	1,336	1,388	1,401	1,414
- Final Pay Plan	467	506	607[1]	601	649
- ARP/ASP Plan	827	830	781	800	765
Deferred members	1,299	1,277	1,267	1,223	1,145
Retirees	1,420	1,373	1,289	1,263	1,230
Retirees per type					
Old age pension	1,107	1,074	987	958	927
Partner- and orphan pension	313	299	302	305	303
Pensions					
Cost covering contribution	32.8%	49.1%	33.6%	31.6%	32.7%
Smoothed cost covering contribution	21.6%	27.3%	22.1%	20.4%	17.6%
Actual contribution	25.0%	21.1%	7.2%[2]	23.1%	25.0%
Execution- and administration costs	3,866	2,843	2,805	2,357	2,407
Benefit payments	37,500	35,600	33,900	31,700	30,300
Indexation ARP					
Active members (year+1)	4.50%	5.03%	5.36%	4.23%	3.60%
Inactive members (year+1)	2.45%	5.03%	2.26%	4.32%	3.52%
Indexation Final Pay plan					
Deferred members and retirees (year+1)	1.75%	0.34%	1.98%	1.41%	0.97%
Deferred members and retirees (catch-up)	0%	0%	0%	Max 2.9%[3]	0%
Additional pension entitlements actives (year+1)	1.75%	1.87%	2.88%	2.05%	1.53%
Additional pension entitlements actives (2015/2018)	1.75%	0.76%	2.88%	2.05%	1.36%

[1] Due to a different way of counting disabled members with a double status in 2019, the total number of members in the Final Pay plan, which is a closed plan, increased with six.
[2] In 2019 a discount was applicable.
[3] Depending on the date of becoming an inactive member.

Unless clearly stated otherwise all amounts are in thousands of euros

	2021	2020	2019	2018	2017
Assets and solvency					
Required general reserve	284,300	333,800	314,400	279,500	367,100
Minimum general reserve	54,400	58,500	53,900	48,900	47,000
Regulatory own funds	534,100	287,438	306,400	310,800	368,500
Profit/loss in year	246,600	-18,999	-4,300	-57,700	77,700
AAL at the risk of the pension fund	1,286,800	1,393,000	1,290,100	1,134,300	1,094,000
Funding ratio	138.1%	119.3%	122.4%	126.0%	132.2%
Policy Funding Ratio	130.0%	113.2%	123.3%	133.3%	132.3%
Market Value of assets	1,937,400	1,775,000	1,674,000	1,504,000	1,515,000
Investment returns	179,000	119,000	197,000	1,000	64,000
Investment portfolio					
Real estate investments	108,200	74,000	83,000	77,000	98,000
Equity	807,500	764,000	740,000	549,000	847,000
Fixed income	624,400	534,400	487,000	515,000	378,000
Other investments	327,000	325,700	307,300	363,000	192,000
Investment results					
Total portfolio	10.0%	7.0%	13.0%	0.3%	4.5%
Benchmark Return	7.1%	7.0%	13.5%	0.6%	5.8%
Average return per year					
Last 5 years	6.9%	6.4%	6.4%	7.2%	9.5%
Last 10 years	9.0%	7.9%	8.1%	8.9%	6.4%
Investments for risk of the members (ASP and ARP)	116,500	94,832	76,921	58,900	51,500

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2 GENERAL INFORMATION

2.1 Legal structure

Stichting Mars Pensioenfonds (hereinafter: Mars Pension Fund or MPF) was established in 1964 and has its statutory seat in Meierijstad, Taylorweg 5, Veghel. Mars Pension Fund is registered in the Trade Register of the Chamber of Commerce under number 41081174. The Articles of Association were last changed in July 2021.

Mars Pension Fund is a company pension fund as referred to in the Pension Act (*Pensioenwet*).

The members of Mars Pension Fund accrue pension benefits for (early or late) retirement, disability and death, based on a final pay scheme or a defined contribution scheme depending on their service commencement date.

2.2 Statutory objectives

Mars Pension Fund provides old age pensions to current and former associates of Dutch Mars companies, after retirement, as well as surviving dependents' pensions to their partners and children in the event of death before or after retirement. Carefully tailored to meet their objectives, the policies adopted by MPF have been recorded in several documents. Mars Pension Fund executes the Administrative and Financial Agreement (AFA, Uitvoeringsovereenkomst) as agreed upon with the Dutch Mars companies and according to the plan rules. The most important tasks are related to governing an adequate administration of both pension liabilities and investments, determining the investment policy and managing the investments, setting a proper contribution schedule and deliver clear communication to members.

Mars Pension Fund has updated the mission, vision and the strategy as part of the ABTN in 2021, and a summary of each follow.

Mission
Mars Pension Fund executes the pension agreement the sponsoring companies have established with their (former) associates and have entrusted to the Mars Pension Fund. The core values and identity of MPF are based on the five key principles of Mars Incorporated:

- Quality
- Responsibility
- Mutuality
- Efficiency
- Freedom

Vision
In the coming years MPF will prepare itself for the transition to a new pension arrangement as prescribed by the new Pension Law in the Netherlands.
Part of this preparation will be to analyse whether MPF has added value for its stakeholders (members and Company) in this new pension arrangement. When MPF and its stakeholders confirm this added value, this is where we see MPF at the start of the new pension arrangement:

- We have gone – together with Social Partners – through an efficient decision making and implementation process for the new pension arrangement.
- We will execute a DC plan without unrewarded complexities.
- We strive for excellent quality in our services, supported by excellent expertise from external and internal resources
- We want to continue the good relationship with the sponsoring companies and the trust the members have in MPF.

- At all times the Pension Board will consider the interests of all stakeholders to the plans in a balanced way.

Strategy
In this paragraph we describe our strategy to deliver the Vision. This within the framework of our mission and considering the strengths, weaknesses, opportunities and threats defined in the Mission, vision and strategy document.

Actuarial risk
Until the start of the new pension arrangement MPF will continue the sound financial structure of the fund with a solid contribution policy and quick recovery from a funding deficit.

Investment risk
Until the start of the new pension arrangement:
- MPF will continue, and possibly improve, the de-risking policy for the Final Pay plan within the boundaries of the short-term and long-term risk attitude and with consideration of the impact of the new pension arrangement. The de-risking policy recognizes the change in characteristics of MPF due to the closed nature of the Final Pay plan and the increasing size of the ARP/ASP plan.
- When necessary, MPF will further improve the design and monitoring of the lifecycles in the ASP pension plan within the boundaries of the risk attitude.
- MPF will monitor the expected pension results in the combination of ARP and ASP plans in order to use this in communication with social partners and members.
- MPF will further develop the ESG-policy for the Final Pay plan.

Pension administration
MPF will execute the pension plans in an adequate, cost efficient and future-proof way with specific attention in the coming years for:
- the transition to the new pension administrator;
- the impact of the WTP;
- IT.

Business operations
- MPF will continue to develop the Talent Pool to be prepared for succession in the various governance bodies, in order to sustain our Parity Board structure.
- MPF will continue to operate the Pension Board and a professional Pension Office, supported by external experts.
- MPF will further develop the Integral Risk Management (IRM) within MPF.
- MPF will continue, and possibly improve, the communication strategy in order to maintain, and possibly improve, the trust of the members in MPF.
- MPF will further improve the capability and suitability of all the relevant officers within MPF.

Compliance
- MPF will maintain, and possibly improve, the trust of the members in MPF.
- MPF will comply with laws and regulations.

Strategic
- MPF will regularly discuss all relevant aspects of the execution of the pension plans with the sponsoring companies.
- MPF will monitor the development of the WTP, will proactively discuss the implications with the sponsoring companies, and will prepare its administration, investments and processes as good as possible for the change to the new pension system. A project plan and a project management structure will be developed for this. MPF will perform a value assessment to explain social partners the added value of having its own pension fund.

Risk attitudes and affiliated employers
The objectives, policy principles and risk attitudes of the Pension Fund are results of the mission, vision and strategy of the Pension Fund. Besides the risk attitude of the Final Pay plan, the Pension Fund has

also defined a risk attitude for the ARP/ASP plan. The risk attitudes describe the risk appetite and risk tolerance as agreed with the stakeholders by the Pension Fund and is part of the ABTN and the AFA. The AFA specifies mutual responsibilities, authorities, entitlements and financial and other obligations between Mars Pension Fund and the companies listed below:

Companies	Place of Seat
Mars Nederland B.V.	Veghel
Mars Food Europe C.V.	Oud-Beijerland
Wrigley Europe B.V.	Amsterdam

On 21 December 2021 an AFA has been closed with Direct2Pet Europe B.V. ("D2P"), a new entity of Mars. This agreement for pension accrual as from 1 January 2022 and only when D2P receives an exemption of the Retail Pension Fund before 1 July 2022.

Plan rules
The pension promises are documented in the plan rules. Current active members can be a member of either "Pension Regulations Final Pay" or "Pension Regulations ARP/ASP". "Pension Regulations ARP/ASP" is a combined defined contribution scheme and "Pension Regulations Final Pay" is a defined benefit scheme.

ABTN
The ABTN, one of the most important documents of MPF, provides insight into the operation of Mars Pension Fund and gives a description of the policies pursued by the Pension Fund. The ABTN was last modified on 14 December 2021. The most important changes are the new pension administrator and new legal advisor, and an update of the valuation principles.

2.3 Organization

2.3.1 Pension Board

Mars Pension Fund is governed by a Pension Board. The Pension Board consists of six members: i.e. three employer and three member representatives from whom one is elected by the retirees and two by active members.
The Pension Board appoints one of its members as chairman. The Pension Board's composition meets the criteria specified in the so-called Suitability Policy (Geschiktheidsbeleid) of Mars Pension Fund. This Policy was updated and approved by the Board on 25 March 2020. The Pension Board shall pass resolutions by a simple majority vote unless the Articles of Association (Statuten) require otherwise. Each Pension Board Member may authorize another Pension Board Member in writing to represent him/her during a Pension Board meeting, including the authority to vote. A Pension Board Member may not represent more than one other Pension Board Member. Valid resolutions may only pass if at least four Pension Board Members are present or represented at the meeting, of which two being employer representatives and two members representatives. Pension Board meetings are generally physical meetings, but online or telephone meetings are also allowed if necessary/agreed by all Board members. Due to Covid-19 in 2021 all Pension Board meetings were hold via videoconferencing.

As of 31 December 2021, the Pension Board has the following members:

On behalf of employers:

Name	Job title in Pension Board	Job title	Year of appointment	Year of stepping down
Mr. P. van Bree (1974)	Board member	European Risk & Compliance Manager	2018	2022
Mrs. R. Steenbergen (1969)	Board member	Investment & Control Manager EMEA	2016	2024

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Mr. W. van Ettinger (1955)	Chairman of the Board	Retiree, former Director T&B EMEA	1997	2022

On behalf of members:

Name	Job title in Pension Board	Job title	Year of appointment	Year of stepping down
Mr. H. van Heesch (1964)	Secretary of the Board	Process Operator	2018	2022
Vacancy				

On 28 February 2021 the term Mr. W. van de Laar ended. As from 1 March 2021 there is a vacancy in the Pension Board. The vacancy has been filled by Mr. P. van Beek who has been appointed, after DNB approval, as a Board Member during the Pension Board meeting of 16 June 2022 for a term of four years. At the end of 2021 Mr. W. van Ettinger has announced that he will not be available for another term from 1 July 2022, as he would like to retire. Mr. F. Nieuwland has been nominated by the Company as his successor. Subsequently the Board decided that he should be Chairman succeeding Mr. W. van Ettinger, and that he should be put forward as such to DNB.

On behalf of the pension beneficiaries:

Name	Job title in Pension Board	Job title	Year of appointment	Year of stepping down
Mr. H. Faassen (1951)	Board member	Retiree former Factory Director	2014	2022

Mr. H. Faassen retired from the Pension Board on 24 March 2022. His successor is Mr. W. van de Laar, who has been appointed, after DNB approval, for a term of four years.

Following the 2014 legislation on Improved Governance for pension funds, Pension Board members are appointed for a term of four years counting from 1 July 2014. Pension Board members can be reappointed for a maximum of two terms, so max 12 years on a row counting from the date of the new legislation (2014).

2.3.2 Key functions

MPF has set up key functions under the IORP II legislation. The structure is such that key function holders for Risk Management and for Internal Audit will be placed within the Board ideally as part of their PB role. Mr. P. van Bree is the key function holder for Risk Management, and he is assisted in this task by Willis Towers Watson (WTW), Purmerend. As from 23 March 2021 Mr. R. de Waard –insourced from BDO- is appointed as the key function holder Internal Audit. He is assisted by BDO as performer of the Internal Audit function.
The Actuarial key function is performed by Mr. R. van de Meerakker, WTW, who is also the certifying actuary.

Executive Board
The Fund's day-to-day policy shall be determined by at least two (co-)policymakers, being natural persons to be designated by the Board. This is the Executive Board.

The Executive Board consists of:

Name	Job title
Mr. W. van Ettinger	Chairman of the Pension Board
Mrs. H. Bakermans	Director of MPF
Mr. W. de Korte	Investments & Funding Manager EMEA

Unless clearly stated otherwise all amounts are in thousands of euros

2.3.3 Pension Office

The Pension Board has delegated the operational duties to the Pension Office which is led by the Director. The Pension Board has specified that the Suitability Policy also applies to the Director. The responsibilities of the Pension Office are documented in the document "Regulations of the Pension Board of MPF". The Pension Office is supported by a Benefits Professional, an Investment Professional and a secretary. Their tasks, authorities and responsibilities are also documented in the before mentioned document.
The Pension Office is part of an internal Mars service group called the Treasury & Benefits Centre (TBC). Investment activities are also coordinated by the TBC. A service level agreement has been agreed between the Fund and TBC. The Pension Office manages its responsibilities by frequent meetings and the use of a dashboard, annual activity calendar and a condensed reporting and decision tool, with professional advice from a number of consultants such as WTW and BVZA.

On 1 March 2021 Mr. W. van de Laar has joined the Pension Office as special support, Mrs. Mrs. H. Bakermans has been appointed as Director of MPF on 16 June 2021. On 15 November Mrs. J. Vermeulen joined the Pension Office.

The Pension Office consists of:

Name	Job title
Mrs. H. Bakermans	Director of MPF
Mrs. J. Vermeulen	Benefits Manager
Mr. W. de Korte	EMEA Investments Manager
Mr. W. van de Laar	Special Support

On 24 March 2022 Mr. W. van de Laar was chosen as Board member on behalf of the pension beneficiaries. As from that moment he is no longer member of the Pension Office.

2.3.4 Accountability Council and Supervisory Council

Accountability Council (Verantwoordingsorgaan)
The Accountability Council's role is to critically review the Pension Board's range of policies. It focusses specifically on the stakeholders interests and whether these interests are adequately balanced by the Board. The Council consists of three members each representing a key stakeholder: the plan members (actieve deelnemers), the beneficiaries (pensioengerechtigden), and the sponsor. In this way all relevant stakeholders are represented.

A separate section is included in the Annual Report that reflects the Accountability Council's findings for the year 2021.

At the end of 2021 the Accountability Council consists of:

Name	Job title	Year of stepping down	On behalf of
Mr. D. Ammermann (1976)	Global Benefits Director	2025	Employer
Mrs. J. Vermeulen (1973)	Benefits Manager and Secretary of the AC	2025	Members
Mr. A. van Gestel (1961)	Retiree and Chairman of the AC	2024	Beneficiaries

Mr. I. Langer retired from Mars on 30 June 2021. He subsequently also retired from the Accountability Council (AC). His successor is Mr. D. Ammermann, who has been appointed for a term of 4 years.

In order to ensure a strong AC during the decision and implementation process of the WTP the PB has decided on 14 December 2021 to enlarge the AC until the moment that the WTP applies to the members.

Unless clearly stated otherwise all amounts are in thousands of euros

On 24 March 2022 the new AC members have been appointed. As from that moment the AC consists of:

Name	Job title	Year of stepping down	On behalf of
Mr. D. Ammermann (1976)	Global Benefits Director	2025	Employer
Mrs. J. Vermeulen (1973)	Benefits Manager	2025	Employer
Mr. J. Janssen (1974)	Global Treasury Operations Manager	2026	Members
Mr. E. van Deijck (1961)	Global Technology Manager and Secretary of the AC	2026	Members
Mr. A. van Gestel (1961)	Retiree and Chairman of the AC	2024	Beneficiaries
Mr. H. Faassen (1951)	Retiree	2026	Beneficiaries

Talent Pool
To find adequate, available and motivated (future) members for the various governance bodies, the Pension Board has set up a Pension Talent Pool, with identified talents who are developed (through training, aspiring membership, etc.) to create succession options.

Supervisory Council (Raad van Toezicht)
MPF have appointed a Supervisory Council (Raad van Toezicht), who supervises the policies of the Pension Board and the general position and governance of MPF, with a special attention to risk management both short and long term, as well as to the balanced consideration of interests. The Council is a legal requirement and its members need to be independent to the Mars Fund, so by definition these are external people. The council members need (together) to cover the entire Pension Fund management spectrum. A separate section is included in the Annual Report that reflects the Supervisory Council’s findings for 2021.

At the end of 2021 the Supervisory Council consists of:

Name	Year of stepping down
Mr. P. de Koning	2024
Mr. F. Valkenburg	2025
Mr. A. Slager	2022

On 14 December 2021 Mr. F. Valkenburg has been re-appointed as member of the Supervisory Council as from 1 January 2022 for a second term of 4 years.

2.3.5 Administration

As from 1 January 2014 TKP was responsible for the full administration, including the member administration, the investment administration, the financial administration and retiree payroll of the Final Pay plan, the Associate Retirement Plan (ARP) and the Associate Selection Plan (ASP). In 2019 TKP has made the strategic decision to stop servicing a number of relatively smaller funds including MPF. For MPF this meant that the contract was terminated as of 1 January 2022. In 2020 MPF has selected Blue Sky Group (BSG) as their new pension administrator. In 2021 major efforts have been made to achieve a successful transition to BSG as per 1 January 2022. The members of the plan noticed this as little as possible. The first pension payments by BSG in January 2022 were successful.

2.3.6 Custody and performance measurement

Unless clearly stated otherwise all amounts are in thousands of euros

The custodian for the Defined Benefits assets and the ARP Defined Contribution plan is Bank of New York Mellon (BoNYM). BoNYM is responsible for custody accounting for all segregated accounts of the Plan, as well as record keeping accounting of all assets held outside BoNYM, with administrators of the various pooled funds that the Plan invests with, as well as the operational cash account of the Plan. A subsidiary of BoNYM, called Global Risk Solutions, is appointed as Performance measurer. The ASP plan is invested by Vanguard, there is no separate custody for this plan.

2.3.7 Investment committee

The Pension Board has established an Investment Committee for the assets. Committee members are appointed by the Pension Board.

As from January 2012 the investment committee of the Mars European pension plans have been harmonized. MPF's Investment Committee has as from mentioned date the same members as the other six investment committees in Europe. The investment committee's responsibilities are to advise the Pension Board on all investment matters and to appoint and monitor investment managers and performance for the final pay schemes and the cash balance plan. The responsibilities have been documented in an Investment Committee Charter, which has been reviewed and actualized in 2021. A retirement schedule has also been added to the Investment Committee Charter.

At the end of 2021 the Investment Committee was composed of the following members:

Name	Job title	Year of stepping down	Details
Mr. W. van Ettinger	Retiree (before: T&B Director EMEA)	2022	Also Chairman of the Pension Board
Mr. A. Parton	Commercial VP Global Petcare	2024	
Mr. J. Price	Retiree (before: VP Operations Europe Mars Petcare and Main Meal Food)	2023	
Mr. F. Nieuwland	Chief Investment Officer	2022	Chairman IC
Mr. H. Fleige	Financial Planning & Analysis Director, Global Petcare Finance Support	2024	
Mr. S. Anthoons	Organizational change S&F Director, Global Pet Nutrition Finance	2025	
Vacancy			

Mr. R. Lottermann has left Mars on 31 December 2021 and is no longer a member of the Investment Committee. In addition, Mr. W. van Ettinger will stop as Chairman of the Pension Board on 1 July 2022. He will also stop as member of the Investment Committee as per that date. In 2022 we are taking steps towards the succession of both members

2.3.8 ASP Member Group

The ASP Member Group provides the Pension Board with observations related to the ongoing matters of the Associate Selection Plan (ASP), which is part of ARP/ASP plan. The responsibilities have been documented in the Terms of Reference – ASP Member.

In 2021 Mr. J. Gottschalk has left the ASP Member Group. Mr. D. Rijsmus has been appointed as his successor. In 2021 Mr. J. Janssen has left the ASP Member Group and joined the Talent pool with the intention to become an AC member. As from that moment there has been a vacancy in the ASP Member Group.

On 31 December 2021 the ASP Member Group for the defined contribution plan is composed of the following members:

Name	Job title	Details
Mr. H. van Heesch	Process Operator	Member representative and Chairman ASP Member Group
Mr. M. de Vries	Sr. Technologist R&D	Member representative

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Mr. R. van den Beucken	Proces Area Operator Supply	Member representative
Mr. D. Rijsmus	FP&A CoE Manager	Member representative
Vacancy		

Early 2022 Mr. R. van den Beucken has decided to leave Mars. In the Pension Board meeting of 24 March 2022 Mr. J. van de Wetering and Mr. R. Harmsen have been appointed as members of the ASP Member Group.

2.3.9 Investment managers

The main investment managers, ranked by value, are PIMCO, PEM, SECOR, Blackstone and GMO. The investment manager for the Associate Selection Plan is Vanguard. All available funds for investment by members are index funds.

2.3.10 External Advisors

Advice	**Third party**
Advisory Actuary	WTW, Eindhoven
Tax Advisor	PricewaterhouseCoopers Belastingadviseurs N.V.
Legal Advisors	BVZA, Rotterdam/Utrecht (as from 1 July 2021) Stibbe N.V., Amsterdam Hogan Lovells, London
Monitoring and Controls	Secor Investment Advisors LLP, London
Communication Advisor	Blue Sky Group, Amstelveen (as from Q4 2021)
IT Advisor	Ortec Finance
ALM Advisor	WTW, Amsterdam
Integral Risk Advisor	WTW, Purmerend
Strategic Asset Allocation	WTW, Amsterdam Secor Investment Advisors LLP, London
Tactical Asset Allocation	Secor Investment Advisors LLP, London
Manager Selection	Secor Investment Advisors LLP, London
Transition Management	Secor Investment Management LLP, London
Private Credit	Blackrock, Delaware PIMCO, Newport Beach Blackstone, New York
Private Equity	Performance Equity Management (PEM), Greenwich.
	LGT Capital Partners, Pfaeffikon GCM Grosvenor, New York
Hedge Funds	Blackstone, New York Secor Investment Management LLP, London
Property Investments	AEW UK, London Secor Investment Advisors LLP, London

Audit and control	**Third party**
Independent auditor	PricewaterhouseCoopers Accountants N.V.
Certifying actuary	Willis Towers Watson, Rotterdam
Performer Internal Audit	BDO

Pension meetings for members	**Third party**
Independent Financial Advisor	Kröller Boom, Amersfoort

3 FINANCIAL INFORMATION

3.1 Funding Ratio

An important indicator of the financial position is the Funding Ratio (FR). This is the ratio between the assets of the pension fund and the liabilities. The FR of MPF at year end 2021 is 138.1%. The Policy Funding Ratio (PFR) is the average of the Funding Ratios over the past twelve months.

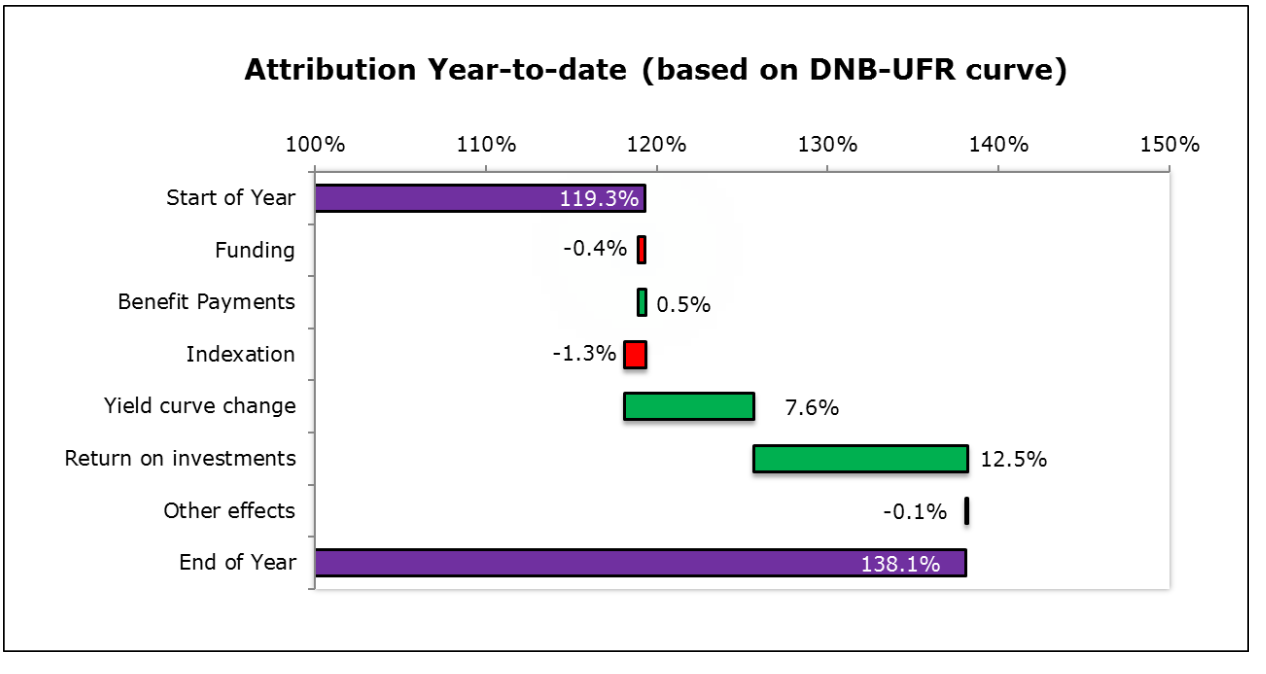
The historical development of the (nominal) (P)FR of Mars Pension Fund is presented in the table below:

	Funding Ratio	Policy funding ratio	Ongoing Solvency Margin Ratio
31 December 2013	128.6%	-	129.1%
31 December 2014	124.6%	-	126.7%
31 December 2015	124.9%	124.2%	132.4%
31 December 2016	125.0%	116.6%	131.3%
31 December 2017	132.2%	132.3%	132.1%
31 December 2018	126.0%	133.3%	123.4%
31 December 2019	122.4%	123.3%	123.1%
31 December 2020	119.3%	113.2%	122.4%
31 December 2021	138.1%	130.0%	120.3%

During 2021 the FR decreased with 18.8%, due to an decrease in the AAL (because of a higher applied interest rate) and positive investment returns.

The Ongoing Solvency Margin Ratio (OSMR) is explained in chapter 3.3.

The impact of the developments in 2021 is shown in the next figure:

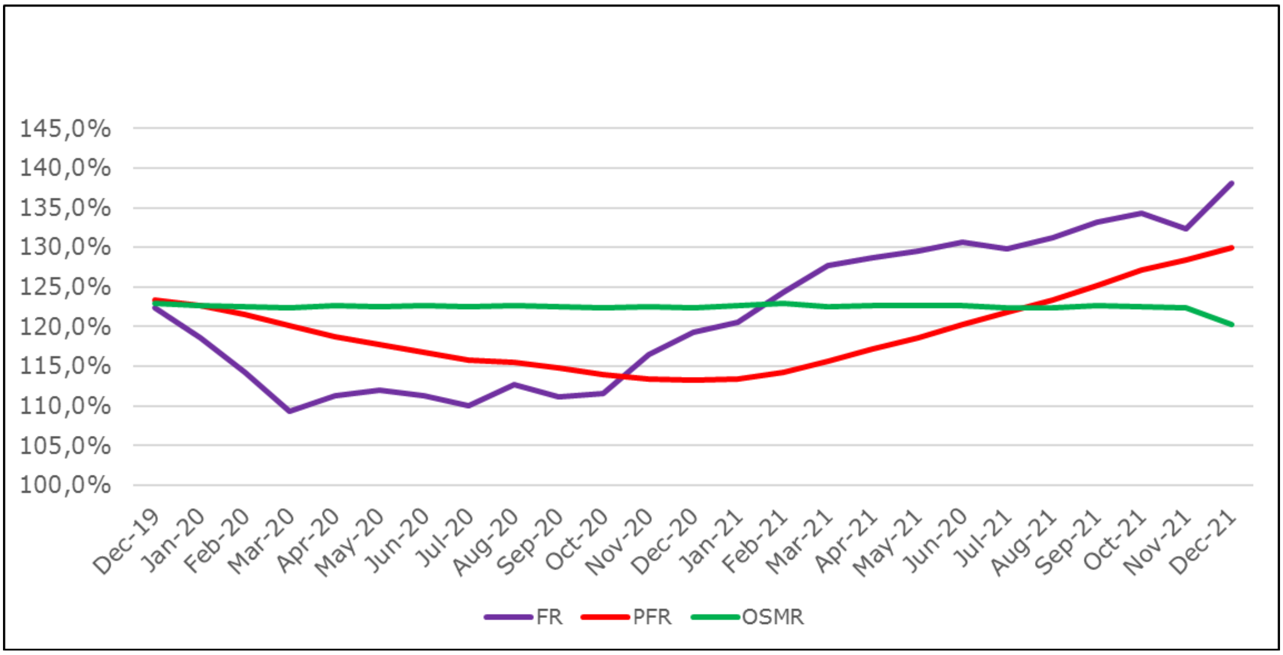


Unless clearly stated otherwise all amounts are in thousands of euros

3.2 Policy Funding Ratio

The Policy Funding Ratio (PFR) is relevant to determine if the pension fund is allowed to index or to execute transfers of pension rights. Due to the development of the Funding Ratio during the year 2021 the PFR increased from 113.2% to 130.0%.

The next figure shows the development of the ratios during the past 2 years.



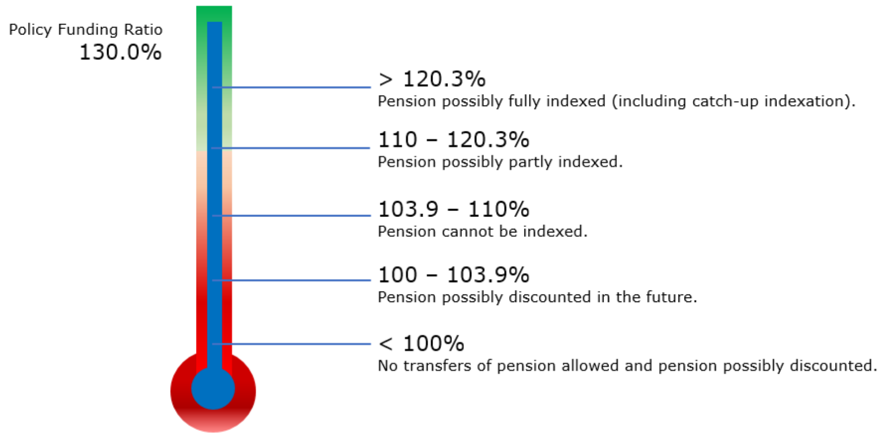
3.3 Other relevant ratios

As part of the introduction of the Financial Framework (FTK) in 2015 MPF has introduced several indicators. In this section a brief overview of these indicators and their relevance is set out:

- The **funding ratio for future proof indexation** as at 31 December 2021 is approximately 117.0%. The new FTK determines that pension funds are only allowed to give full indexation according to their indexation policy if the Policy Funding Ratio (PFR) is more than the funding ratio for future proof indexation. Below that level only partial indexation is allowed.
- The **Ongoing Solvency Margin Ratio** (OSMR) at year end 2021 is 120.3%. This ratio depends on the strategic risk profile of the pension fund. The OSMR is an important ratio for the financial position of the pension fund. If the PFR is below the level of the OSMR, the pension fund has a deficit. This is not the case at the end of 2021 with a PFR of 130.0%. The change in the OSMR from 122.4% at the end of 2020 to 120.3% at the end of 2021 is mainly caused by the lower risk on equities and currency and a lower active management. This effect is due to the second de-risking step that was taken at the end of the year.
- The **Target Indexation Limit** (TIL) is the maximum of the funding ratio for future proof indexation and the OSMR and equals 122.6% at year-end 2021. When the PFR is at or above this limit, MPF will give a full indexation according to the indexation policy of MPF.
- The **Lower Indexation Level** (LIL) is also relevant for indexation. If the PFR is below this level, indexation of pension rights is not allowed anymore. The LIL is equal to 110.0% at the end of 2021.
- The **Minimum Technical Reserve** (MTR) is 103.9%. A reduction of pension rights is required if a pension fund has a PFR that is for a consistent period of five years lower than the MTR.

- The **100%-border** is significant for transfers of pension rights. If the PFR is below this level, pension funds are not allowed to pay amounts to or receive amounts from other pension funds. Although the PFR of MPF is beyond this level, other pension funds can be in a situation that transfer of rights cannot take place.
- The **Contribution Cut Limit** (CCL) is the maximum of the funding ratio for future proof indexation and the OSMR plus 5% and equals 125.3% at year-end 2021. When the PFR is at or above this limit, MPF is allowed to reduce the contribution to be paid by the employer.
- The **critical funding ratio** is the lowest possible Funding Ratio (FR) at which the pension fund can recover within the legally required period without any additional contributions from the employer and without reduction of the pension rights.

In the next scheme an overview of all relevant ratios is set out (as at 31 December 2021):



3.4 Recovery plan

As a consequence of the financial position at 31 March 2020 (PFR below OSMR) and on the basis of the definitions as established by DNB there was a reserve deficit. A recovery plan was drawn up and submitted to DNB in June 2020. At the end of 2020 the Pension Fund still had a reserve deficit, therefore an update of the recovery plan was submitted to DNB in the first quarter of 2021. At the end of September 2021 the pension fund recovered to a PFR above OSMR. Therefore the recovery plan ended as of 30 September 2021.

3.5 Feasibility test

The feasibility test provides insight into the expected pension result at fund level and the risks concerned, given the financial structure of the Pension Fund. According to the regulations pension funds are obliged to perform an annual feasibility test. This test should show that the expected pension results are within the financial limits for the long term as defined in the risk attitude (see 4.3). This risk attitude including the financial limits for the long term is developed by Mars Pension Fund together with the stakeholders.
In June 2021, the annual feasibility test was performed by WTW. This test shows that the expected pension result at fund level is sufficiently in line with the established lower limit and that the pension result at fund level in a negative scenario does not deviate too much from the expected pension result at fund level.

3.6 Contribution policy

The contribution policy, as a management tool, will be employed depending on the Policy Funding Ratio. The contribution policy is set up according to the requirements of the Pensions Act.

The contribution policy is agreed between the Company and the Pension Fund in the Administration & Financial Agreement. The actual employer contribution is equal to the structural contribution of 20% of

pensionable salaries and is at least equal to the smoothed cost-covering (employer) contribution for that year as calculated in November of the preceding year.
If the Policy Funding Ratio is below the OSMR as per the calculation date, the actual contribution is increased to a maximum of 25% of the pensionable salaries. The maximum of 25% does not apply in this scenario if the resulting actual contribution would not be cost-covering or would be insufficient for timely recovery according to the recovery plan. In that case the actual contribution will be equal to the smoothed cost covering contribution.
In case the Policy Funding Ratio is lower than the MTR, the maximum percentage of 25% is also not applicable and the annual contribution will be the maximum of 20% and the smoothed cost covering contribution plus one fifth of the extra contribution necessary to recover to at least 103.9% (MTR).
On the other hand, if the Policy Funding Ratio is above the CCL and the Pension Fund complies with the relevant legal conditions, then the Pension Board may decide to lower the actual contribution
The Pension Board may decide to deviate from the contribution policy and can decide to increase or reduce the actual contribution. More details are provided in the actuarial section (Chapter 8). For 2022 and previous years the Pension Board has not deviated from the contribution policy.

The guidelines for the adjustment of the contribution are described in the ABTN.

3.7 Costs

The Federation of Dutch Pension Funds has made some recommendations about how execution costs should be published. The costs to run the Pension Fund can be split into execution-and administration costs, and investments related costs.

3.7.1 Execution- and administration costs

The execution- and administration costs are specified in the Annual Accounts (see 12.9 Notes to the statement of income and expenses – note 17).

The following table shows the execution- and administration costs in total and per member:

	2021	2020	2019	2018	2017
Annual execution- and administration costs in thousands of euros	3,866	2,843	2,805	2,357	2,407
Costs per member in euros: active members and retirees	1,424	1,049	1,048	885	910
Costs per member in euros: active members, retirees and inactive members	963	713	711	607	635

As MPF has high standards on plan governance, risk management, member administration and communication, it results in relatively high costs compared to other pension funds. This is caused by the relative low number of members and complexity of the pension scheme. The costs for 2021 include 584 VAT. The main reason for the costs being higher compared to 2020 is due to a part of the transition costs paid for the transfer of the Pension administration from TKP to BSG (invoiced in 2021: 1,238).

The execution- and administration excluding transition costs in total and per member:

	2021
Annual execution- and administration costs (excluding transition costs) in thousands of euros	2,815
Costs per member in euros: active members and retirees (2,714)	1,037
Costs per member in euros: active members, retirees and inactive members (4,013)	701

In 2022 the costs are also expected to be high due to transition costs and the preparation for the WTP. The annual execution and administration costs are part of the SCCC as paid by the employer.

3.7.2 Investment costs

The table below shows the investment related costs, in percentage of the average amount of investments during 2021 (EUR 1,783 million), incurred by the Pension Fund in 2021.

	Costs outside the funds	Costs inside the funds	Total costs	2020
Management fees	0.14%	0.22%	0.36%	0.36%
Advisory fees	0.10%	0.00%	0.10%	0.10%
Other fees	0.03%	0.09%	0.13%	0.09%
Performance fees	0.00%	0.22%	0.22%	0.18%
Total	**0.27%**	**0.54%**	**0.81%**	**0.73%**
2nd layer costs	0.00%	1.31%	1.31%	0.97%
Total 1st and 2nd layer	**0.27%**	**1.85%**	**2.12%**	**1.70%**
Transaction costs			0.27%	0.14%
Total Investment costs			**2.40%**	**1.84%**

The percentages in the table represent all investment-related costs (EUR 37.9 million) with the exclusion of transaction costs which include the costs for real estate management. The investment cost ratio excluding transactions cost in 2021 is 2.13%. The operational costs for the direct real estate portfolio (EUR 12.3 million) are not included in this table.

The costs are reported on a so-called look-through basis: all direct costs (invoices paid by the Pension Fund) as well as all costs charged indirectly through the funds that the Pension Fund invests in. These include all costs related to management fees, advisory fees, performance fees and other fees (which include custody fees, legal fees, administrative and audit costs). These costs differ from the costs reported in the annual accounts, where a disclosure is given of the direct costs only, based on invoices.

Transaction costs are estimated. These costs are invisible to the Pension Fund and generally not yet recorded and available from the custodian records. Based on the directions provided by the Federation of Dutch Pension Funds, an estimation of the transaction costs has been made by Secor, which are adopted in this report. Including transaction costs, the investment costs ratio is 2.40%.

The investment managers have provided data for the so-called second-layer costs within Fund of Funds structures (costs charged to the underlying funds). For those funds where final audited accounts are not yet available (PEM Effem Fund I, PEM Effem Fund II, PEM Effem Fund III, BAAM Effem and BAAM SAFII), a best estimate was included. A best estimate is included based on 2020 actual costs data.

The increase of total investment costs from 1.84% in 2020 to 2.40% in 2021 is mostly driven by performance fees in the 2nd layer costs of fund of fund managers (Blackrock and PEM) because of higher performance of the private equity and private credit portfolio in 2021 and higher transaction cost. The plan level transaction costs increased because of significantly more trading in 2021 with de-risking triggers and the move to the MSCI ACWI benchmark of the Public Equity portfolio. Furthermore, there was a large upsize to the tail risk hedging (TRH) programme which further increased costs primarily via total return swaps, which are a key instrument used to derive exposure in this strategy.

The table below shows the investment related expenses, including 2nd layer cost per asset category as % of Total Plan NAV.

Actual invoiced amounts represented in the Annual accounts are different since most of the investment manager fees are not invoiced to the fund, instead these costs are netted in the results.

Unless clearly stated otherwise all amounts are in thousands of euros

The total of EUR 5.036 million represents the actually invoiced fees which are represented in the Annual accounts in Note 13, under 'Management fee external asset managers'.

	Real Estate	Equity[4]	Fixed Income	Hedge funds	Other[5]	Total
Fees (K EUR)	2,675	23,862	1,145	7,080	3,151	37,914
Fees invoiced (K EUR)	481	684	724	0	3.147	5,036
Fees (%)	0.15%	1.34%	0.06%	0.40%	0.18%	2.13%
Transaction costs (K EUR)	0	648	812	0	3.421	4.881
Transaction costs (%)	0	0.04%	0.05%	0	0.19%	0.27%

MPF has a relatively high investment costs structure; however, one should always consider this together with the Risk profile, Investment strategy (diversification) and performance of the Pension Fund. Investment returns are provided net of fees.

The relatively high investment costs can be explained by the way the Pension Fund has defined the investment principles and advisory structure as described in the ABTN.

The key drivers that MPF believes to drive investment success are:

- Expert outsourcing: For each of the major steps in pension fund investment management, MPF seeks to contract with best-in-class expert advisors. It is the belief that the Pension Fund will benefit from specialized advice and specialized management, and there is not one external organization that is best-in-class in every service area.
- Careful Implementation: Even Intelligent Investment advice is not very useful without the proper and timely means of implementation. We always ask from the Pension Fund's advisors to complement their recommendations with the way in which this should be implemented.
- Four guiding investment principles:
    - Exploit risk, illiquidity and time premiums. The Pension Fund has used and will use the fact that it is a long-term investor, to collect risk premiums that are only available to the patient investor.
    - In general, the Pension Fund approaches investment ideas from a value perspective. The structural reward, some would call this sustainable alpha, should be clear from the outset.
    - A firm belief in active investment management. Investors create structural/behavioral inefficiencies in capital markets. The Pension Fund seeks to employ investment managers who have shown the capability to exploit these inefficiencies and who are modest enough to continuously challenge their own investment approach.
    - A firm belief that innovations in investment management or investment opportunities lead to first mover advantages which the Pension Fund would like to exploit.

As a result of these believes the Investment Portfolio of MPF has the following cost characteristics:

- The Pension Fund has a relatively small internal team and pays relatively high fees to obtain strategic advice.
- Assets of the Pension Fund are 100% externally and actively managed, which is the most costly solution, but which the Board believes will provide the highest outperformance on the longer term and net of costs.
- The Pension Fund has a high allocation to risky assets as well as alternatives (illiquid) investments, and these managers generally charge higher fees.
- Some of the Alternatives investments are within fund of funds structures, which involve an extra layer (second layer) of costs, including a performance-based compensation.

Every few years, MPF undertakes a cost benchmarking exercise to understand its cost structure and performance in relation to its peers. Last time MPF participated in cost benchmarking (performed by the

[4] Equity includes Public and Private Equity
[5] Other consist of cost of Overlay (LDI and TRH); advisory (Secor); Custody (Mellon) and other legal, governance and advisory cost.

Unless clearly stated otherwise all amounts are in thousands of euros

Institutional Benchmarking Institute (IBI)) was in 2020. The IBI benchmark report showed that MPF has a very diversified and a very active portfolio, which is in line with the investment principles. MPF has significantly higher asset management costs for risk seeking assets compared to the peer group, however this is justified by more than significant excess net of fees performance on the risk seeking assets. The risk seeking assets consist of all asset classes that MPF is invested in, with the exception of Fixed Income and Overlays.

The Pension Board believes that the costs involved with implementing MPF's investment strategy are justified by the longer-term excess performance.
The Pension Board will continue to monitor the costs, with the input from the Strategic Advisor, T&B Investment and the Investment Committee.

3.8 Pension plans

The current pension plans (Final Pay Plan and ARP/ASP plan) became applicable as of 1 January 2020. For those members who were already a member of the pension plan before 1 January 2004 the "Final Pay Plan" applies. For those members who became a member on or after 1 January 2004, the defined contribution plan called "ARP/ASP plan" applies.

The distribution of the active members (including disabled members) at 31 December is:

	2021	**2020**	**2019**
ARP/ASP plan	827	830	781
Final Pay plan	467	506	607
Total	**1,294**	**1,336**	**1,388**

More information about the pension plans can be found in chapter 6 (Pensions).

<u>BPF Sweets (Stichting Bedrijfstakpensioenfonds voor de Zoetwarenindustrie)</u>
MPF has dispensation for the mandatory participation by Mars Veghel in the pension plan of BPF Sweets. In the past BPF Sweets has requested updated tests of equality in order to maintain the dispensation. The result was always that both the Final Pay plan and the ARP/ASP plan were actuarially equivalent to the pension plan of BPF Sweets.

3.8.1 Indexation

Below the indexation granted as per 1 January 2022 in the Final Pay plan and the interest addition in 2021 in the ARP plan are described. More information about the indexation policy itself can be found in chapter 6 (Pensions).

Note that the indexations per 1 January 2022 have already been included in the AAL year-end 2021.

<u>Indexation of the accrued pensions of the members of the Final Pay plan</u>
The Fund was able to meet its indexation ambition and granted an indexation of 1.75% as of 1 January 2022. The decision for the indexation was made on 18 November 2021 based on the PFR at the end of September 2021 (125.3%). The indexation per 1 January 2022 is included in the AAL year-end 2021.

Indexation for retirees and deferred members in January 2022
The PFR at the end of September 2021 is above 110%, and above the OSMR (or TIL); therefore a full indexation of 1.75% is granted, which is in line with the indexation policy. This is based on the following: The CPI is 2.7%. The target indexation is 75% of this CPI: 2.02%. As the Wage index is higher than the target indexation, this does not limit the target indexation. As there is no retained wage indexation over the previous years, no catch up for wage index is given. So, the full target indexation according to the policy is 1.75%. Based on the PFR as of 30 September 2021 (125.3%), a full indexation of 1.75% can be granted per 1 January 2022.

Unless clearly stated otherwise all amounts are in thousands of euros

Unconditional indexation EOP and EPP 2014 and 2006 for active members
This indexation is unconditional and is based on the CBS wage index for Food & Beverage industry private sector and will be 1.75% on 1 January 2022, based on the full period of September-September. This is corrected for differences between tentative CBS numbers and definitive CBS numbers in the past. This results in the indexation EOP and EPP of 1.75%.

Conditional indexation EOP and EPP 2015 and 2018 for active members
This indexation is conditional (depending on the Policy Funding Ratio) and based on the CBS wage index for Food & Beverage industry private sector based on the full period of September-September. The corrected index is 1.75%. Based on the Policy Funding Ratio, a full indexation of 1.75% can be granted per 1 January 2022.

Catch-up indexation for retirees and deferred members
As of 1 January 2022, a full indexation was given, but no catch-up indexation. As a result, there is a backlog from 2020 of 0.49% in indexation. This is also the cumulative backlog since all missed indexation was granted per 1 January 2019.

<u>Interest ARP/ASP plan</u>
For both the active and inactive members in the ARP/ASP plan, the (annualized) interest on the ARP Plan is conditional and depending on the means available. Means are the 'depot' and the realized investment return in the previous year. MPF strives for a yearly return accrual (interest) equal to CPI plus 3%. In the first half of 2021, the actual return on assets was enough to grant a yearly interest of CPI plus 3%. Therefore the interest for the active members was equal to the target interest of 4.11% in the period 1 January 2021 until 30 June 2021. For the inactive members the interest given in the first half year of 2021 was 0,00%. For the second half of 2021 the actual return on assets in combination with the means available was enough to give the active members the target interest of 4.89%. For the inactive members the interest given in the second half year of 2021 was also equal to 4.89%. For active members the total yearly interest is 4.50% for 2021. For the inactive members the total annual interest is 2.45% for 2021.

3.9 Actuarial

This section contains a summary of the actuarial report.

	31 December 2021	**31 December 2020**
Market Value of Assets at risk of the pension fund	1,820,889	1,680,428
Market Value of Assets at risk of the members	116,508	94,832
Market Value of Assets Total	1,937,397	1,775,260
Actuarial Accrued Liabilities at the risk of the pension fund	1,286,833	1,392,990
Actuarial Accrued Liabilities at the risk of the members	116,508	94,832
Actuarial Accrued Liabilities Total	1,403,341	1,487,822
Actual Funding Ratio	138.1%	119.3%
Policy Funding Ratio	130.0%	113.2%
Ongoing Solvency Margin Ratio	120.3%	122.4%
Minimum Technical Reserve	103.9%	103.9%

During the financial year 2021 the Actuarial Accrued Liabilities at risk of the pension fund (AALPF) decreased with 106,157. An important reason for this change is the yield curve change (decrease in AALPF of 96,683).

The profit and loss account (P/L) shows a positive result of 246,618 leading to the general reserve increasing from 287,438 to 534,056 at the end of 2021. The Funding Ratio increased during 2021 from 119.3% to 138.1%. At year-end 2021 the Funding Ratio is above the minimum Technical Reserve and the Ongoing Solvency Margin Ratio of 120.3%.

Unless clearly stated otherwise all amounts are in thousands of euros

The cost covering contribution at market value is determined at 31,431. The smoothed cost covering contribution equals 20,723. The actual contribution was 23,950. For more information we refer to Chapter 8.

The structural contribution for the employers is equal to 20% of the pensionable salary sum of all active members. Because the estimated smoothed cost covering contribution for the employers (22.4%) before the start of 2021 was higher than the structural contribution and based on the Policy Funding Ratio, the actual employer contribution is increased to 25.0% of the pensionable salary sum (2020: 21.1%).

3.10 Administrative and Financial Agreement

The Administrative and Financial Agreement (AFA) was not updated in 2021.

On 21 December 2021 an AFA has been closed with Direct2Pet Europe B.V. ("D2P"), a new entity of Mars. This agreement is applicable as from 1 January 2022 and only when D2P receives an exemption of the Retail Pension Fund before 1 July 2022.

4 RISK SECTION

This section describes the risk management framework, the most important risks and mitigation actions within Mars Pension Fund and the risk attitude of both pension plans. The risk attitude of MPF takes into account that MPF executes a Final Pay Plan and a DC pension plan with specific features (ARP/ASP plan).

4.1 Risk management framework

The IORPII legislation took effect from 13 January 2019. MPF since then designed, documented and implemented an IRM framework which improves the risk management and which complies with all applicable legal rules (IORP II amongst others). The risk attitude for the non-financial risks and a series of Risk Self Assessments for non-financial risks have been performed for all identified risk areas. This last phase was started in 2019 and has been finalized in 2020, including approved risk monitoring. Over 2021 another RSA has taken place with regards to the exposures arising from the New Pension System developments (also see 4.2.1 last paragraph).

The IRM document describes:
1) The risk strategy, basic requirements for effective IRM and objectives of IRM;
2) The IRM governance framework based on the three lines of defence principle, including the key functions as defined in IORP II;
3) The IRM policy which describes the IRM process, periodic monitoring, reporting and evaluation.

1. Strategy and objectives

Risk is defined as any event that affects the realization of the mission, vision, strategy and objectives of MPF. Being a financial institution, MPF is obviously exposed to financial risk. Knowingly taking and managing financial risks is one of the core tasks of MPF. In the ongoing management and daily operations, MPF is also exposed to a variety of non-financial risks. Effective management of both financial and non-financial risks should help the Pension Board in the achievement of the mission, vision and strategy of MPF. Therefore, IRM has always been acknowledged to be an essential part of the overall management of MPF.

The objectives of MPF's IRM that result from the risk strategy are summarized as follows:

- provide insight in risks (related to the mission, vision and strategy);
- illustrate the amount of risk that is desirable / necessary;
- provide overview of risks to properly determine priorities;
- offer opportunities to intervene in order to achieve the desired level of risk (for example by introducing or improving control measures).

2. IRM governance

The basis for setting up the IRM governance of MPF is a clear allocation and appropriate segregation of tasks, responsibilities and authorities. The Pension Board is ultimately responsible for the appropriate control of all risks MPF is exposed to. This implies the responsibility to structure the organization (governance) and the key functions. The governance structure is based on the so-called 'Three Lines' principle and makes a distinction between risk owners (first line), control function (second line) and internal audit (third line):

- A risk owner is a role or individual responsible for managing all aspects of a particular risk and the reporting on it. Risk owners can be part of the Pension Board. The outsourced administration and asset management, the Pension Office, TBC, the Executive Board, Competency Teams (PC, IC) and Committees all are risk owners. Together with the Pension Board they form the first line;

- The second line is the control function that oversees the risk management and compliance of MPF. The responsibility of the control function must be separated from the responsibility of the risk owner. The activities involved with the control function are covered by several components of internal governance which play a role in the control function with regard to a specific risk area.

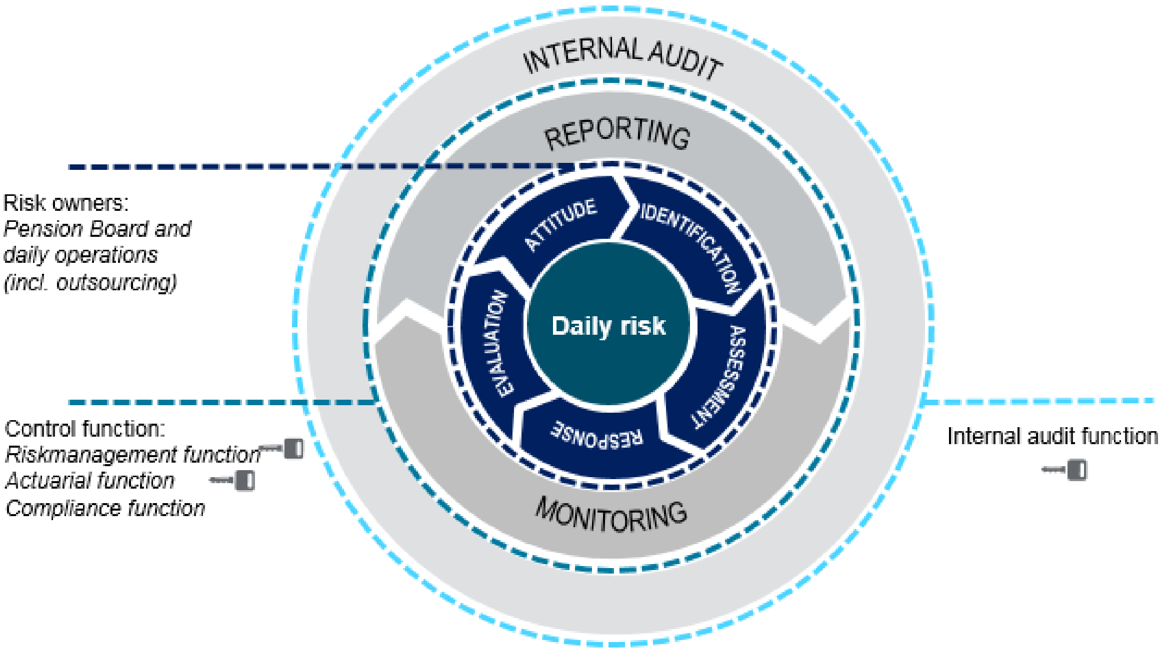
All together they form the second line. In particular, the key function holder risk management and the actuarial key function holder are part of the control function.

Mr. P. van Bree has continued to fulfil the role of KFH Risk Management in 2021; initially as acting but since Q2 2021 as DNB-approved KFH Risk Management. He is a Pension Board member but is not involved in any primary processes. He has separate second line contacts at the service providers of MPF and a direct line to the Key Function Holder actuarial (who also serves as the certifying actuary). The KFH Risk Management charter establishes independence and a direct connection to the Supervisory Council.

Also Mr. P. van Bree has fulfilled the role as MPF Compliance Officer in 2021, a function that also serves in monitoring risks with regards to adherence of laws and regulations. Also, this function is created in such a way that it can operate in a fully independent manner, governed conform the Compliance Charter.

- The internal audit function will periodically evaluate the adequacy and effectiveness of the internal control system. This function is filled in by the key function holder internal audit and forms the third line. Until end Q1 2021, Mr. H. Faassen has functioned as acting KFH Internal Audit, and in the Board meeting of March 2021, and after DNB consent, Mr. R. de Waard has been appointed as KFH IA. Audits are performed by the performer, which will be BDO. A strict segregation between the audit performer and the KFH IA has been set-up in order to have independency. The KFH IA forms an independent judgment about the work performed by the other two key function holders.

The figure below illustrates the distinction between risk owners, control function and internal audit function.



The setup of the IRM governance within MPF has been approved by DNB after carefully reviewing independence of the second and third line from the first line.

3. IRM process

The Pension Board is responsible for the implementation of an IRM process that leads to a systematic (and repetitive) risk analysis. This process consists of the following steps:

1. **Attitude**: high level view of how much risk is acceptable or necessary, based on the general strategy of MPF;

2. **Identification**: events that could affect achievement of the mission, vision, strategy and objectives of MPF;
3. **Assessment**: estimation of chance and impact of risks on both gross (inherent) and net (residual) basis;
4. **Response**: assess the estimated risk against risk attitude, identify and evaluate possible responses to risk (cost versus benefit of potential response), define actions to execute response;
5. **Ongoing monitoring and periodic reporting**: monitor the risks and the control measures on a continuous basis and report about the status of these risks and control measures on a periodic basis;
6. **Evaluation**: in order to achieve continuous improvement of the IRM process, a periodic evaluation of the effectiveness of the risk management framework is necessary. MPF is obliged to carry out and document an own risk assessment. This own-risk assessment shall be performed at least every three years or without delay following any significant change in the risk profile of MPF or of the pension plans operated by the MPF.

Already in 2019, MPF has taken the first four steps of the above process for the non-financial risks. The steps 5 and 6 were performed over 2020. Step 5 is a returning and ongoing topic in each of the Pension Committee meetings as well as in the ICG and ASP group meetings. Information is shared, calibrated, assessed and challenged between the 1st and 2nd Line. The Pension Board is periodically informed by means of a presentation of the highlights through the dashboard, as well as by means of in-depth explanation in the Pension Board meeting by the first line action owners. Where needed, topics are pre-discussed in so called 'walk in' meetings which pre-empt shaping the picture and judgement of the board members, in order to facilitate an informed decision making at the board meeting.

There are structurally planned and recurring meetings between MPF and its providers (1st and 2nd Line), as well as between Key Function Holders amongst themselves. There is intensive and open interaction between MPF's first and second line, allowing deep understanding of risk exposure, risk changes, changes on mitigating actions and ongoing monitoring. The KFH Risk Management wraps this up in the dashboard which is presented to the full Pension Board on a quarterly basis.

Step 6 (evaluation) was done as part of the own risk assessment ('ERB') which was completed end 2020.

There is one risk management framework for non-financial risks that fully coincides with the Mission, Vision, Strategy and Objectives of MPF. Furthermore, MPF has a clear action list to manage the identified exposures that are beyond the risk appetite.

For the financial risks a well-functioning risk process is in place and no major changes were required. The investment related financial risks are monitored daily at the strategic investment advisor and by the T&B team. Monitoring is shared, reviewed and discussed with the IC, the Investment Competency Group, the KFH Risk Management and the Board on a regular basis, for instance via the quarterly trustee reports. The financial impacts to the fund were tightly managed and discussed on an ongoing basis (for instance relating to liquidity and the Tail Risk Hedge). The size of the TRH has been increased in 2021 (see 4.4.2) and the fund has increased its control and governance by embedding some additional monitoring into the trustee reports to give visibility on trigger points, costs and effectiveness of the TRH mandate

4.2 Main risk categories and control measures

The Pension Board has identified several risks and related control measures. The three main net non-financial risks and the two main net financial risks are presented below.

4.2.1 Main non-financial risk categories

1. Pension Administration - Continuity

Risk description
The set of risks MPF is exposed to regarding discontinuity of the pension administration processes. Risks associated are the ability to find a new administrator for current plans, late or faulty implementation or an increased rate of issues after the move. If this risk manifests itself, it will damage MPF's reputation and the confidence of the participants in MPF.

Risk assessment
MPF has made very good progress over 2021, reducing the assessed likelihood of this risk from possible to unlikely over the year. The magnitude of this risk now is at a lower level of alarming, as the impact of the risk stays high. Over 2020 and 2021, MPF has solidly project-managed the subject and found an alternative administration provider, BSG, starting 1 January 2022. The good planning has been executed and the fund has together with the administration provider succeeded in making the transition. The fund will -until after completion of the New Pension System- likely continue to score the impact of the possible materialization of this risk as ‘high’. BSG and MPF have mutually expressed intention for a long-term relationship.

Control measures
Outsourcing Policy has been closely followed up.

The three parties in the transition have created an experienced steering committee which is managing the remainder of the transition to the new pension administrator via regular meetings. A clear process has been agreed with all stakeholders and a clear set of milestones had been identified and the critical milestones were met. Periodical follow up of progress versus these milestones, and versus the risks from the risk self-assessment, is shared by the Pension Office with the Pension Committee, KFH Risk management and the Pension Board via a milestone report.

The relation with this supplier will be closely managed in 2022 as part of the supplier evaluation process.

Developments in 2021
As above

2. Pension Administration – IT Agility

Risk description
The risk that the pension administrator's IT is not able to implement changes in business operations - against acceptable costs and acceptable risks - that may be necessary due to internal and external causes.

Risk assessment
MPF has assessed the magnitude of this risk in relation to its risk attitude as alarming. This means that there should be focused attention to reduce this risk in the short term.

Control measures
Several control measures are in place to ensure the provider can adequately implement novelties. For instance, prior to choosing the supplier, the fund has investigated whether their systems are sufficiently future-proof in the medium term (including the move to a new pension system). The fund has taken note of a study of this future-proofing of the systems as drawn-up by Quint. Further, the MPF-IT policy requires external guidelines for the field of IT and information security to be applied. We require our Pension Administrator to report according to the ISAE 3402 (type 2) control framework, which includes specified processes and reporting around change management. This report is being monitored by MPF. Additionally, MPF reviews and monitors BSG on non-financial risks, the Service Level Agreement report and administration provider’s In Control Statement.
The admin provider needs to demonstrate a maturity level of 3 or better (DNB COBIT methodology).
One of MPF Board members is having a special focus on IT in general.

Developments in 2021
The WTP has several implications for the two plans MPF currently offers. However, the legislation is not yet ready, nor have social partners agreed on important subjects such as type of contract and whether to ease-in existing rights and compensation. Hence the impacts to the ARP/ASP plan and the Final Pay plan are not yet clear. Only then the full impact and the needed IT agility can be assessed.
Despite the global increased exposure of IT security issues since the COVID crisis, no serious issues or incidents have occurred at TKP relating to IT.
At BSG however, a data privacy incident occurred. As MPF was not yet in the affected areas, there was no direct impact on MPF or its data subjects. However, towards the end of 2021 BSG had re-done its IT self-assessment and has identified multiple areas where it deems it has a lower maturity level than assessed before. Leaving MPF with a provider with maturity levels below both our as DNB's risk tolerance levels. A senior BSG project team is working on getting to the minimal required maturity levels as soon as possible. Both MPF Board's IT-specialist -supported by our IT advisor- as the KFH Risk Management, as well as the PC have taken notice of the plans, understand the priorities and endorse the plan. All mentioned entities will closely follow progress and BSG has committed on providing regular and frequent updates on a 6-weekly basis.

3. Loss of support / value for money

Risk description
The loss of support among stakeholders, because MPF is not able to deliver sufficient value for money.

Risk assessment
MPF has assessed the magnitude of this risk in relation to its risk attitude as alarming. This means that there should be focused attention to reduce this risk in the short term.

Control measures
The board pursues active stakeholder management, with focus on sponsor. There is a strong tradition of good dialogue to resolve issues. New developments (including cost implications) are discussed and agreed with the Company. MPF holds periodic evaluation of added value after costs.
There is transparent communication to participants, creating awareness, and there are Pension Office and Pension Board members on site to contact.

Developments in 2021
MPF are closely watching the events happening around the WTP. In first instance this is for social partners to decide on. MPF does seek active contact with social partners though in order to manage complexity and execution ability of the WTP and dealing with accrued rights. As one of the outcomes of the RSA work around the WTP, the fund has proposed a Project Management structure with a steering group and working groups that are proposed to be populated by representatives for MPF as well as on behalf of the employer where appropriate, and employer has shown to be receptive to join.

4.2.2 Main financial risk categories

1. Interest rate risk

Risk description
The risk of a high negative impact on the funding level of interest rate changes.

Strategic area
Pursue policies of de-risking when appropriate.

Control measures
The interest rate risk is partially covered by the interest rate hedge. This is comprised of the interest rate swaps and the bonds portfolio. The Pension Board has adopted a de-risking policy in which the interest

rate hedge is depending on both the de-risking phase and the level of the real interest rate (the interest rate hedge will increase with increases in the level of the real interest rate). On a regular basis ALM studies are conducted to assess the appropriate level of "mismatch risk" given the maturity of the Pension Fund, the relationship with the sponsoring companies and the available buffers.
The net impact of the interest rate change on the funding level is reported in the quarterly Trustee reporting.

Developments in 2021
Real interest rate: since the decision in 2020 to have a 1-way trigger table (which means that if the interest rate rises above a certain level or trigger, the hedging level is increased, and would not decrease again if interest rate decreases at a later time below that trigger) the interest rate did not exceed the lowest coverage level at phase 1 of the de-risking plan.
De-risking: towards the end of 2021, the fund had reached the de-risking step 2 funding level, which means that the policy interest rate hedge moved from 29% of the economic liability to a 39% interest rate hedge target (38.6% coverage ratio 31/12/2022, a level which equates to an unindexed coverage ratio of about 66.1%). This increased hedge will make the fund less vulnerable for interest rate decreases, but the fund will on the other hand also less profit when market interest rates increase.

2. Market risk

Risk description
The risk of asset value reduction.

Strategic area
Use professional support from investment advisors to sustain our long-term investment stance/beliefs.

Control measures
To mitigate this risk, the investment portfolio is diversified over a range of asset classes, currencies and investment managers and is invested through a range of well diversified pooled funds. In the Investment Policy Statement overall investment risk is controlled by defined limits to asset class weightings as well as volatility in funded status. Undesired risk such as concentration risk, counterparty risk, etc. is being managed by IMA's and investment guidelines. All of the above is being monitored on an overall portfolio level by the Strategic Advisor and reported at least quarterly and immediately in case of breach of these limits.

Developments in 2021
During Q1 and Q2 a recommendation had created between WTW, T&B Investments Team and SECOR, recommending increasing the TRH Programme coverage target from 33% to 43% of the total plan assets to protect the plan funding level in advance of upcoming potential transitions for which the funding level and asset valuation are potentially critical inputs. 43% of coverage is consistent with the best estimate of the plan's direct and indirect equity exposure. The upcoming changes to the Dutch Pension regulations and the resulting potential time-sensitive transition to the (collective or individual) DC pensions leads to shorter term cut-off point. It protects against downside outcomes while leaving room for growth in strong markets.

After de-risking step 2 implementation, the portfolio reduced its equity exposure by 5% and as a consequence also could reduce the TRH to 38% (covering the full direct and indirect equity exposure of de-risking step 2)

Over 2021 there have been no breaches to the investment guidelines and limits. The overall well-diversified portfolio provided a solid return. The realized positive investment return over the year 2021 was 10.0%.

Sensitivity of Funding Ratio
The below table shows the sensitivity of the Funding Ratio to interest rate movements and/or an equity market shock at 31 December 2021. KFH RM and Pension Board have actively observed and discussed the sensitivity levels going down after increased TRH (Q2 2021) and again after implementing de-risking step 2 (end Dec.'21):

		Shock interest rates								
		-1,00%	-0,75%	-0,50%	-0,25%	0,00%	0,25%	0,50%	0,75%	1,00%
Shock equity and real estate	-25%	118,7%	121,0%	123,3%	125,5%	127,6%	129,6%	131,4%	133,1%	134,7%
	-20%	120,7%	123,1%	125,5%	127,8%	129,9%	132,0%	133,9%	135,7%	137,4%
	-15%	122,6%	125,1%	127,6%	129,9%	132,2%	134,3%	136,3%	138,2%	140,0%
	-10%	124,4%	127,0%	129,5%	131,9%	134,2%	136,5%	138,6%	140,5%	142,4%
	-5%	126,0%	128,6%	131,2%	133,7%	136,1%	138,4%	140,5%	142,6%	144,5%
	0%	127,8%	130,5%	133,1%	135,7%	**138,1%**	140,5%	142,8%	144,9%	146,9%
	5%	129,1%	131,9%	134,6%	137,3%	139,8%	142,2%	144,5%	146,7%	148,8%
	10%	130,6%	133,4%	136,2%	138,9%	141,4%	143,9%	146,3%	148,6%	150,7%
	15%	132,0%	134,9%	137,7%	140,5%	143,1%	145,7%	148,1%	150,4%	152,6%
	20%	133,4%	136,3%	139,2%	142,0%	144,7%	147,3%	149,8%	152,2%	154,5%
	25%	134,7%	137,8%	140,7%	143,6%	146,3%	149,0%	151,5%	154,0%	156,3%

4.3 Risk attitude Final Pay plan

The objectives, policy principles and risk attitude of the Pension Fund are a result of the mission, vision and strategy of the Pension Fund (see 2.2).

The risk attitude of the Final Pay plan describes the risk appetite and risk tolerance of the Pension Fund for the Final Pay plan as agreed with the stakeholders. The risk attitude for the Final Pay plan of the Pension Fund is as follows:

- Part of the contribution policy is the obligation for the Company to pay additional contributions in case of shortages in the Final Pay section of the Pension Fund. As a consequence, the probability of a reduction of the accrued pension benefits of the Final Pay plan is small;
- Investment risk on the assets for the Final Fay plan should be taken to achieve the ambition of the Pension Fund. Both the Social partners and the Pension Fund believe that investment risk is rewarded with higher expected returns in the long run;
- The Social partners (the Company and the Works Councils) accept that investment risk might result in high additional contributions in the short term in case of shortages, because expectations are that in the long term this investment risk results in higher returns and therefore on average higher indexation results and lower Company contributions (due to contribution reductions);
- The Pension Fund accepts that investment risk might result in limited indexation in the short term, because expectations are that in the long term this investment risk results in higher returns and therefore a better indexation including repair of missed indexation and benefit reductions.

This risk attitude is translated in financial limits for both the short and the long term as determined in the ABTN and AFA of MPF. The limits for the short term are dependent on the de-risking phase. An ALM has been completed in 2021 and has concluded that only limited modifications were needed.

Though the risk attitude of the final pay plan has not changed, the level of risk-taking has decreased over 2021 due the increased TRH and the move from de-risking step 1 ('diversification) to de-risking step 2 ('LDI'). Both topics see 4.4.2. This has led to a reduction of 5% of Plan in Public Equity, and an increase of 5% of plan in Matching Assets conform de-risking policy.

Unless clearly stated otherwise all amounts are in thousands of euros

A feasibility test (see 3.5) is performed every year. This test monitors whether the expected pension result is still consistent with the original expectations, based on the financial position of the Pension Fund and the new economic circumstances. The annual feasibility test is conducted to assess whether the expected pension result in the Final Pay plan at fund level is sufficiently in line with the established lower limit of the risk attitude for the long term and whether the pension result at the fund level in the bad weather scenario does not deviate too much from the expected pension result at fund level. The results of the test show that this is the case.

4.4 Risk attitude ARP/ASP plan

The Pension Fund has a so-called ARP/ASP plan that consists of two parts, the Associate Retirement Plan (ARP) and the Associate Selection Plan (ASP). The ARP part has a relatively stable capital accumulation with a CPI +3% annual credit and a guarantee of 0% (see 6.4), The ASP part is invested using a lifecycle (or a selection of the offered investment funds) and does not have any guarantees regarding the investment return.

Members in the ARP/ASP plan have relatively high incomes. The pension contributions are sufficient for an adequate pension result, taking 2020 market conditions into account. Members are roughly equally invested in the ARP part and ASP part. This resulted in the preliminary conclusion that plan members are able to absorb quite some risk in the ASP part. This conclusion was subsequently shared and tested with the ASP Group (that consists of Plan members), the Accountability Council (Verantwoordingsorgaan) and finally with Social Partners. The outcome of these extensive consultations was that all parties/stakeholders were in agreement with the conclusion of the Pension Board.

The risk attitude for the accrual phase of the DC-plan is quantified in a ‘maximum allowable deviation’ for the pension benefit on the pension date in a pessimistic scenario, which is dependent on age. This is calculated as the difference between the pension outcomes in the expected scenario (50^{th} percentile) and the pessimistic scenario (5^{th} percentile). Members who intend to choose a variable annuity (and are therefore assigned the lifecycle for the variable annuity) have a higher risk tolerance.

The Pension Fund will test the investment policy and the lifecycles, periodically (at least every three years) or when the Pension Board has established there has been a significant change (for example with regard to plan contributions or with regard to the lifecycle). Prior to moving to de-risking step 2, the fund had positively confirmed that the new asset mix in combination with the retained ARP-return was still appropriately fitting the risk-return profile of the ARP plan.
When the results of the test do not meet the criteria for the risk attitude, the Pension Fund will consult with the appropriate stakeholders mentioned here above, either to adjust the lifecycle(s) or the risk attitude.

The risk attitude test ARP/ASP has been presented in the Q4 2021 Pension Board and both the lifecycles satisfy the agreed Risk Attitude.
MPF monitors the expected pension results in the combination of ARP and ASP plan more closely in order to use this in communication with social partners and members. The results are included in the quarterly risk dashboard updates, showing a stochastic replacement ratio calculation for several strawmen.

For members that wish to deviate from the lifecycle it is possible to choose the self-select option. A member that opts for this option will be warned about the risks and will be asked about their risk profile. The pension fund annually informs the members with regard to their actual asset mix in relation to their risk profile in order to meet the duty of care requirements (see 7.2).

5 INVESTMENT SECTION

5.1 Investment policy and strategy

The long-term investment policy for the Pension Fund changed during 2021. The first changes were a result of the completion of the ALM study in Q2 2021. Global Real Return was formally removed as an asset class and Public Equity and Fixed Income targets were increased – consistent with the substitution rules that were put in place last year. The Public Equity asset class was changed from fixed weights (80% Developed Equities, 20% Emerging Equities) to market capitalisation (MSCI ACWI) weights, which was implemented in July 2021. Diversified HY Bonds and Private Credit were combined into a single, "Total Credit" asset class, equivalent to 50% Hard Currency EMD, 33% US HY credit and 17% US IG credit. The switch from hard/local currency to hard currency EMD was implemented in December 2021; the other changes within the asset class are expected to be implemented in 2022, at which time they will be reflected in the long-term and interim policy asset mixes. Following the significant improvement in the Plan's funding position, the IC and MPF Board considered a range of options to reduce risk for the Plan, given expected changes related to the WTP. The decision was made to increase the Tail Risk Hedging overlay to cover 43% of assets (reduced to 38% when the Plan reached the second de-risking step) in May 2021. The final set of changes occurred in December 2021, when the Fund reached the second de-risking trigger on the de-risking flight plan. The changes comprised a 5% reduction to Public Equity, a 5% increase to the high-quality fixed income allocation, and the conversion of the high-quality fixed income allocation from Government Bonds to Liability Matching Swaps.

The table below shows the interim policy allocation (which takes into account that alternatives may deviate from their policy allocations) and the actual asset allocation at the end of 2021.

	Long Term Investment Policy	31-12-2021 interim policy	End 2021 Asset Allocation	Minimum	Maximum
Public Equities	**18.0%**	**20.1%**	**22.6%**	**8.0%**	**28.0%**
Fixed Income	**52.0%**	**51.2%**	**49.9%**	**32.0%**	**72.0%**
Bonds	42.0%	41.2%	40.3%	32.0%	52.0%
Diversified HY Bonds	10.0%	10.0%	9.6%	0.0%	20.0%
Alternatives	**30.0%**	**27.6%**	**27.6%**	**0.0%**	**55.0%**
Property	10.0%	5.7%	5.7%	0.0%	20.0%
Private Equity	10.0%	11.4%	11.4%	0.0%	15.0%
Hedge Funds	5.0%	6.6%	6.6%	0.0%	10.0%
Private Credit	5.0%	3.9%	3.9%	0.0%	10.0%
Cash	**0.0%**	**1.1%**	**-0.1%**	**0.0%**	**5.0%**
Hedges					
Currency	63.1%	63.9%	63.9%	62.0%	93.5%
Interest Rate	86.0%	39.0%	39.0%	39.0%	86.0%
Inflation	31.0%	0.0%	0.0%	0.0%	31.0%
TRH	38.0%	38.0%	38.3%	33.0%	38.0%

The interim policy reflects the substitution rules for Cash and Alternatives that deviate from their Long-Term Investment Policy allocations.

Unless clearly stated otherwise all amounts are in thousands of euros

The size of the Liability Driven Investing (LDI) programme, i.e., the Interest Rate and Inflation Hedges, is dependent on the de-risking step of the Plan and the level of real interest rates. At the current de-risking step, the programme has long-term targets of hedging 86% of the interest rate sensitivity and 39% of the inflation sensitivity of the Economic Liability (the maximums defined by the trigger table). Due to the prevailing level of real interest rates the interim and actual targets for the hedges were 39% and 0% of interest rate and inflation sensitivities, respectively (the minimums defined by the trigger table). The primary goal of the LDI strategy is to reduce the Plan's funded status volatility. The instruments traded for the LDI overlay were all centrally cleared. Margin balances were held in the Matching Swaps allocation at year end.

5.2 General financial market developments 2021 and outlook 2022

2021 began with much of the developed world under further lockdown restrictions as COVID-19 cases saw a resurgence, weighing on economic output. However, as vaccination programmes were rolled out and lockdown measures were lifted the global economy experienced a strong rebound. The strong economic growth was recorded against a backdrop of labour shortages and supply chain issues, which stoked inflation pressures. Consumer prices surged as a result, with inflation figures touching multi-year highs. Corporate earnings saw a remarkable recovery from their pandemic lows, with energy companies buoyed by stronger demand and higher oil prices and financials reducing loan loss provisions as the outlook for profitable lending improved. Consumer spending trended higher and global manufacturing activity picked up on the back of pent-up demand.

Equity markets saw robust returns over the year, with the MSCI ACWI up 21% in local currency terms. US equities were the largest contributor to the strong global equity performance, while emerging markets, held back by restricted access to vaccines and high debt servicing costs, were the laggard. In response to spiralling inflation figures central banks also began to signal to markets that the ultra-accommodative monetary policy in place would be reversed, weighing on the performance of fixed income assets with yield curves shifting higher over the year. Investors who assumed credit risk were rewarded in 2021, with corporates outperforming sovereign bonds and high yield debt achieving robust returns as risk sentiment improved.

Overall, it is expected that investors' experience in 2022 will be substantially different from 2021. While global economic activity is expected to grow at an above-trend rate, corporate earnings will have to overcome higher expectations, rising wages and rising input costs. The two themes, which currently dominate investors' discussions are: (i) whether the current level of equity valuations, particularly in the US, is sustainable and (ii) inflation running at the fastest pace in decades – already a significant concern and now, with commodity prices accelerating in response to Russia's invasion of Ukraine, concerns have increased. Central bankers have had to raise their inflation forecasts and pare their 2022 growth outlooks. But they appear to be adhering to their plans to normalise their policies gradually, while acknowledging that they need to move cautiously. Russia and Ukraine have seen their currencies collapse and their economies plunge into deep recessions. Risks have increased for the global economy but thus far the collateral damage for the world at large appears manageable. Financial conditions remain stimulative; trade exposure to Russia and Ukraine (excluding commodities) is small; and global banks have significantly reduced their exposure to Russia. Against this backdrop, our base-line outlook calls for 3.9% global growth this year, down from 4.6% in January and we expect that corporate earnings will grow broadly in line with current expectations, and return-seeking assets can deliver returns in line with historic averages.

5.3 Return on investments

The investment portfolio of the Pension Fund achieved a net performance of 10.0% versus a net benchmark return of 7.1%, comfortably outperforming its benchmark over the year. The gross of fees return of the Pension fund is by approximation 12.4% coming from the net performance of 10.0% plus the Total investment costs of 2.4% (See paragraph 3.7.2).

The table below shows the detailed performance versus Passive Investable Alternative benchmarks for all the main components of the policy mix. For the main asset categories, the performance over the year was as follows[6]:

	Portfolio	PIA Benchmark	Relative Performance
Public Equities	24.9%	24.7%	0.2%
Fixed Income	-2.3%	-1.9%	-0.4%
Property	11.2%	7.0%	4.2%
Private Equities	66.9%	56.9%	9.3%
Private Credit	18.5%	-2.2%	20.7%
Hedge Funds	8.7%	1.9%	6.8%
Total return mandate investments	**13.0%**	**10.6%**	**2.3%**
Plan Level Currency Hedge	0.0%	0.0%	0.0%
Plan Level LDI	-1.1%	-1.8%	0.7%
Plan Level TRH	-1.8%	-1.6%	-0.2%
Total return (including overlays)	**10.0%**	**7.1%**	**2.8%**

Absolute Plan performance was strongly positive for the year, as most asset classes achieved robust returns. Return-seeking assets saw a strong recovery in 2021 as the global economy continued to recover from the COVID-19 lockdown induced recession from the year before. Longer-dated bond and swap rates rose sharply in 2021, resulting in negative absolute returns for fixed income assets. The Property asset class benefitted from positive valuation updates for both the Global Property allocation and the direct UK property portfolio, which is in the process of being liquidated.

Against a backdrop of robust equity market returns the TRH programme detracted over the year, subtracting -1.8% from Plan returns. The programme outperformed put options over the full year but lagged slightly for the period from May 2021, when it was added to the Plan’s investment policy. Yields rose substantially over the year as inflation fears mounted and expectations of tighter monetary policy increased. Consequently, the Plan’s LDI overlay detracted over the year.

The main positive contributors to the Plan’s absolute returns were the Public and Private Equity allocations, which both performed very strongly, while Fixed Income weighed on Plan returns as European sovereign bond yields climbed. Private Credit added to performance as credit spreads narrowed over the year and positive valuation updates were recorded. Hedge Funds recorded robust returns for the year, with Blackstone EFFEM finishing the year significantly ahead of its benchmark.

[6] Source: Mellon Performance Report Mars Pension Fund December 2021 – adjusted for Q4 2020 PE valuations, SECOR Analytics

Unless clearly stated otherwise all amounts are in thousands of euros

The 2021 average portfolio weight compared to the 2021 average PIA benchmark weights were as follows[7]:

Asset Category	Benchmark	Average Portfolio weight	Average Policy Weight
Public Equities	MSCI ACWI Net TR index	30.3%	28.3%
Cash and Matching Swaps[8]	Barclays Global Aggregate index (EUR Hedged)	36.5%	36.7%
Diversified Credit (High Yield / EMD)	50% Barclays Global Aggregate index (EUR Hedged) / 50% Barclays Global Aggregate index (USD Hedged)[9]	9.5%	10.0%
Property	MV weighted blend of: Actual Portfolio return and 50% NCREIF Fund Index ODCE[10] / 50% INREV ODCE fund index (EUR Hedged)	4.9%	4.9%
Private Equity	Cambridge FoF Vintage Year Weighted	9.1%	9.1%
Private Credit	Barclays Global Aggregate Index (EUR Hedged)	3.8%	3.8%
Hedge Funds	HFRX Equal Weighted Index (EUR Hedged)	6.3%	6.3%
Cash / Plan Level Overlays	LIBID 1 Week Bid Index (EUR)	-0.3%	0.9%
Total	**Total Plan Benchmark**	**100.0%**	**100.0%**

Longer term, the Pension Fund outperformed relative to the PIA and Market benchmarks, please see the table below[11] [12]:

Year	Portfolio (Net)	PIA Benchmark (Net)	Market Benchmark (Net)
2021	10.0%	7.1%	8.2%
2020	7.0%	7.0%	6.2%
2019	13.0%	13.6%	14.2%
2018	0.3%	0.6%	0.5%
2017	4.5%	5.8%	6.2%
2016	7.5%	6.5%	9.3%
2015	7.0%	5.1%	5.0%
2014	17.2%	15.1%	17.2%
2013	11.6%	8.3%	8.0%
2012	12.9%	9.8%	11.3%
Average last 5 years	6.9%	6.7%	6.9%
Average last 10 years	9.0%	7.8%	8.5%

Measured over a longer period of ten years, the average return for the Pension Fund was 9.0%, 1.2% ahead of the PIA benchmark and 0.5% ahead of the Market benchmark.

[7] Source: BNY-Mellon Performance Report Stichting Mars Pensioenfonds December 2021, SECOR Analytics
[8] The Plan de-risked on 30 Dec 2021, with EUR interest rate swap exposure being added such that (including the LDI overlay) the Plan was aligned to the interest rate hedge ratio target
[9] The PIA benchmark has been updated to reflect the new Hard Currency EMD manager, as the Plan transitions to the Total Credit asset class.
[10] Open-end Diversified Core Equity
[11] Portfolio return from the previous year can be restated, for instance due to performance data of illiquid assets being available after finalizing the annual report. Benchmark returns can be restated, for instance due to changes in the choice of the asset class benchmarks or benchmark calculation methodology.
[12] Performance Private Equity and Private credit performance is available with a 1 or 2 quarters leg. Numbers include performance updates available before finalizing the annual report.

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5.4 Sustainability (ESG)

As a Pension fund, our primary responsibility is to act in the best long-term interests of our beneficiaries. The Pension Board believes that environmental, social and corporate governance (ESG) factors impact, and can contribute to, the realisation of the objectives of the Pension fund.
The Board annually updates and approves the ESG Policy Document in its March meeting. Among other things, it contains the ESG Beliefs which underlie the further development and implementation of the ESG Policy. Beyond that, it includes a concrete action plan for 2022, which will be implemented with support from the strategic investment advisor.

Additionally, MPF became a signatory to the UN Principles for Responsible Investment (UNPRI) on 18 August 2021. In all of this, the Pension Board believes it is important to be thoughtful and make progress step by step, supported by research findings about the investment efficiency and impact on performance of incorporating ESG into the investment process.

In order to comply with the newly implemented Sustainable Finance Disclosure Regulation (SFDR), effective 10 March 2021, the Pension Board has included a SFDR disclosure in the 'Statement of Investment Principles' available on the website of the pension fund. Solely in connection with our understanding that a fairly pertinent required reporting structure is not in line with the status of the development of our policy, we opt for the "Opt-Out" variant with regard to reporting (on the website). When making an investment decision, negative impact that investment decisions have on the society/environment is taken into account.

We engage with managers on incorporating ESG considerations in the management of their businesses and portfolios because those that embed ESG considerations into their culture and processes improve the likelihood of prolonged and successful operation.

5.5 Financial position and Investments

The Plan has a de-risking policy which enables the Plan to reduce the risk (funded status volatility) in the policy portfolio when the Plan's funding position improves or when real interest rates increase. Having reached the second de-risking trigger in December 2021, the next de-risking trigger is at a funded status of 145.6%, at which point the Plan will further reduce risk

The LDI Target Table determines the target size of the interest rate hedge, based on the level of real interest rates. The level of real yields remained below the lowest trigger point (the levels of real interest rate at which a change in the hedge is triggered), hence the hedge remained at the minimum level defined by the investment strategy (39% as of 31 December 2021).

The asset-liability management ("ALM") study, which was started in 2020, was completed in 2021. The MPF Board approved Phase II of the ALM study, which enabled the transition to the new strategic asset mix. The WTP in the Netherlands was considered as part of the process; however, the changes are yet to be formalised in law and uncertainty around the future structure of the Plan (which will require input from the Plan sponsor) persists. As an interim de-risking step, to secure the significant funding gains the Plan had made from the lows of 2020, the MPF Board approved an increase to the equity Tail Risk Hedging programme in May 2021. This allowed the Plan assets to continue to benefit from further increases in equity markets, whilst providing protection against a significant sell-offs. It was agreed that a new ALM will be required once more is known about the future structure of the Plan (which will require input from the Plan sponsor).

AEW Global Advisors Europe LLP, a subsidiary of AEW SA ("AEW"), was appointed to manage the direct UK Property portfolio for the liquidation process in 2018 and began the formal liquidation process on 1 January 2019. AEW updated its hold/sell analysis in 2021 and, despite ongoing market illiquidity in the UK retail property market AEW has continued to progress the sales of selected assets making significant progress on the sale of the Dumbarton shopping centre. In March 2022 the sale of the Dumbarton Shopping centre has been finalized. Additionally, work was progressed over the course of 2021 to execute a sale of REI Nederland B.V. (REI)[13], the holding company for the Plan's direct UK property holdings. The Management Board of REI albeit reliant on external Parties interest and ability to transact, is working towards a REI sale to be finalized during 2022.

After balance sheet date, MPF has established that it is appropriate and prudent to commit itself to extend the existing intercompany loans until at least 30 June 2023 and to provide an additional intercompany loan up to a defined maximum amount required to enable REI to meet its third party obligations until at least 30 June 2023, on terms and conditions satisfactory to MPF, but more or less comparable to the existing intercompany loans.

[13] Formerly named Mars Real Estate Investments B.V. (MREI BV).

6 PENSIONS

There have been important developments in 2021 in the area of pensions. Below we describe the legal developments that have had consequences for the Pension Fund in 2021 and /or will have consequences for the Pension Fund in the future (see 6.1). The Pension Board adopts an active attitude with regard to all pension developments.

Mars Pension Fund manages two sets of plan rules for the active and deferred members and retirees. The Pension Board coordinates the impact of the legal developments to the plan rules, together with the legal, actuarial and communication advisor of the Pension Fund and the administrator. A brief description of these plan rules is provided in paragraph 6.2 and 6.3. In addition, the indexation policy is provided in paragraph 6.4 and reinsurance in paragraph 6.5.

6.1 Developments in legislation and regulations

WTP
According to plan, on the 30 March 2022 the proposal for law that should implement the "Wet Toekomst Pensioenen" (WTP) was sent to the House of Representatives (Tweede Kamer). If the House of Representatives and the Senate (Eerste Kamer) finalize the treatment in 2022 and the law is passed in both houses, it can then enter into force on 1 January 2023.

Lump sum payment at retirement age
On 1 January 2023, the lump sum payment will come into effect at retirement age. From that moment on, each participant should have the choice at his or her retirement age to have a maximum of 10% of the value of the retirement pension paid out in one go. Legislation for this has already been passed by the House of Representatives, but a decision has yet to be made on one point. This concerns the conditions under which the lump sum payment in the event of retirement before the state pension age may be postponed until a later moment.

6.2 Final Pay plan

The Final Pay plan is a final pay defined benefit plan. This plan applies to the closed group of associates who were already active members of the 2000 Pension Plan on or before 31 December 2003 and born on or after 1 January 1950.

Types of pension	Description
Old age pension	1.657% of pensionable salary including the average shift percentage minus offset
Partner's pension	70% of accrued old age pension, in case of death it is assumed that the membership would have continued
Orphan's pension	In case of death before retirement: 20% of total partner's pension in payment In case of death after retirement: 14% of old age pension in payment
Disability benefit	Full disabled: 75% of pensionable salary minus social security ceiling. Continuation of pension accrual on costs of MPF
Offset (franchise)	As from 1 January 2021: EUR 21,775.97 As from 1 January 2022: EUR 22,363.36
Top-up limit (excedent-grens)	As from 1 January 2021: EUR 58,975.56 As from 1 January 2022: EUR 59,562.95
Maximum pensionable salary	As from 1 January 2021: EUR 112,189 As from 1 January 2022: EUR 114,866
Member contribution	0%

Unless clearly stated otherwise all amounts are in thousands of euros

Normal retirement age	68 years
Flexible options	Early or postponed retirement, purchase of temporary retirement pension, exchanging partner's benefit for additional old age pension or vice versa

Entitlements acquired elsewhere during employment with the Company, e.g. from another pension plan or the BPF Sweets (*Stichting Bedrijfstakpensioenfonds voor de Zoetwarenindustrie)* or from the Disability Act (*WAO* or *WIA*), are deducted from the Fund's pension benefits.

6.3 ARP/ASP plan

The ARP/ASP plan is a so-called Contribution Agreement (*premieovereenkomst)* and consists of the following two modules:

1. Associate Retirement Plan (ARP) (*Medewerker Uittredings Plan MUP*)
2. Associate Selection Plan (ASP) (*Medewerker Selectie Plan MSP*)

Members of the ARP/ASP plan are those employees registered by the Company who entered the Company's service after 31 December 2003, and who are exempted from mandatory participation in the pension plan of the BPF Sweets.

	ARP	**ASP**
Type	Individual defined contribution plan with no individual investment choices	Individual defined contribution plan with investment module
Member contribution	No	Compulsory contribution of 3.9% of the pension base plus voluntary contribution with an age related maximum up to 6.5% of the pension base
Employer contribution	Age related	Equal to voluntary contribution of Member
Offset (Franchise) As from 1 January 2021: As from 1 January 2022:	 EUR 14,926.41 EUR 15,329.04	 EUR 14,926.41 EUR 15,329.04
Maximum pensionable salary	1 January 2021: EUR 112,189 1 January 2021: EUR 114,866	1 January 2021: EUR 112,189 1 January 2021: EUR 114,866
Addition of interest	CPI + 3% (conditional, depending on the return made by MPF)	Not applicable
Investment choice	Not applicable	Either Life Cycle mix or free choice
Fixed or variable annuity	Choice of member	Choice of member
Fixed annuity	At retirement with the Pension Fund or insurance company (choice of member)	At retirement with insurance company
Variable annuity	At retirement with insurance company	At retirement with insurance company

Unless clearly stated otherwise all amounts are in thousands of euros

Death during active membership	Risk based partner pension of 1.33% of the pensionable earnings (excluding offset of EUR 21,775.97 for 2021) for each year of membership that has been achieved until 1 January 2015 plus 1.16% of the pensionable earnings (excluding offset of EUR 21,775.97 for 2021) for each year of membership that can be achieved after 1 January 2015. Balance flows to Pension Fund.	Balance flows to the Pension Fund, surviving benefits arranged via ARP
Death before retirement as deferred member	Surviving dependents can use balance to buy annuity with the Pension Fund	Surviving dependents can use balance to buy annuity with the Pension Fund
Disability	Full disabled: disability pension of 75% of pensionable salary minus social security ceiling. Continuation of contributions on costs of the Pension Fund	Continuation of contributions for costs of the Pension Fund, disability pension is arranged via ARP
Normal retirement age	68 years	68 years
Flexible options	Buy-in at MPF: Early or postponed retirement, purchase of temporary retirement pension, ratio of partner's pension to old age pension. Buy-in at insurer: whether the above flexible options are possible depends on the offer of the insurer.	Depending on offer insurer: Early or postponed retirement, purchase of temporary retirement pension, size of partner's benefit and old age pension

6.4 Indexation policy and interest addition

Final Pay plan
The Pension Fund aims for annual adjustment of the pension benefits for deferred members and retirees under the Final Pay plan. Every year the Pension Board decides the extent to which benefits will be adjusted.

The annual adjustment/indexation ambition is determined as:

A. 75% of the Consumer Price Index (CPI) 'all-households' as published by CBS over the months September versus September of the preceding year;
B. If A is higher than 3%, the outcome will be maximized at 3%;
C. The final indexation percentage will never be higher than the wage index. Any positive difference between the lower of A and B and the Wage Index is then retained and if, in the following year(s), the Wage Index exceeds the lower of A and B, this retained amount of indexation is provided as additional indexation in that year, as long as the total amount of indexation given in that year does not exceed the Wage Index for that year.

   Any adjustment will only be granted if and insofar as the Pension Fund's financial position permits it. This is fully within the decision-making power of the Pension Board. The Pension Board decides every year whether or not, and, to what extent indexation is granted.

Unless clearly stated otherwise all amounts are in thousands of euros

There is no financial reserve for the indexation and no contribution is paid for the indexation. The costs of the indexation are financed from the reserves of the Pension Fund.

The Additional Pension entitlements for active members resulting from the conversions in 2006 and 2014 will be unconditionally adjusted annually according to the wage index. There is no financial reserve for the indexation, but the contribution for this indexation is part of the unconditional accrual in the cost covering contribution.

The Additional Pension entitlements for active members resulting from the conversion in 2015 and 2018 will be conditionally adjusted annually according to the wage index. This indexation depends on the financial situation of MPF. There is no financial reserve for this conditional indexation and no contribution is paid for the indexation. The costs of the indexation are financed from the reserves of the Pension Fund.

ARP/ASP plan
The balance on the Pension Accrual Account of the ARP is increased by the addition of interest during active and inactive membership. The interest additions occur on a daily basis and in such a manner that the interest additions on an annual basis are at a maximum equal to a percentage amounting to ”CPI all households” plus 3%. This will never exceed an addition of interest more than 13% on an annual basis. The interest addition is depending on the actual interest made by MPF. The minimum addition is 0%.
The Pension Board decides every six months whether, and to what extent indexation will be granted. There is no contribution paid for this interest addition.

As of 1 January 2015, the liabilities of the ARP are classified as liabilities at risk of the members. As from the quarterly and monthly reports 2016 all pension funds have to calculate the (Policy) Funding Ratio on the basis of the total assets and the total liabilities of the fund, so not just the part for risk of the fund. This means for MPF that the ARP/ASP plan is included in assets and liabilities. The same applies for the calculation of the Ongoing Solvency Margin Ratio.

The Balance of the ASP depends besides contribution on the investment results (lifecycle based on a mix of Vanguard funds).

The partner’s and orphan’s pension of members that have died during active service are indexed according to the indexation policy for the Final Pay plan.

6.5 Reinsurance

The Pension Fund has a reinsurance contract for the death-in-service and disability-in-service risks with Zwitserleven. The contract will end on 31 December 2022.
This reinsurance can be seen as a catastrophe-risk-coverage because it is based on stop-loss insurance with a net deductible amount of EUR 2.5 million which is approximately 250% of the risk premium. Claims are possible up to 24 months after the contract period.

7 GOVERNANCE AND COMPLIANCE

The Pension Board had five formal Pension Board meetings and a Strategy Day. The Committees of the Pension Board were involved with 'their' topics during the whole year with several meetings. Besides this, part of the Pension Board participated in the tripartite meeting on behalf of the year end close. In 2021 there were five so-called Topical Walk-In sessions (internal training sessions for members of the Pension Board, Accountability Council and Talent Pool members) and 10 modules of the MPF Academy with different topics for the Talent Pool members. Due to Covid-19 it was not possible to have physical meetings. All meetings have been done via videoconferencing.

During the year the following items were the most important or most frequently discussed topics.

7.1 Governance and governance committees

The Pension Board uses a dashboard and balance sheet and investment management reports in order to have an adequate oversight of the status and development of all activities and financial position. The Board also keeps itself informed by attending various internal and external meetings and seminars. During 2021 Pension Board members have attended several seminars organized by the Pensioenfederatie and external experts in order to maintain their expertise and also attended the internal training meetings, the "Topical Walk-in sessions" and MPF Academy modules.

<u>Committees and Competency teams</u>
Pension Board members are allocated to areas of expertise defined by DNB. The Committees and Competency Team are the ''first contact'' Pension Board members for these areas. They have developed thorough knowledge of their area, and also manage the area in more detail and advise other Pension Board members on their topics. Since 1 January 2022 the former Competency Teams LAG, AITO and Risk & Compliance have been merged into the new established Pension Committee. The Pension Committee has its own mandate and it has been established to achieve a more efficient Governance structure. The roles and responsibilities are as follows at the end of 2021:

Topic	Scope	Pension Board Members
Pension Committee	Pension Law Actuarial items Governance Outsourcing including administration and IT Risk and Compliance	Mr. W. van de Laar (non-voting chair) Mr. W. van Ettinger Mrs. R. Steenbergen
Investments Competency Group	Strategic Asset Allocation First point of contact with Investment Committee	Mr. W. van Ettinger Mr. H van Heesch (in training)
Pension Communication Committee	Pension Communication	Mr. H. van Heesch Mr. W. van de Laar

The Key Function Holders Risk Management and Internal Audit are not a member of a Committee or Competency Team but are always invited to join the meetings as an attendant.

<u>Self-assessment</u>
In April 2022 the Pension Board held an external self-assessment with the aim of strengthening its own functioning and cooperation. During the self-assessment also an evaluation of the functioning of the Pension Committee has taken place.

<u>Succession members Pension Board and Accountability Council</u>
The sustainability of Mars Pension Fund going forward is a topic the Pension Board will continue to review. One of the main challenges the Mars Pension Fund faces is to find adequate, available and motivated (future) members for the Pension Board, Accountability Council, ASP Member Group and Investment

Committee. For this reason, the Pension Board set up a Talent Pool. In 2021 two new candidates have been recruited for the Talent Pool. These members have followed the training programme with 10 modules of the MPF Academy and training from SPO. At the moment we are identifying new candidates for the Talent Pool to have a filled pipeline in case of vacancies.

Governance documents

In 2021 the Pension Board has, together with their advisors, worked on updating several governance documents and has agreed on some new policies.

- Articles of Association
- ABTN
- Pension Committee Charter
- IC Charter
- Risk Management Function Charter
- ASP ToR
- ICG ToR
- Incident Regulations
- Investment Policy
- De-risking Policy
- ESG Policy
- Statement of Investment Principles
- Communication Strategy 2022-2024

Internal Audit

In June 2020 BDO has been appointed as the performer of the Internal Audit function. In 2020, Mr. H. Faassen has functioned as acting KFH Internal Audit (KFH IA), and in the Board meeting of 23 March 2021, Mr. R. de Waard –insourced from BDO- has been appointed as KFH IA.

The KFH IA would be operating on a separate contract and be insourced, whereas BDO as executer would be an outsourced contract.

In 2021, an audit has been performed about the MPF Risk Management system and Risk Management function. IA concludes that Mars Pension Fund fully complies with the IORPII requirements regarding risk management in both design and effectiveness. In paragraph 7.13 the recommendations of this internal audit are described.

7.2 Duty of care (Zorgplicht) ARP/ASP plan

Members of the ARP/ASP plan have the possibility to opt-out from the Life Cycle Mix and choose their own investment mix. Opting out is only possible after completing the Investment Guide (in Dutch 'Beleggingswijzer'); this guide help members learn and understand what their risk profile is and provides an advice on the investment choice. Only when a certain risk profile outcome is achieved, opting out is allowed. The website www.marspensioen.nl supports the members in their choice and keeps a record of member's risk profiles. At the end of 2021 1-2% of the members had chosen for opting out.

As of 1 January 2018 the choice for a fixed or variable lifecycle was implemented in the Investment Guide for members of 55 years or older.

7.3 Communication

Communication plans
In December 2021 the Pension Board approved the Communication Strategy Plan for the period 2022-2024 and the Communication Action plan 2022.

Digital newsletters and online videos
In 2021 four digital newsletters have been sent. Further an additional newsletter has been sent to collect more email addresses. Online videos have been made for the website in which complex topics will be clearly explained.

New Website
In 2022 a new website has been developed which gives more and clear insights and easier access to information. Members have their own private space in which they have their individual pension information and use their planner.

UPO (Uniform Pension Statements)
In 2021 all UPO's have been sent before the legal deadline of 1 October 2021.

My Pension Overview (MPO)
MPF has provided all scenario amounts of attainable pension rights for all its members to MijnPensioenOverzicht (MPO) before the legal deadline of 1 October 2021.

7.4 Legal

<u>Legal advisor MPF</u>
In the first part of 2021 NautaDutilh has been the legal advisor of MPF. Early 2021 NautaDutilh has has decided to terminate the contract with MPF as per 1 July 2021. After that MPF has searched for a new legal advisor and has appointed BVZA as the new legal advisor.

Part of the services performed by NautaDutilh and BVZA is the legal support during the Pension Board meetings. The legal advisor of MPF was present during all MPF meetings in 2021.

<u>Incident policy</u>
In June 2021 the Incident Regulations have been approved by the Pension Board. With this approval MPF the requirements of legislation).

<u>GDPR</u>
As from 25 May 2018, the General Data Protection Regulation (GDPR) or in Dutch the *Algemene Verordening Gegevensbescherming* (*AVG*) applies. MPF must comply with the requirements of this Regulation. In the context of the GDPR, MPF is seen as a data controller. In 2021 all privacy related documents were reviewed and updated where needed.

The Privacy Policy describes the roles and responsibilities of people involved with MPF in data security and privacy protection, including the tasks of the Privacy Counsel.

The pension fund has been GDPR compliant in 2021. GDPR remains a continues process.

<u>ABTN</u>
The ABTN was updated and approved in the Pension Board meeting in December 2021.
Amendments that were made include:
- Update of mission, vision, strategy and objectives;
- The new pension administrator and legal advisor;
- Accountability Council expanded from 3 to 6 members;
- Valuation principles.

7.5 Supervisory authorities

There were no penalties from DNB received during 2021 and DNB has not given any instructions to the Pension Fund, nor has an administrator been appointed or has the authority of the governance bodies of the pension fund been restricted by DNB. Reports and Surveys were submitted within the legal timeframes. In 2021 DNB approved the appointment of Mrs. H. Bakermans as Director of MPF and the appointment of Mr. R. de Waard as KFH Internal Audit and Mr. P. van Bree as KFH Risk Management.

7.6 Pension funds code

On 24 September 2018 the Dutch Pension Funds Code was published. The Code applies to all pension funds having their corporate seat in the Netherlands. MPF complies with most of the principles in the Code Pension Funds 2018.

In some situations, the principles are not (yet) completely met. In 2021, these principles are:

Principle number	Subject	Explanation why the principle is not completely met
31, 33, 35, 37, 38.	Diversity in governance bodies MPF	With regards to its governance bodies and their respective composition and appointment procedures, MPF has a policy in which it takes into account diversity with regard to age and gender after suitability and diversity in location and pension plan. This policy is described in the Regulations of the Pension Board of MPF. Although there is no plan setting out concrete steps for the promotion of diversity it is taken into account when adding candidates to the Talent Pool. One of the members of the Pension Board and one of the members of the Accountability Council is female. None of the members of the Pension Board and Accountability Council is aged under 40.

Other principles of the Code are a mandatory part of the annual report, whether they are met or not. These principles are met but mandatory reported:

Principle number	Subject	Explanation why the principle is met
5	In its annual report the Pension Board is accountable for its policy, the results achieved by this policy and the policy choices it may make for the future. The Pension Board takes into account the different interests of the stakeholders. The Pension Board also provides insight into the risks of stakeholders in the short and long term, related to the agreed level of ambition.	The accountability of the Pension Board is described in detail in the annual report. The annual report is published on the MPF website that is available for all members. In the event of interim events, the Pension Board involves its stakeholders in order to safeguard a balanced weighing of interests. The Pension Board consults the Accountability Council, the Supervisory Council and the Company on a regular basis on the conducted policy, the outcomes, choices and risks. The policy of the Pension Board is extensively explained. For all decision items, Pension Board considers the interests and impacts for the different stakeholders.

Unless clearly stated otherwise all amounts are in thousands of euros

47	Internal supervision involves the Code in performance of its duties.	Internal supervision reports in the annual report on the basis of the eight themes of the Code, how the Code is observed and applied within the pension fund.
58	In its annual report, the Pension Board must unambiguously and clearly describe the mission, vision and strategy of the pension fund. In addition, it should describe whether and the extent to which the pension fund has achieved its objectives.	The Pension Board has defined a mission, vision and strategy that are part of the 2021-updated ABTN. In the annual report a summary of the mission, vision and strategy is included and is described how the strategic principles were met in a year.
62	The Pension Board reports its considerations regarding ESG investment policy and ensures that these are available to stakeholders.	As from 2020 the ESG investment policy is available on the website of the fund.
64	In its annual report, the Pension Board will report the degree of compliance with the code of conduct and this Code, as well as providing an evaluation of the board's performance.	Part of the annual report process is the confirmation of the Compliance Officer to the Pension Board, and so monitoring the compliance with the Code of Conduct (CoC) and with the law and the effectiveness of internal rules and procedures. In the annual report is reported if any incidents happen in a year. The annual confirmation of all relevant parties with the CoC is accessible for all Pension Board members and members of the AC. The compliance with the Code Pension funds is explained in the annual report as from 2014. The Pension Board regularly evaluates the performance of the Pension Board as a whole, the individual members or the Competency Teams. The self-assessment of the Board for the year 2020 has taken place in November 2020. A summary of the results is reported in paragraph 7.1. The self-evaluation with an external facilitator is planned for April 2022.
65	The Pension Board must ensure there is an adequate internal complaints and disputes procedure, which is easily accessible to stakeholders. In its annual report, the Pension Board will elaborate on the way complaints have been dealt with and set out any ensuing changes to the schemes or processes.	MPF has a complaints & disputes policy that can be downloaded by every member via the website of MPF. Pension Board members can find the complaints & disputes policy in MPF's online portal (BoardPacks). In the quarterly report from the administrator (TKP / BSG) there will be an overview of complaints in that quarter and how they are dealt with. This report is also accessible for each Pension Board member on BoardPacks. And the number of complaints is also an item on the monthly dashboard.

Unless clearly stated otherwise all amounts are in thousands of euros

7.7 Compliance function

Part of the Compliance Function is the Compliance Officer and the external compliance support. The Compliance Officer will fulfil the actual compliance and will keep the Code of conduct (CoC) up-to-date, create awareness of the CoC and supervise, assisted by the PO, compliance to the CoC. This also includes advising the Pension Board in case of reports of potential conflicts of interest, gifts, conflicting functions, etc. The external compliance support is responsible for the annual reviews of MPF's compliance with local law and regulations, the internal regulations, the assessment of the Ways of Working (WoW), etc. as described in the Compliance Charter and the WoW of the Compliance Function. The Compliance Officer and the compliance support will be responsible for the annual review, which has been reported to the Pension Board.

Being appointed in the October 2019 Pension Board meeting, Mr. P. Van Bree has functioned the full year of 2021 as Compliance Officer of the fund. NautaDutilh has functioned as external compliance support the first half of 2021. As the legal advisor for the first line has changed to BVZA, the Compliance Officer was closely involved in searching a new legal provider (1st line) for the fund. During that process it became clear that BVZA was able to supply a suitable compliance support function too (2nd Line). Independence, suitability and backup have been worked out in the compliance charter. BVZA has supported the CO as from the second half of 2021.

External compliance supports and the Compliance Officer performed quarterly compliance reviews, as well as have performed the Annual Compliance Review over 2020 (presented to the PB in Q1 2021) as well as the review over 2021 (presented to the PB in Q1 2022). This is part of the MPF compliance framework. The purpose of the Annual Compliance Review is to verify whether there are indications that MPF's processes or way of business do not comply with applicable laws and regulations. The process consisted of a document review, interviews, and a report of the Compliance Officer of the most important events of the past year. The Compliance Officer received and handled a limited number of compliance-related filings. There were no serious incidents or matters of non-compliance.

The main compliance responsibilities are:

- Independent monitoring of compliance with the Code of Conduct;
- Independent monitoring of compliance with the law;
- Independent oversight of the adequacy and effectiveness of internal rules and procedures.

The Code of Conduct holds general rules of conduct for associated persons of MPF as well as for providers. Associated persons sign the Code of Conduct at the start of the job and make an annual written statement. The annual declarations of compliance have been received and reviewed by the Compliance Officer from all persons and service providers. In this declaration the relevant party confirms that the CoC was adhered to and describes the ancillary positions of the signee. The CO has reported to the Board that every individual has acted according to the CoC and that ancillary positions are acceptable.

The main provisions in the Code of Conduct are:

- Standards: Every associated person is expected to behave in line with the highest standards of business ethics under all circumstances;
- Confidentiality: Associated persons may not disclose any information concerning the business – including individual pension details - and investments of the Pension Fund to third parties;
- Insider knowledge: An associated person may not use insider knowledge;
- Restriction on accepting business gifts, invitations, other functions, participation in other companies and institutions;
- Any changes in reliability factors affecting the (appeared) integrity must be reported to the CO immediately.

7.8 Privacy Counsel

To ensure that continued implementation and supervision as to compliance with the GDPR is adequately arranged, MPF appointed a Privacy Counsel that will fulfil tasks in connection with the GDPR. The Privacy Counsel is not a formal data protection officer within the meaning of the GDPR. NautaDutilh has acted as the Privacy Counsel for MPF for the whole year 2021. The tasks of the Privacy Counsel are set out in MPF's Data Protection Policy and the Privacy Counsel Charter. These tasks include keeping MPF's privacy documentation up-to-date, monitoring compliance with data protection laws and internal policies, raising privacy awareness in MPF's organization, performing data protection impact assessments, handling certain data subject requests as well as personal data breaches. The Privacy Counsel can be contacted through a dedicated e-mail address and in performing its tasks, the Privacy Counsel has regular contact with the director of the Pension Fund. The Privacy Counsel will report to the Pension Board on the general course of business regarding the GDPR. Furthermore, the Privacy Counsel will report in the annual report.

The privacy documents of MPF reflect the 'dotted line' that exists between the Privacy Counsel and the data protection officer of Mars, Inc. Furthermore, the Privacy Counsel has negotiated certain data processing agreements on MPF's behalf, most notably with Blue Sky Group in relation to the pension administration. Compliance with the GDPR is a continuous process that will remain on the agenda of MPF in 2022.

There have been no incidents of privacy-related nature that had to be reported to the Dutch Data Protection Authority.

In Q2 of 2022 Bronsgeest Deur Advocaten who work together with BVZA has taken over the role as Privacy Counsel.

7.9 Complaints/disputes

The pension fund has an incident scheme. An incident is an act or event that poses a serious threat to the ethical conduct of the pension fund's business. The board is not aware of (suspected) incidents of this seriousness that occurred in 2021. The board is also not aware of (suspected) incidents that have occurred with its outsourcing relations, advisers and / or the certifying accountant and certifying actuary.

Complaints	Number	
Complaints pending 1 January 2021		0
Complaints submitted in 2021		1
• Of which treated as a complaint	1	
• Of which normally handled by the fund	1	
• Of which handled by the Pensions Ombudsman	0	
Completed in 2021		1
Pending 31 December 2021		0

7.10 Diversity

Diversity within the governance bodies of the Pension Fund is pursued and is an element for the composition of the governance bodies. In addition to the required expertise and competences and professional behavior, the Pension Fund takes the diversity within the governance bodies into account. The suitability of the members of the governance body of the Pension Fund comes first.

For the composition of the Pension Board and the Accountability Council, the following objectives are pursued:

- A composition that is consistent with the structure of the participant base;
- A composition that matches a balanced gender ratio between men and women.

Unless clearly stated otherwise all amounts are in thousands of euros

For further details see also paragraph 7.6

Governance body	Male	Female	<40	>40
Pension Board	4	1	0	5
Accountability Council	2	1	0	3

7.11 Outsourcing

The Pension Fund has outsourced a number of important activities, including its financial administration, member administration, and investment management, to service providers.

With this outsourcing the Pension Board pursues goals such as cost reduction, cost control, focus on core activities and increasing the quality of services.

As a consequence of the outsourcing the Pension Fund is exposed to certain outsourcing risks. Although processes are outsourced, the Pension Fund is still accountable for these processes. To address and mitigate these risks, the Pension Fund has put a number of controls in place:

- The Outsourcing Policy was last amended in of 2020 and is fully up to date. The outsourcing plan includes a description of the processes that have been outsourced, the objective of the outsourcing policy, the organisation of countervailing power; requirements which the outsourcing parties have to meet and the selection procedure for outsourcing parties, control measures, and the way in which the outsourcing process is evaluated. The MPF Outsourcing Plan also lists the outsourcing policy MPF developed to control the outsourcing risks MPF identified. The outsourcing policy describes the general outsourcing framework within the Pension Fund.
- The contracts and the service level agreements with the Pension Fund's service providers have to comply with certain statutory standards, providing the Pension Fund with the necessary tools to manage, monitor and evaluate the outsourced activities. To demonstrate that the Pension Board is 'in control', service providers are requested to provide for regular reports, assurance declarations by means of an ISAE 3402 Type II or similar statement on the quality of outsourcing partner and an In-Control Statement. The Pension office evaluates these reports and the conclusions are presented and discussed in the Board meeting.
- To safeguard compliance, it is important that sufficient monitoring and evaluation takes place on a regular basis, bringing to life the information and audit rights included in the agreements with to service providers.
- Fixed agenda items for the Pension Board and Pension Committee meetings are the (evaluation) reports on outsourcing.

7.12 Pension Administration

In 2019 TKP has made the strategic decision to stop servicing a number of relatively smaller funds including MPF. For MPF this means that the contract is terminated as of 1 January 2022. As a result of that MPF appointed Blue Sky Group in 2020 as their new pension administrator as from 1 January 2022. In 2021 major efforts have been made to achieve a successful transition from TKP to BSG.

7.13 IRM

Over the past years MPF stepped up in professionalizing Integrated Risk Management (IRM) and has dedicated a substantial amount of time and effort.

MPF has agreed all Key Function Holder positions as follows (status 31 December 2021):

- Key Function Holder Risk Management is Mr. P. van Bree, who is also Performer as European Risk & Compliance Manager
- Key Function Holder Internal Audit is Mr. R. de Waard, insourced from BDO.
  BDO is appointed as Mars Internal Audit Performer.

Unless clearly stated otherwise all amounts are in thousands of euros

- Key Function Holder Actuarial is Mr. R. van de Meerakker (WTW).

For all functions there have been adequate Charters developed and approved by the Board. Our set up has been approved by DNB.

The 3 Lines model at MPF is working well. There are structurally planned and recurring meetings between MPF and its providers (1st and 2nd Line), as well as between Key Function Holders. There is intensive and open interaction between MPF's first and second line, allowing deep understanding of risk exposure, risk changes, changes on mitigating actions and ongoing monitoring. The KFH Risk Management wraps this up in the dashboard which is presented to the Board on a quarterly basis.

In Q3 2021, an audit has been performed about the MPF Risk Management system and Risk Management function. IA concludes that Mars Pension Fund fully complies with the IORPII requirements regarding risk management in both design and effectiveness. Also, IA concludes that in relation to the IRM reference framework from DNB, the maturity score is strong on 17 (of the 25) norms and satisfactory on the other 8 underlying norms. Therefore, Mars Pension Fund complies in both design and operational effectiveness to the relevant DNB norms regarding IRM.

Still, there is room for improvement and MPF has embraced working on the 5 provided points of attention to further improve the IRM of the fund. These points will be followed up in 2022 and has been agreed by the Board after advice from KFH RM.

For projects there is also a strong interaction between and involvement of the different lines. A good example is the search for the new administration provider, resulting in the first Own Risk Assessment ("ERB") of the Mars Pension Fund. This document back in 2020 expressed that the risk management systems are at a mature level and that the risk exposure when moving to BSG is expected to be as solidly managed as and shows similar net exposures as current, and this still is current assessment Q1 2022.

Finally, the three KFH-ers are undertaking an annual evaluation every year which is reviewed by the Pension Board. The evaluations for 2021 were approved in the March 2022 Pension Board meeting.

8 ACTUARIAL SECTION

The actuarial analysis of the 2021 result is shown in the next table:

		2021		2020
Contributions and costs				
Employer contributions	18,545		15,874	
Member contributions*	2,236		2,300	
Accrual of benefits (including surcharge for future costs)	-22,592		-31,500	
Contribution surcharge for costs	1,966		2,031	
Available for costs out of provision	937		706	
Execution and administration costs	-3,866		-2,843	
		-2,774		-13,432
Return and yield curve change				
Return on investments	167,063		111,112	
Interest addition provision	7,300		4,091	
Yield curve change	96,683		-151,565	
UFR change	-5,899		0	
		265,147		-36,362
Other results				
Result on benefit transfers	3		-14	
Result on other actuarial assumptions	612		6,271	
Other income	699		0	
Indexation	-15,950		-3,597	
Change mortality assumptions	0		33,372	
Change actuarial assumptions	-1,351		-5,421	
Corrections	304		232	
Other costs	-72		-48	
		-15,755		30,795
Result		**246,618**		**-18,999**

* The member contribution is excluding ARP and excluding the company match.

The cost covering contribution, smoothed cost covering contribution and the actual contribution (employers and members) are as follows:

	EUR
Cost covering contribution	31,431
Smoothed cost covering contribution	20,723
Actual contribution	23,950

Cost covering contribution (CCC)

- The actuarial required contribution for pension accrual (coming service and past service), unconditional indexation and the risk cover for death-in-service and disability-in-service;
- The solvency surcharge on the contribution for the unconditional components of the pension commitment in relation to the risk profile. This is a surcharge for maintaining the Ongoing Solvency Margin Ratio buffers;
- A surcharge for costs for executing the pension plan equal to 2.3% of pensionable salaries.

In 2021 the CCC equals EUR 31,431.

Unless clearly stated otherwise all amounts are in thousands of euros

Smoothed Cost Covering Contribution (SCCC)
The Financial Assessment Framework provides the possibility to mitigate contributions. This is done by using an interest rate that is based on a moving average over the past (with a maximum of 10 years) or by using an expected return. The Pension Fund has opted mitigation based on an expected return using the strategic investment mix of the Pension Fund. The SCCC is calculated by using a term structure of expected returns for the actuarial interest rate based on the interim mix of MPF in combination with the legal maximum parameters as prescribed in the Resolution Financial Assessment Framework ("Besluit FTK"). The term structure of interest rates was in principle fixed in 2020 for a period of five years. Changes in the legal maximum parameters of the underlying asset mix may be motivation to update the term structure of interest rates.

The term structure of interest rates used to determine the SCCC in 2021 corresponds to a single expected return of approximately 3.9%.

In 2021 the SCCC equals EUR 20,723.

Actual contribution
The actual contributions are agreed upon by the fund and the employer in the Administrative & Financial Agreement (AFA). The structural employer contribution is equal to the maximum of 20% of (capped) pensionable salaries of all active members in the ARP/ASP and Final Pay plans and the ex-ante determined SCCC. The actual contribution is equal to:

1. Policy Funding Ratio lower than MTR: structural contribution plus 1/x-th * (MTR–PFR) * AAL, with x equal to 5 in the first four years of shortage against MTR.
2. Policy Funding Ratio between MTR and OSMR: structural contribution plus 1/y-th * (OSMR – PFR) * AAL / Sum of (capped) pensionable salaries, with y equal to the remaining number of years of the recovery period. The contribution will be maximized at 25% unless this is insufficient for timely recovery.
3. Policy Funding Ratio between OSMR and (OSMR + 5% points): structural contribution.
4. Policy Funding Ratio above Contribution Cut Limit: structural contribution can be reduced to a minimum of the amount of contributions for the ARP/ASP plan.

The pension fund receives a total contribution that consists of employer and member contributions. The member contribution is equal to the compulsory and voluntary ASP contributions. The member contributions in 2021 add up to 3.3% of total pensionable salary for all pension plan members. The employer contribution in 2021 according to the contribution policy is equal to 25.0%.

In 2021 the actual total contribution to the pension fund equals 23,950.

Minimum Technical Reserve
The Minimum Technical Reserve (MTR) is defined in the Financial Assessment Framework ("Besluit FTK") and depends on the risks that the pension fund runs. Risks can be financial risks, such as investment risks, and demographic risks, such as mortality and invalidity. The more the pension fund has reinsured such risks, the lower the MTR.

The minimum regulatory own funds are derived from the required margin per risk and amount to 54,371. The Minimum Technical Reserve amounts to 103.9% of the total AAL (including risk of the pension fund and risk of the members). The Funding Ratio equals 138.1%. Based on these figures the pension fund is not in a situation of a funding deficit.

Ongoing Solvency Margin Ratio
The Ongoing Solvency Margin Ratio (OSMR) is defined in the 'Decree in relation to the Financial Assessment Framework for pension funds'. The regulatory own funds are the market value of assets that a pension fund needs to maintain in a state of equilibrium. In a state of equilibrium the own funds are at such a level that the pension fund's assets will exceed its obligations with a 97.5% probability in one year's horizon. The amount of the own funds and hence of the regulatory own funds in the state of

equilibrium depends on the pension fund's risk profile. The OSMR is determined by using the standard model, as defined by the supervisor DNB. The standard model defines several types of risk (i.e. market risk, interest risk) and calculates the (negative) effect of this risk on the regulatory own funds. The calculations of the standard model depend on market conditions and therefore fluctuate over time.

The regulatory own funds are derived from the required margin per risk and amount to 284,332. The Ongoing Solvency Margin Ratio amounts to 120.3% of the AAL (including a 1% margin for the ARP/ASP plan). The Ongoing Solvency Margin Ratio has decreased compared to last year due to the de-risking step at the end of 2021. The Policy Funding Ratio equals 130.0%. Based on these figures the Pension Fund has a sufficient solvency ratio.

9 REPORT BY THE SUPERVISORY COUNCIL

9.1 Report

As from January 2019, MPF has a Supervisory Council, i.e. Raad van Toezicht.

The Supervisory Council is made up of 3 external, independent members, i.e. Mr. P.R.F. de Koning, Mr. F.R. Valkenburg and Mr. A.M.H. Slager.

The Supervisory Council looks at the strategies and the management of MPF as well as the policies and risk management.

This is the third report of the Supervisory Council. In drawing up this report, account has been taken of relevant legislation and guidance notes.

Due to the Covid-crisis the Supervisory Council had to meet several times by phone or video and kept an action list of where attention was required.

The Supervisory Council gave a positive advice concerning the procedure and the intended appointment of Mr. Van de Laar and Mr. Van Beek, after evaluation of CV's and profiles.

The Supervisory Council Approval of the resolution to adopt the management report and the financial statements for 2020.

We have been kept up to date on all the main issues in a most open fashion, have had access to all the documents of the Pension Fund and attended two meetings of the Pensions Board. We have been involved in the key areas of strategy and have had an opportunity to give our opinion on the most important aspects. We have made five recommendations for 2020:

1. Lessons learned of the Covid-19 crisis
2. Preparation for the fundamental changes as a result of new pension regulation
3. Evaluation functioning of the key function holders
4. Process of preparing for a swift transition to the new pension administrator.

The Council concludes that the board had followed up these recommendations but crisis management needs some attention.
The Council reviewed how the eight themes of the Code pension funds 2018 have been implemented and embedded (Living up to trust, Taking responsibility, Acting with integrity, Striving for quality, Appointing carefully, Appropriate remuneration, Supervision and ensuring participation and Promoting transparency). The Council has no specific recommendations.

For 2022 we have made the following recommendations:

- Further developments regarding the new pension contract;
- The decision-making process /Board Room Dynamics;
- Information security/IT;
- ESG.

9.2 Response Pension Board on report of the Supervisory Council

The Pension Board has reviewed the 2021 report by the Supervisory Council. We are very pleased to read that the Supervisory Council has noted that we have followed up on the recommendations that were made for the year 2021. For the year 2022, the Supervisory Council has indicated four supervisory themes for 2022 under paragraph 5 of its report on which we would like to comment as follows:

1. Further Developments regarding the new pension contract – The New Pension Law (Wet toekomst pensioenen (WTP)) has been sent to the Dutch parliament at the end of March 2022 for debate and finalization by the end of 2022. The Pension Board is keenly aware that it should use its time

effectively to prepare itself for the requirements of the WTP and the associated milestones, timelines, and decisions, and not wait until the WTP will be in effect. Therefore, on the initiative of the Pension Board a project organization has been established that will map out the various design and implementation options that will be available for the social partners and the pension Board. This mapping exercise will be supervised by a Steering Group that consists of Pension Board, Daily Board and Sponsor representatives. The various work streams in this project organisation have been staffed appropriately with internal fund executives as well as external advisors. Finally, a separate project management team will oversee the actions and deliverables of the work streams and will support the steering group. The objective of this project organisation is to supply the decision making entities with all relevant information such that the decision making entities can reach conclusions and decisions that will secure a fair balance between the interests of all stakeholders.

2. The decision-making process / Board Room Dynamics – The Supervisory Council raises a crucially important point here, as it is not only related to the quality of the decision making process, but also to its transparency and documentation. Given the future changes that MPF will necessarily have to go through, it is important that the discussions in the Pension Board meetings regarding these changes are open, inclusive, based on all available and relevant information and also with a close eye towards a fair balancing of interests. The pension board is aware that if it wants to do justice to the Supervisory Council’s recommendation it needs to invest in knowledge, resources, talent, and self-evaluation, and this has been formally recognized during the Pension Board’s most recent self-evaluation session that was held on April 13, 2022. The general governance process has already been improved by the creation of the Pension Committee, which has enabled the Pension Board to focus on the key priorities and decision making agenda items in its meetings throughout the year. Finally, the creation of the MPF Academy, the establishment of the talent pool and the Walk-in sessions are testament to the willingness of the board to invest in itself and in its succession.
3. Information Security / Information Technology – The Pension Board agrees with the Supervisory Council that the developments and regulations around Information Security and Technology are moving fast and that this should be a high monitoring priority for the Pension Board. To that end the Pension Board has partnered with an external advisor that reports IT related matters to the Pension Board, it is a permanent agenda item for the Pension Committee meetings, and it has the attention of the KFH Risk. Noteworthy is also that the Pension Committee plans to execute a crisis simulation in Q3 of 2022, and that GDPR Compliance and protection against cyberattacks are key objectives for MPF.
4. ESG – MPF’s ESG Policy is continuously refined and more and more embedded in the overall Investment Policy. The T&B Investment Team together with SECOR are in ongoing dialogue with our investment managers to monitor their progress on the integration of ESG factors in their investment process. This will include envisaged meetings with them to probe them on identified priorities such as the treatment of fossil fuel companies or question them on their engagement policy and voting behaviour. These insights will enrich MPF’s own policy and MPF’s Pension Board is also interested in the conclusions of the first TCFD Report that will be published by Mars’ UK Pension Fund in July of 2022, to learn whether these conclusions could be relevant for MPF’s ESG Policy and whether the report’s format and content could be used for potential increased reporting requirements in the Netherlands. Finally, it should be mentioned that MPF became a signatory to the United Nations Principles on Responsible Investing in 2021.

10 REPORT BY THE ACCOUNTABILITY COUNCIL

10.1 Report

The Accountability Council (AC) has been put in place to be compliant with the rules for good pension fund governance. The roles and responsibilities of the Council have been written in the bylaws of the pension fund and the regulations of the AC. The AC represents the following stakeholders of the pension fund: active members, deferred members, pension beneficiaries and sponsor.

The Pension Board (PB) must account for the policy setting and the policy execution and must be compliant with the principles of good pension fund governance as set by the "Stichting van de Arbeid". The Pension Board has regular interactions with the AC with respect to the policies and the results achieved. The accountability to the AC is mainly driven by the question whether the PB has made their policies and decisions in a balanced way, in the best interest of all stakeholders. Based on numerous activities throughout the year, the report of the Supervisory Council ("Raad van Toezicht") and the annual accounts the AC assesses the work done by the PB, as well as the policy decisions taken by the PB. The AC is entitled to consult the PB and the Supervisory Council.

The AC has the right to advise on the following subjects:

- The remuneration policy for the Pension Board, AC members and other bodies within MPF;
- The structure of the internal governance (Supervisory Council);
- Selection of the members of the Supervisory Council;
- The MPF complaints and disputes procedure;
- The MPF communication and information policy;
- Transfer of the liabilities or acquisition of liabilities;
- Liquidation, merger or split of MPF;
- The termination or change of the Administrative & Financial Agreement;
- Change of the legal form of MPF;
- Merger of MPF with another pension fund;
- Structure and level of the actual pension contribution (percentage).

An external actuary and a pension lawyer advise the AC where necessary to allow them to execute their job in the best possible manner. The AC has considered the comments it made during past years as well as the corresponding responses from the PB in its report. In addition, it has also considered the proposed policies of the PB for the coming year.

Activities/Sources for AC's judgment during 2021
The AC has had four meetings in 2021. In these quarterly calls the Board Pack of the upcoming Board meeting has been reviewed in detail, including the minutes of the previous Board meeting. Other agenda items are the status of the MPF annual plan, current affairs & legislation, and progress tracking of the AC priorities. Resulting questions have been raised with the Executive Board and minutes posted on BoardPacks.

Topical walk-in sessions are an excellent platform for internal training and an opportunity for discussions. The MPF Academy is an in-depth internal training for talent pool members and is open to those involved with MPF's governance. This is an excellent initiative with high quality training materials and interactive sessions with qualified trainers / professionals in their area of expertise.
In September 2021 the AC had a "catch-up" working session with the Executive Board for updates on a number of important topics: people/talent pool, AC enlargement, re-appointment of Falco Valkenburg in the Supervisory Council (SC), suitability policy, Wet Toekomst Pensioenen (WTP) including risk self-assessment, new pension administrator, ESG and MPF annual plan.
In the PB-AC-SC consultation meeting in December 2021, a presentation was shared by the AC about their self-evaluation over 2021 and their priorities for 2022.

In April 2022 the AC had a working session with the Executive Board to gather input for preparing the AC annual report. Topics included a review of 2021, the 2022 priorities for MPF with a focus on the WTP and how the AC can pro-actively support this.
Also in April 2022, the chairmen of the AC and the SC had a meeting in preparation for the AC and SC annual reports.
External webinars: the AC has had ample opportunity to attend relevant external webinars regarding pensions in the Netherlands and the WTP, organized by the Dutch Pension Federation, Montae and SPO. These webinars provide opportunities to learn and develop, to gain understanding of the WTP and to assess the position of MPF in the Dutch national context.
External training: in 2021 Ad van Gestel successfully completed the 'Suitability-B' training as part of his talent pool development programme. Talent pool members Joris Janssen and Eric van Deijck have both successfully completed 'Suitability-A' training through SPO, as part of their development to become an AC member.

Pension Board requests for AC advice during 2021
The AC has provided the following advice to the Pension Board (PB):

Advice request topic	Date PB advice request	Date AC advice	AC advice
Job description and profile PB member active members MPF	05/05/2021	12/05/2021	Positive
Job description and profile PB member pension beneficiaries MPF	29/07/2021	09/08/2021	Positive
Profile for Supervisory Council member of MPF	09/08/2021	30/08/2021	Positive
Nomination SC member	09/08/2021	30/08/2021	Positive
Contribution for 2022	17/11/2021	08/12/2021	Positive
Job description and profile PB member sponsoring companies MPF	19/11/2021	25/11/2021	Positive
Communication strategy 2022-2024	29/11/2021	02/12/2021	Positive
Enlargement of the AC from 3 to 6 members	01/12/2021	03/12/2021	Positive
Complaints- and Disputes Regulations	10/12/2021	13/12/2021	Positive

The AC has been consulted timely on all relevant topics by the Pension Board.

With regard to the observations of the AC on the 2021 annual report
In summary, the AC is pleased to see that the Pension Board of MPF is pro-active and highly engaged in the management of the fund. It seeks appropriate professional advice and works well with our strong and committed sponsor to best serve the interests of the beneficiaries of MPF. The Pension Board has maintained an excellent working relation with all stakeholders.
The Pension Board operates within a robust & up-to-date Mission-Vision-Strategy framework, within a clear and aligned annual plan and is responsive to the findings of both the AC and SC.
The AC has the following observations regarding this year's annual report, including the follow-up on its recommendations for 2021 in last year's report:

- We recognize that despite all the challenges caused by the Covid-19 pandemic during 2021, significant progress has been made on all major projects.
- WTP: the AC welcomes the pro-activity of the PB in preparation of this major project by constructive cooperation with the sponsor and seeking in-depth professional actuarial and legal advice.
- Funded status: the investment return in 2021 of 3% above the benchmark is truly impressive and, helped by the interest rate development, has led to a very sound level of (policy) funding ratio by year end. The AC appreciates the efforts by the PB to further protect our funded status by extending the Tail Risk Hedge programme and by implementing the 2nd de-risking step after due consideration.
- Integral Risk Management: the AC is pleased with the robust progress in this important area of pension fund governance. The 'three lines of defence' approach has been established and is operational, with the three Key Function Holders in place and approved by DNB. The internal audit programme is very useful to maintain focus and identify further IRM improvement opportunities.

Unless clearly stated otherwise all amounts are in thousands of euros

- Ways of working/efficiency: the establishment of the Pension Committee has enabled the Pension Board to focus on key topics with fewer details needing to be discussed during Board meetings.
- Succession planning & talent pool: we see a continued strong focus in this important area with personal development plans in place for all talent pool members, and a continuous search for new members.
- With the WTP in view, the AC has been expanded in March 2022 from 3 to 6 members. This is an important change to the AC and will ensure sufficient 'brain power' to support the PB in the critical discussions and decisions related to the NPD.
- The Pension Board has clear policies in place that are regularly updated and has the correct mechanisms to execute these policies.
- We recognise the considerable effort made by the Pension Board to ensure that the AC is consulted timely on all relevant matters.
- Last but not least, we observe that the Pension Board continues to maintain a close working relation with our sponsor. We are very pleased with this, and kindly ask that the Pension Board continue their efforts in this area.

AC recommendations for 2022
The AC would appreciate if the Pension Board could include the following four areas in their 2022 priorities:
- WTP: maintain current pro-active approach and continue the close cooperation with the sponsor to construct the best possible pension deal, while taking into account the interests of all stakeholders in a balanced way.
  The AC is of the opinion that the proposed project organisation and staffing proposals are excellent; we are keen to act as sounding board for the Steering Group and the Value Assessment workstream.
- Third de-risking step: since this is a significant step regarding asset mix and interest rate hedge level, the AC is supportive of the prudent approach by the PB and the decision to put this 3rd de-risking step temporarily on hold. The apparent interdependency with the possible easing-in decision should be fully understood first. The AC would like to emphasize the importance of ensuring that any de-risking decision shall maintain its current positive impact on all stakeholders.
- Funding and indexation: the AC ask that the Board continue their focus on balancing of interests of all stakeholders.
- Continuity/Talent pool: we are pleased with the ongoing efforts of the PB in cooperation with the sponsor to attract high calibre, motivated candidates for various governance roles within MPF. We will continue our support for internal training and "training on the job" wherever.

10.2 Response Pension Board on report by the Accountability Council

The Pension Board has reviewed the report by the Accountability Council. We fully agree with the Accountability Council's assessment regarding the follow-up on the recommendations made for 2021 and are pleased that we are aligned.
For the year 2022 the Accountability Council would like us to consider the following areas:

1. New Pension Deal or WTP - This recommendation was also given by the Supervisory Council, so we would like to refer to our comments that we made above. Also, we would like to stress here that the Accountability Council has an essential role to play as a sounding board to the project organisation and steering group that were outlined above. It is the Pension Board's fiduciary duty to safeguard a balanced representation of all stakeholders' interests, and in adherence to this fiduciary duty, the Pension Board will collaborate with the sponsor to identify the best (feasible) solution for all concerned.
2. The third de-risking step in the de-risking policy –The reduction of investment risk (through implementation of the first and second de-risking steps) was appropriate whether or not the easing-decision will be made. This is not obvious for the third step if the easing-in decision is made. It is further acknowledged that the best hedge against the current high inflation is to not increase the interest rate hedge. On that basis, the Pension Board has decided to put the third de-risking step on hold, even if the third de-risking trigger would be reached or even exceeded, until we will have concluded whether the implementation of this third de-risking step would still be consistent with a balanced representation of all stakeholders' interests now and at the moment of (potential) transition. Preliminary analysis conducted by WTW suggests that working towards a fully matched portfolio might not be the optimal outcome but the thought process on this issue

continues as we currently assess the probability of dropping below the target funding ratio with and without the implementation of the third de-risking step.

3. Funding and Indexation – This is a continuous point of focus for the Pension Board, as the funding and indexation policy and decisions could impact required compensation amount if and when a transition to a new pension design happens. The Pension Board is in continuous dialogue with the sponsor to maintain a funding and indexation policy that does balance the interests of all stakeholders.

Continuity / Talent Pool - We are pleased with the continuing support of the Accountability Council as to our training initiatives, be it internal via MPF Academy and "training on the job", or external via SPO, WTW, Pensioenfederatie, etc. We are developing the right number of succession options for all sorts of roles in the main governance bodies, with the support of the Company. With the recent expansion of the Accountability Council to 6 members, the talent pool was in danger of drying out, but the Pension Board has identified a few individuals that can join the talent pool and use its training facilities to enable them to fulfil governance roles in the future.

11 LOOKING FORWARD

11.1 Pension Fund Governance

The Pension Board will continue to review the sustainability of Mars Pension Fund going forward. The fruit of this effort is included in the Mission, Vision and Strategy of MPF.
As communicated in this Annual Report we have completed a busy exercise of keeping our Board fully resourced with a number of appointment terms ending. As from 1 July 2022 we will be fully resourced in the Pension Board including a new Chairman. We have extended the Accountability Council from 3 to 6 members and have fulfilled all positions. Unfortunately, we are not fully resourced in the Supervisory Council, as Mr A. Slager has resigned effective 1 June 2022 due to other responsibilities. We are taking steps to fill this vacancy as soon as possible. We have also taken steps to add new talent to our Talent Pool hopefully creating succession options for the future.

In relation to the WTP that has been proposed to the Parliament during the first half of 2022, we have taken the initiative to set up a joint project organization together with representatives from the Employers. This includes a Steering Group consisting of leaders of various important work streams and a Project Team as a central engine. A masterplan with key milestones is established at a high level, and will be elaborated and refined going forward, when more becomes clear as a result of the activities that will be undertaken. We also need the benefit of a clear overview of all legal requirements and rules. One of the points in focus is going to be a review of our current Funding and Indexation Policy as included in the AFA to manage the intermediate period until the implementation of the WTP.
Obviously, the Steering Group can only prepare recommendations. Decisions will have to be taken by Social Partners or the Pension Board depending on the kind of decision. The Social Partners are responsible for the pension promises and who should execute them. The Pension Fund is responsible to look after the Accrued Rights.

Due to the Covid-19 crisis we were working from home until Q1 2022. In April 2022 we have done our delayed self-assessment in a live meeting. During 2022 we have planned to have a mix of live meetings and videoconferences depending on the duration and the purpose of the meeting.

11.2 Financial position, Investments and Risk Management

MPF decided in May 2021 to increase the Tail Risk Hedge (TRH) Programme coverage target to 43% of total plan assets to protect the plan funding level in anticipation of the WTP and related transition from old to the new pension system. The TRH will give partial protection when equity markets fall by giving away some of the upward potential. Given the level of our funding ratio and the valuation of equities as such, this is beneficial for all stakeholder groups, especially in the light of the WTP and related transition in the next few years.

The Pension Board has also commissioned work on our De-Risking Policy as we are entering a phase of sustained high inflation and the WTP. Especially a high and sustained inflation means that we need to think more about inflation protection. We reached and implemented the second de-risking step in December 2021, and the third step has come very close. In the third step we would increase our nominal interest rate hedge to a much higher level, but we also know that that a high interest hedge is counterproductive as inflation hedge. In order to hedge inflation we should be careful with an increase in interest hedge. That is why the PB has decided to put the third de-risking step on hold. We are urgently addressing this point in an updated De-Risking Policy, that we hope to realize before summer

The inflation issue has been aggravated by the war going on in Ukraine. The direct effect of this crisis has been an improvement of our Funding Ratio as interest rates increased. Equity markets were clearly hit but the interest effect on the Funding Ratio was higher. In relation with the sanctions against Russia and Belarus we are in ongoing contact with our investment managers to do the right things in order to be fully compliant with developing sanction legislation. The exposure to Russian, Ukrainian, and Belarussian assets is minimal from a MPF perspective (0.4% of the total plan assets) and should not have a significant negative impact on the returns and the fund status (max -0.3%-point of the fund status). In the meantime this exposure has gone down to 0.1% as a result of decreasing values and sales.

After balance sheet date, MPF has established that it is appropriate and prudent to commit itself to extend the existing intercompany loan (the "Existing Intragroup Loan Agreement") and the additional intercompany loan facility agreement (as amended by amendment agreement dated 1 July 2021, the "2020 Intragroup Loan Facility Agreement") with the Real Estate [REI] company to until at least 30 June 2023. The commitments under the 2020 Intragroup Loan Facility Agreement will be limited to a defined maximum amount required to enable REI to meet its third party obligations until at least 30 June 2023, on terms and conditions satisfactory to MPF, but more or less comparable to the existing intercompany loans.

11.3 Pension Schemes and Administration

Administration
During 2021 MPF has made major efforts which has led to a successful transition of the pension administration from TKP to BSG. In 2022 pension payments have been successfully done by BSG. In the first half of 2022 TKP and BSG work closely together to also transfer the annual reporting. Our next annual report will be completed by BSG.

Pension Schemes
In 2021 the first trainings and discussions have taken place to get more insight about the possibilities and consequences of the WTP. Early 2022 as mentioned above a project team has been installed with representatives of MPF, Pension Office and Mars. The project team will prepare decision to be made by Mars and MPF, amongst others about the WTP.

11.4 Change of UFR

The AAL has been determined on the basis of the UFR as published by DNB as at 31 December 2021 and the assumptions as stated in the accounting policies for the annual accounts. DNB has explained that the UFR will be changed in four steps in the coming years. A change that follows from the advice of the Parameters Committee. Together with the impact of the expected fall in the ten-years average of the interest rate, an increasing effect on the technical provisions will arise, which has a depressing effect on the funding ratio. The first step of the new UFR method is part of the interest rate term structure as published by DNB on 31 December 2021. Applying the second step of the new UFR method will have an effect of approximately -0.6 percentage points on the funding ratio of the pension fund as of 1 January 2022.

Veghel, 16 June 2022

The Pension Board

Mr. W. van Ettinger (Chairman)
Mr. H. van Heesch (Secretary)
Mr. P. van Bree
Mr. W. van de Laar
Mrs. R. Steenbergen

ANNUAL ACCOUNTS

12 CONSOLIDATED FINANCIAL STATEMENTS

12.1 Consolidated Balance Sheet as at 31 December 2021

(after appropriation of result in EUR 1,000)

	Note[14]		31-12-2021		31-12-2020
ASSETS					
Investments for risk pension fund	1				
Real estate		108,192		74,403	
Equity		807,497		763,959	
Fixed income		624,439		534,380	
Hedge funds		122,224		103,839	
Derivatives		66,564		74,547	
Other financial investments		138,221		147,316	
			1,867,137		1,698,444
Investments for risk members	2		116,508		94,832
Receivables and prepayments					
Other receivables	3		6,254		12,494
Other assets					
Cash	4		3,817		2,491
			1,993,716		**1,808,261**
LIABILITIES					
Foundation capital and reserves					
Foundation capital	5		0		0
General reserves	6		534,056		287,438
Technical provision for risk pension fund					
Actuarial accrued liabilities	7	1,285,332		1,391,691	
Provision for future disability	8	1,501		1,299	
			1,286,833		1,392,990
Pension provision for risk members	9		116,508		94,832
Current liabilities	10		56,319		33,001
			1,993,716		**1,808,261**

[14] The reference numbers refer to the corresponding numbers in the notes to the balance sheet.

Unless clearly stated otherwise all amounts are in thousands of euros

12.2 Consolidated statement of income and expenses for the year ended 31 December 2021

(in EUR 1,000)

	Note[15]		2021		2020
INCOME					
Contributions from employer and members	11		14,260		11,652
Contributions for account and risk members	12		9,690		9,586
Investment results for risk pension fund	13	166,905		110,779	
Investment results for risk members	14	12,138		7,802	
			179,043		118,581
Other income	15		699		0
Total INCOME			**203,692**		**139,819**
EXPENSES					
Benefits payment	16		37,457		35,564
Execution- and administration costs	17		3,866		2,843
Change pension provision:					
• Accrual of benefits		12,902		21,916	
• Indexation		15,950		3,597	
• Addition of interest		-7,300		-4,091	
• Benefit payments (incl. commutation and costs)		-37,987		-36,030	
• Yield curve change		-90,784		151,565	
• Change of mortality assumptions		0		-33,372	
• Other actuarial- and technical assumptions		-767		5,421	
• Changes as a result of transfer of rights		0		6	
• Other changes pension provision		1,627		-6,356	
Change provision pension liabilities for risk pension fund	18		-106,359		102,650
Change provision for future disability	19		202		256
Change provision for risk members	20		21,676		17,911
Reinsurance	21		68		63
Transfer of pension rights for risk pension fund	22		60		6
Transfer of pension rights for risk members	23		31		-523
Other expenses	24		73		47
Total EXPENSES			**-42,926**		**158,818**
NET RESULT			**246,618**		**-18,999**
Proposed appropriation of net result:					
Added/Deducted from the general reserves			246,618		-18,999

[15] The reference numbers refer to the corresponding numbers in the notes to the Profit and Loss Account.

Unless clearly stated otherwise all amounts are in thousands of euros

12.3 Consolidated statement of cash flows for the year ended 31 December 2021

(in EUR 1,000)

		2021		2020
Contributions received	18,569		17,260	
Net cash flow from transfers of rights	-145		140	
Pension benefits paid	-37,446		-35,516	
Paid execution- and administration costs	-3,664		-2,823	
Paid contribution reinsurance	-68		-63	
Other income	679		0	
Total cash flow from pension activities		-22,075		-21,002
Cash flow from investment activities				
Sale and redemption of investments	5,619,177		2,061,267	
Received direct investment returns	25,058		24,984	
Purchase investments	-5,581,554		-2,078,138	
Paid costs asset management	-17,333		-20,416	
Other payments	0		0	
Total cash flow from investment activities		45,348		-12,303
CHANGE CASH		**23,273**		**-33,305**
Reconciliation of cash movements to year opening and ending balances:				
Cash available for investments		167,687		145,740
Cash pension fund		3,817		2,491
Balance per 31 December		171,504		148,231
Balance per 1 January		148,231		181,536
CHANGE CASH		**23,273**		**-33,305**

Unless clearly stated otherwise all amounts are in thousands of euros

12.4 General

Activities
Stichting Mars Pensioenfonds (henceforth: Mars Pension Fund or MPF) was established in 1964 and has its statutory seat in Meierijstad, The Netherlands (Taylorweg 5, 5466 AE, Veghel).

Mars Pension Fund provides old age pensions to current and former associates of Dutch Mars companies as well as surviving dependents' pensions to their partners and children in the event of death before or after retirement. Mars Pension Fund administers the pension agreement as agreed upon with the Dutch Mars companies, and according to the plan rules.

12.5 Accounting policies

12.5.1 General

The (consolidated) financial statements are prepared in accordance with the provisions of Title 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Dutch Accounting Standards, as published by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving'), and in particular in accordance with 'Directive 610 Pension Funds'.

Profits and losses have been recorded in the financial year appointed to that they are related to.

The statement of cash flows is prepared using the direct method.

Continuity Assumption
The financial statements have been prepared with due observance of the going concern assumption.

Related parties
Transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other information is disclosed if this is necessary in order to provide the required insight.

Comparison with prior year
The accounting policies are consistent with those applied during the previous year.

Estimation changes
The preparation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code requires that the Pension Board makes judgments and estimates and assumptions that affect the application of principles and the assigned value of assets and liabilities, and of income and expenses.

The estimates and underlying assumptions are continuously assessed.

If it is necessary for the, according to Article 2: 362 paragraph 1 of the Dutch Civil Code required insight, the nature of these assessments and estimates, including the associated assumptions, is included in the notes to the relevant items in the financial accounts. Revisions to estimates are recognized in the period in which the estimate is revised, and in future periods for which it has consequences.

Consolidation
REI Nederland B.V. (REI), registered at Chamber of Commerce number 17269986, was founded in 2009 and has its statutory seat in Amsterdam, The Netherlands (Kingsfordweg 151, 1043 GR, Amsterdam). Mars Pension Fund owns 100% of the shares of REI. REI is included in the consolidated balance sheet and profit and loss account of Mars Pension Fund. Intercompany transactions and balances in this annual report are established "at arm's length"

Intercompany transactions, profits and balances among group companies and other consolidated entities are eliminated, unless these results are realized through transactions with third parties. Unrealized losses on intercompany transactions are eliminated as well, unless such a loss qualifies as an impairment. The accounting policies of group companies and other consolidated entities have been changed where necessary, in order to align them to the prevailing group accounting policies.

12.5.2 Accounting policies for assets and liabilities

Recording of assets and liabilities
An asset is recognized on the balance sheet when it is probable that future economic benefits flow to the pension fund and its value can be determined accurately.
A liability is recognized on the balance sheet when it is probable that the settlement thereof will be accompanied by an in/outflow of resources and the extent of the amount can be reliably determined.

Foreign currency
Functional currency
The consolidated financial statements are presented in euros, which is the functional and presentation currency of the pension fund.

Transactions, receivables and liabilities
Transactions in foreign currencies are stated in the financial statements at the exchange rate of the functional currency on the transaction date.

Other receivables, debts and obligations, as far as stated in foreign currency, are being converted at the exchange rate per balance sheet date, except for as far as the exchange risk has been covered. In those cases valuation is based upon the agreed forward price. The exchange results, as a result of the conversion, are being presented as part of the investments income in the profit and loss account.

Investments for risk pension fund
All investments are at the free disposal of the pension fund. There are no investments in the contributing companies.

Real estate investments are direct investments in property. Real estate investments are initially valued at cost value; subsequent valuation is done at fair value, being the market value. Market value is partly based on available market data and is compiled by external appraisers. An independent appraiser values each property in the portfolio in December every year. This valuation is used to report the value of the fund’s real estate investments.

Equities are valued at the latest available quoted market price per balance sheet date. The value of the private equity and hedge fund investments presented under equities are being determined by independent parties on a fair value basis.

Fixed income is valued at fair value including the accrued interest at balance date. Fixed income securities funds are valued at the closing price as advised by the Investment Manager.

The investment funds are valued at latest available quoted market price per balance sheet date. This is the unit value of the investment funds per balance sheet date.

Derivatives: At year end interest rate swaps and currency swaps, which are traded publicly, are based upon models using observable input. Interest is accrued on a monthly basis upon the conditions of the contract. Therefore these amounts are included in the change in the fair value.

Options are being valued at the market price at year-end. If no market price is available on an official exchange, the value of the ‘over-the-counter’ option contract is determined by the Investment Manager, using general accepted pricing models like Black & Scholes, and the market data at year-end.

The fair value of futures contracts is determined by using the market price at year-end. The fair value of the forward currency contracts is based on the forward market rate at year-end and is based on the gain or loss that would be realized if the contract would be closed-out at year-end.

Negative positions of derivatives are presented as short term liabilities.

The other financial investments are valued at fair value at balance sheet date. The cash presented under other financial investments is valued at nominal value at balance date.

As far as above investments are stated in foreign currency, valuation is done at the exchange rate per balance sheet date. Transactions related to investments in foreign currency within the reporting period are reported in the annual accounts at the rate at time of settlement.

Investments for risk members
The principles for the valuation of the investments for risk of members are the same as those for the investments that are held for the risk of the pension fund.

Reinsurance
Outgoing reinsurance premiums are recognized in the period to which the reinsurance relates. Receivables from reinsurance contracts on a risk basis are recognized when the insured person presents himself. In the valuation, the reinsured benefits are discounted against the interest rate term structure, applying the actuarial assumptions of the pension fund. Receivables from reinsurance contracts that are classified as guarantee contracts are equal to the corresponding provision for pension obligations. Receivables from reinsurance contracts that classify as capital contracts are valued for the value of the insured risk on the basis of the principles of the contract. In assessing the receivables, the creditworthiness of the reinsurer (exit for credit risk) has been taken into account. Claims arising from profit-sharing arrangements in reinsurance contracts are recognized at the moment of granting by the reinsurer. The valuation and presentation of investment deposits linked to capital contracts are in accordance with the principles for investments.

Receivables and prepayments
Receivables and prepayments are valued at current value upon initial processing. After initial recognition, receivables are valued at amortized cost (equal to the nominal value if there are no transaction costs) less any impairment losses in the case of bad debts. Receivables in connection with investment transactions in accordance with RJ 610.230 are recognized under receivables and prepayments.

Cash
Cash is valued at nominal value.

Foundation capital and reserves
Foundation capital and reserves are determined by the amount left when all assets and liabilities, including pension provisions, are included in the balance sheet.

Actuarial accrued liability
The actuarial accrued liabilities at risk of the pension fund (AAL) are set at fair value. The market value is calculated as the present value of estimated future cash-flows, based on the unconditional pension entitlements as at the balance sheet date. The unconditional pension entitlements include the accrued pension entitlements.

The actuarial accrued liability is based on the applicable pension plans as at the balance sheet date and on the pension entitlements that can be attributed to the service years completed as at the balance sheet date. This includes all granted increases based on the indexation policy to any members as at balance sheet date. The future salary developments are not taken into account.

The pension liability for active members is determined as the present value of the accrued benefits up until balance sheet date. The pension liability for non-active members, disabled members, and surviving dependents, is determined as the present value of the pension entitlements granted.

Life expectancy rates in determining actuarial accrued liabilities:
- The life expectancy rates for males and females are derived from the AG Projection Table 2020 as published by the Dutch Actuarial Association (2020: AG Projection Table 2020).

- The mortality rates for experience rating are adjusted with fund specific correction factors based on the Willis Towers Watson 2020 experience rates model (2020: Willis Towers Watson 2020 experience rates model).

Actuarial interest rate
Term structure of interest rates, published by DNB, applicable as at the calculation date. For all calculations at year-end, the Ultimate Forward Rate (UFR) is used as this is the prescribed term structure of DNB.

Assumed retirement ages
For the 2006 Pension Plan it is assumed that active and deferred members retire at age 62 (2020: 62). All other (inactive) members are assumed to retire at the retirement age of the pension plan.

Future costs
The actuarial accrued liability takes into account an addition of 2.5% (2020: 2.5%) for future costs for executing the pension plans.

Actuarial partner assumption
For the valuation of partner pensions the following assumptions are used:

- For retirees the actual marital/partner status is used
- For active and deferred members a 100% rate of partner occurrence is assumed up to and including the retirement date.
- It is assumed that the male is three years older than the female.

Provision for future disability
The provision for disability is equal to twice the expected yearly loss. The expected yearly loss is set equal to the risk premium for disability as used in the determination of the cost covering contribution.

Pension provision for risk members
This includes received contributions from members/employers concerning the Defined Contribution scheme. Contributions are recognized in the corresponding year.

Current liabilities
Current liabilities are stated at current value upon initial recognition. After initial processing, liabilities are valued at amortized cost (equal to the nominal value if there are no transaction costs). Amounts payable in connection with investment transactions in accordance with RJ 610.268 are recognized under the item other liabilities and accruals. Short-term liabilities have a term of less than one year.

12.5.3 Accounting policies for results

General
The items included in the statement of income and expenditure are to a large extent related to the valuation principles for investments and the provision for pension obligations in the balance sheet. Both realized and unrealized results are directly recognized in the result.

Contributions from employers and members
Contributions from employers and members are the amounts charged to third parties for the pensions insured in the year. Contributions are allocated to the period to which they relate. Additional deposits and surcharges are also accounted for as contributions.

Contributions for account and risk members
This includes received contributions from members/employers concerning the Defined Contribution scheme. Contributions are recognized in the corresponding year.

Investment results for risk pension fund

Indirect investment income

The indirect investment income is the realized and unrealized value changes and currency results. No distinction is made in the annual accounts between realized and unrealized changes in value of investments. All changes in the value of investments, including exchange rate differences, are recognized as investment income in the statement of income and expenditure. (In)direct investment results are allocated to the period to which they relate.

Direct investment income

The direct investment income is the interest income and expenses, dividends, rental income and similar revenues.

Dividend

Dividend income is recognized and allocated to the fiscal year to which they relate on accrual basis.

Investment expenses

Investment expenses include all expenses incurred by the pension fund for the management of the investments, with the exception of transaction costs. Transaction costs are the external costs incurred to establish and execute an (investment) transaction.

Investment results for risk members

The principles for determining the result regarding investment results risk members are equal to the principles for determining the result concerning investment results risk pension fund.

Benefits payment

The pension benefits are the amounts paid to members including redemption. The pension benefits are calculated on actuarial bases and allocated to the reporting year to which they relate.

Execution- and administration costs

The execution- and administration costs are allocated to the period to which they relate.

Change provision pension liabilities for risk pension fund

Pension accrual

In the pension accrual, claims and rights for the financial year are valued at the level that they have on the balance sheet date.

Indexation and other surcharges

The pension fund aims to adjust the accrued pension rights of the active members, the pensions in payment and the non-contributory pension rights (former members) annually to the development of the price index. The indexation is conditional. This means that there is no entitlement to surcharges and that it is not certain whether and to what extent supplements can be granted in the future. Any arrears in the indexation can in principle be made up.

The indexation depends on the financial position of the pension fund, but at most equal to the return, even if the price increase is higher.

Interest addition

The pension liabilities were increased, based on the one-year rate of the DNB curve at the beginning of the financial year 2021.

Withdrawal for pension benefits and pension administration costs

In advance, an actuarial calculation is made of the future pension administration costs (in particular excasso costs) and pension benefits that are included in the provision for pension liabilities. This item concerns the release for the financing of the costs and benefits of the year under review.

Change in market interest rate
Annually, the market value of the technical provisions is recalculated as of 31 December by applying the current interest rate term structure.

Changes to actuarial assumptions
Annually, the actuarial assumptions and / or methods are reviewed and possibly revised for the calculation of the current value of the pension obligations. Use is made here of internal and external actuarial expertise. This includes the comparison of assumptions regarding mortality, longevity, disability with actual observations, both for the entire population and for the population of the pension fund.

Determining the adequacy of the provision for pension liabilities is an inherently uncertain process, making use of estimates and judgments by the board of the pension fund. The effect of these changes is recognized in the result when the actuarial assumptions are revised.

Change due to transfer of rights
A result on transfers can arise because the release of the provision takes place against fund rates, while the amount that is transferred is based on the legal factors for value transfers. The rates of the pension fund differ from the statutory rates.

Other changes to provision for pension liabilities
The other changes occur due to changes in the claims due to death, incapacity for work and retirement.

Transfer of pension rights
The transfer of pension rights contains the balance of amounts from assumed or transferred pension obligations.

Other income and expenses
Other income and expenses are assigned to the reporting year to which these apply.

12.5.4 Statement of cash flows

For the preparation of the statement of cash flows the direct method is used, whereby all income revenue and expenditure is presented as such. A distinction is made between cash flows from pension and cash flow from investment activities.

The movements presented in the statement of cash flows are the movements in cash on the current account, the investment accounts of the Pension Fund as well as the movements in the cash accounts of REI.

The balance of the cash on the current accounts of Mars Pension Fund is presented separately under assets.

12.6 Notes to the balance sheet

1 Investments for risk pension fund

Asset Category	Real Estate	Equity	Fixed Income	Hedge funds	Deriva-tives	Other financial invest-ments	Total
Value per 1 January 2020	82,828	740,169	487,089	88,604	26,441	209,407	1,634,538
Purchases	23,229	141,654	1,155,398	18,308	232,392	601,802	2,172,783
Sales	-462	-178,380	-1,061,134	0	-290,666	-587,091	-2,117,733
Valuation changes	-31,192	60,486	-17,752	-3,073	92,771	-574	100,665
Other	0	30	-29,221	0	173	-31,703	-60,721
Subtotal	**74,403**	**763,959**	**534,380**	**103,839**	**61,111**	**191,841**	**1,729,533**
Derivatives credit							13,436
Deducted: investments for risk members (ARP)							-44,525
Value per 31 December 2020							**1,698,444**
Value per 1 January 2021	74,403	763,959	534,380	103,839	61,111	191,841	1,729,533
Purchases	18,204	190,294	1,029,714	0	290,367	3,952,947	5,481,526
Sales	-588	-359,079	-991,261	0	-217,007	-3,976,834	-5,544,769
Valuation changes	16,173	212,510	20,704	18,385	-111,024	105	156,853
Other	0	-187	30,902	0	1,265	21,947	53,927
Subtotal	**108,192**	**807,497**	**624,439**	**122,224**	**24,712**	**190,006**	**1,877,070**
Derivatives credit							41,852
Deducted: investments for risk members (ARP)							-51,785
Value per 31 December 2021							**1,867,137**

The value per 31 December 2021 is including the credit position of derivatives (41,852) and a deduction of 51,785 presented as investments for risk of members (ARP).

Included in the investment-category ‘Other financial investments’ is cash available for investment for an amount of 167,687 (2020: 145,740). This amount includes 8,838 (2020: 9,949) of cash in REI. Also included in this category are collaterals (12,386), short term funds (6,431), commercial paper (1,502) and repo’s (2,000). The purchases and sales under Other investments concern repurchase agreements.

The pension fund does not invest in the sponsor. The pension fund does not directly participate in securities lending.

Positions more than 5% per investment-category:

Real Estate	31-12-2021		31-12-2020	
	EUR	%	EUR	%
Angel Place Bridgwater	5,653	5%	5,083	7%
Westside Edinburgh	7,021	6%	3,910	5%
Exchange Rochdale	7,438	7%	5,279	7%
Clarendon Hyde	3,392	3%	3,407	5%

Equity	31-12-2021		31-12-2020	
	EUR	%	EUR	%
Pem - effem fund	188,536	22%	149,801	20%

Unless clearly stated otherwise all amounts are in thousands of euros

Fixed Income	31-12-2021		31-12-2020	
	EUR	%	EUR	%
Effem private credit feeder	61,585	10%	48,581	9%
Global Emerging Debt-USD Government bonds	76,547	12%	0	0%
Commit to PUR FNMA SF MTG	0	0%	34,550	6%
Japan Treasury Discount Bill	0	0%	29,218	5%

Hedge funds	31-12-2021		31-12-2020	
	EUR	%	EUR	%
Blackstone effem fund	122,224	100%	103,839	100%

Fair value hierarchy

The following tables summarize the valuation of investments by level within fair value hierarchy as of 31 December 2021 and 2020. Level 1 inputs are unadjusted quoted prices in active markets for items identical to the asset or liability being measured. Level 2 inputs are inputs other than the quoted prices as determined in level 1 that are directly or indirectly observable for that asset or liability. Level 3 inputs are unobservable inputs (modelling is used to determine the value). Derivatives are shown net of Assets/Liabilities (clean value) and the table is before deduction of investments for risk of members.

Asset Category	Level 1	Level 2	Level 3	Total
Real estate	5,300	0	102,892	108,192
Equity	341,600	239,303	226,594	807,497
Fixed income	84,713	293,195	246,531	624,439
Derivatives	-13,636	38,348	0	24,712
Hedge funds	0	0	122,224	122,224
Other financial investments	174,117	15,889	-	190,006
Total per 31 December 2021	**592,094**	**586,735**	**698,241**	**1,877,070**

Investment cash is presented under Other financial investments in the category Direct market listed.

Asset Category	Level 1	Level 2	Level 3	Total
Real estate	2,297	0	72,106	74,403
Equity	410,137	189,872	163,950	763,959
Fixed income	81,620	259,524	193,235	534,380
Derivatives	-163	61,274	0	61,111
Hedge funds	0	0	103,839	103,839
Other financial investments	148,519	43,323	0	191,841
Total per 31 December 2020	**642,410**	**553,993**	**533,130**	**1,729,533**

2 Investments for risk members

The investments for risk members consist of:

	31-12-2021	31-12-2020
Investments concerning ARP plan	51,785	44,525
Investments concerning ASP plan	64,723	50,307
Total	**116,508**	**94,832**

Unless clearly stated otherwise all amounts are in thousands of euros

In 2021 the investments developed as follows:

	ASP	ARP
Balance per 1 January	50,307	44,525
Contributions	3,846	5,844
Transfers	0	-31
Investment result	10,570	1,568
Other changes	0	-121
Balance per 31 December	**64,723**	**51,785**

Other changes concern cases of deceased members.

In 2020 the investments developed as follows:

	ASP	ARP
Balance per 1 January	40,683	36,237
Contributions	3,865	5,721
Transfers	187	338
Investment result	5,383	2,229
Other changes (commutation etc.)	189	0
Balance per 31 December	**50,307**	**44,525**

The ARP-related investments are part of and deducted from the total investments for risk of the Pension Fund. At year-end the ASP-related investments consist for 98% of stocks and for 2% of bonds.

The investments for risk members are invested in passive investments funds. The accounting policies for these investments are in line with the accounting policies for the investments at the risk of the Pension Fund.

3 Other receivables

	31-12-2021	31-12-2020
Contributions	499	1,693
Other receivables	5,755	10,801
Total	**6,254**	**12,494**

Contributions concern the final contributions from the Companies for 2021.

Other receivables concern tax (95) and debtors (5,660) from REI Nederland B.V. (REI).

All other receivables have a remaining duration of less than a year. The fair value of the receivables approximates the carrying amount due to their short-term character and the fact that provisions for bad debt are recognized, where necessary.

4 Cash

	31-12-2021	31-12-2020
Cash at Rabobank	3,817	2,491

The section Cash includes the funds in bank accounts which are repayable on demand and freely available.

5 Foundation capital

The foundation's capital amounts to (single) EUR 45 and remained unchanged during the financial year. As a result of the presentation in thousands of euros, the foundation capital is zero.

6 General reserves

The general reserves changed due to the addition of the profit of the pension fund:

	2021	2020
Balance per 1 January	287,438	306,437
Result for the year	246,618	-18,999
Balance per 31 December	**534,056**	**287,438**

The minimum regulatory own funds, 3.9% of the actuarial accrued liabilities at the risk of the pension fund, equals EUR 54.4 million. Legally required own funds amount to EUR 284.3 million and are equal to 20.3% of the actuarial accrued liabilities at the risk of the pension fund. The present own funds are higher than the required funds.

The Real Policy Funding Ratio gives an indication of the extent to which supplements can be granted. The Real Policy Funding Ratio in accordance with the FTK definition is equal to the Policy Funding Ratio divided by the Policy Funding Ratio required for full indexation based on price inflation. The Real Policy Funding Ratio at year-end 2021 was 107.3% (2020: 94.1%).

The following table shows the ratios of regulatory own funds, minimum regulatory own funds, the Policy Funding Ratio and present own funds.

	31-12-2021	31-12-2020
Funding Ratio	138.1%	119.3%
Minimum required solvency ratio	103.9%	103.9%
Policy Funding Ratio	130.0%	113.2%
Ongoing solvency margin ratio	120.3%	122.4%

The Funding Ratio is calculated as the ratio between the net-assets and the total technical liabilities of the pension fund. The net assets are determined by adding the general reserve to the total technical liabilities (including the IBNR provision and liabilities for risk members) and excluding the short term liabilities. There are no subordinated loans and/or special reserves.

Policy decisions are based on the Policy Funding Ratio. This ratio is the average of the Funding Ratios during the past 12 months. The Policy Funding Ratio at 31 December 2021 is 130.0% (31 December 2020: 113.2%).

Recovery plan

As a consequence of the financial position at 31 March 2020 (PFR below OSMR) and on the basis of the definitions as established by DNB there was a reserve deficit. A recovery plan was drawn up and submitted to DNB in June 2020. At the end of 2020 the Pension Fund still had a reserve deficit, therefore an update of the recovery plan was submitted to DNB in the first quarter of 2021. At the end of September 2021 the pension fund recovered to a PFR above OSMR. Therefore the recovery plan ended as of 30 September 2021.

Articles of Association governing profit appropriation

In the Articles of Association of the pension fund no arrangement is included for the appropriation of the balance of the statement of income and expenses.

The annual appropriation of the balance of the statement of income and expenses is arranged in the funds' ABTN. It is proposed to add the profit of 2021 with an amount of 246,618 to the general reserve. This proposal has already been incorporated in the balance sheet.

Unless clearly stated otherwise all amounts are in thousands of euros

7 Actuarial accrued liabilities

This table reflects the changes in the technical provisions at the risk of the Pension Fund (excluding future disability):

	2021	2020
Provision for pension liabilities, balance at 1 January	**1,391,691**	**1,289,041**
Accrual of benefits (including surcharge for future costs)	12,902	21,916
Indexation to the account of the pension fund	15,950	3,597
Addition of interest	-7,300	-4,091
Benefit payments (incl. commutation and costs)	-37,987	-36,030
Yield curve change	-90,784	151,565
Change in mortality assumptions	0	-33,372
Other actuarial and technical assumptions	1,351	5,421
Individual value transfer (outgoing)	-62	6
Other changes pension liabilities (results on mortality and disability, corrections)	-429	-6,362
Total change	**-106,359**	**102,650**
Provisions for pension liabilities, balance at 31 December	**1,285,332**	**1,391,691**

Yield curve change
The interest rates decreased in 2021 resulting in a gain of 96,683 (change of AAL). In 2021 the change in UFR methodology resulted in a loss of 5,899. The interest addition to the AAL was 7,300 (gain) and the gain on direct and indirect returns on investments was 182,024. The costs for investment managers are a loss of 17,333. The total result on return and yield curve change was a gain of 250,795.

The effect of the UFR methodology is calculated per year end 2021 and therefore less negative than the estimated effect last year, which was calculated on year end 2020 interest rate. Due to an increase of the interest rate from year end 2020 to year end 2021, the effect the net UFR has decreased.

Indexation
For all members, the pension fund tries to increase the accrued pensions in line with price developments. It concerns a conditional indexation that is granted depending on the financial situation of the pension fund. The allowances are financed by excess return.

As of 1 January 2022, an indexation was granted of 1.75% to deferred members and pensioners and an unconditional indexation of 1.75% to active members. Additionally a total indexation percentage of 1.75% for the indexation of conditional additional entitlements for active members is granted.

Addition of interest
The pension liabilities have accrued interest at -0.533% (2020 -0.354%), based on the one-year interest rate on the interbank swap market at the beginning of the reporting year.

Other actuarial and technical assumptions
The AAL increased with 1,351 due to changes in the technical assumptions (change in assumed retirement age of the Final Pay plan).

Other changes pension liabilities (results on mortality and disability, corrections)
This result consists of an increase of the AAL of 576 due to mortality, an increase of 282 due to disability, a decrease of 767 because of retirement and other effects (-520). The decrease in the result on mortality is explained by the lower actual mortality in 2021.

Unless clearly stated otherwise all amounts are in thousands of euros

The pension liability for active members is determined as the present value of the accrued benefits up until balance sheet date. The pension liability for non-active members, disabled members, and surviving dependents is determined as the present value of the pension entitlements granted.

Active members of the Final Pay plan receive unconditional indexation on supplementary benefits. All benefits are conditionally indexed after retirement or after withdrawal. Indexation for deferred members is dependent on the Pension Fund's financial position.

	31-12-2021	31-12-2021	31-12-2020	31-12-2020
	Members	AAL	Members	AAL
Actives (including disabled)	467	409,889	506	479,319
Deferred members	720	257,449	830	271,283
Retirees	1,420	643,289	1,277	669,367
Sub-total	**2,607**	1,310,627	**2,613**	1,419,969
Minus: BPF Zoetwaren*	0	-25,295	0	-28,278
Total	**2,607**	**1,285,332**	**2,613**	**1,391,691**

* The benefits insured by the industry-wide pension fund "Bedrijfstakpensioenfonds voor de Zoetwarenindustrie" (BPF) for members of the pension fund are separately administrated and are deducted from the total benefits.

8 Provision for future disability

	2021	2020
Balance per 1 January	1,299	1,043
Regular change	202	256
Balance per 31 December	**1,501**	**1,299**

The IBNR provision for future disability is set equal to twice the yearly risk premium for disability. The provision is a long-term liability.

9 Pension provision for risk members

The ARP/ASP plan is a so-called contribution agreement (*premieovereenkomst)* and consists of the following two modules: Associate Retirement Plan (ARP) (*Medewerker Uittredings Plan MUP*) and Associate Selection Plan (ASP) (*Medewerker Selectie Plan MSP*). Members of Plan 2004-67 are those members registered by the Company, who entered the Company's service after 31 December 2003 and who are exempted from mandatory membership of the pension plan of the *Stichting Bedrijfstakpensioenfonds voor de Zoetwarenindustrie* (industry-wide pension fund for the sugar and chocolate processing industry).

The provision for risk members consist of:

	31-12-2021	31-12-2020
Provisions concerning ARP plan	51,785	44,525
Provisions concerning ASP plan	64,723	50,307
Total	**116,508**	**94,832**

In 2021 the provisions developed as follows:

	ASP	ARP
Balance per 1 January	50,307	44,525
Contributions	3,846	5,844
Transfers	0	-31
Investment result	10,570	1,568
Other changes (commutation etc.)	0	-121
Balance per 31 December	**64,723**	**51,785**

Unless clearly stated otherwise all amounts are in thousands of euros

In 2020 the provisions developed as follows:

	ASP	ARP
Balance per 1 January	40,683	36,237
Contributions	3,865	5,721
Transfers	187	338
Investment result	5,383	2,229
Other changes (commutation etc.)	189	0
Balance per 31 December	**50,307**	**44,525**

10 Current liabilities

	31-12-2021	31-12-2020
Derivatives	41,852	13,436
Accrued expenses and other liabilities	13,434	15,954
Contributions of employer	0	2,604
Wage tax and premiums social security	1,033	1,007
Total	**56,319**	**33,001**

Negative derivate-positions are classified as current liabilities and positive derivative-positions are classified as assets. A further explanation on the derivatives can be found in paragraph 12.8 "Risk management".

The accrued expenses includes EUR 1,339 (2020: EUR 1,663) corporate income tax and VAT and EUR 9,810 (2020: EUR 13,286) of payables concerning REI.

All current liabilities have a remaining duration of less than a year.

12.7 Rights and obligations not included in the balance sheet

Long term contracts

With respect to the investments in the Private Equity, Private Credit, Global Property and Hedge funds, MPF has an off-balance sheet commitment of EUR 177.2 million to these managers to invest in their funds. Non-compliance can lead to interest being charged as well as legal- and other collection costs.

The pension fund contracted Blue Sky Group Pension Management B.V. (BSG) to be the new pension provider as of 1-1-2022. The annual fee for the regular services of BSG amounts EUR 1.3 million.

REI

MPF has established that it is appropriate and prudent to commit itself to extend the existing intercompany loans until at least 30 June 2023 and to increase the principal amount of each existing intercompany loan up to a defined maximum amount required to enable REI to meet its third party obligations until at least 30 June 2023, on terms and conditions satisfactory to MPF, but comparable to the existing intercompany loans.

Related parties

The members of the Board of the pension fund are identified as related parties to the pension fund. See paragraph 12.9, disclosure 17 for more information about the remuneration of Board members.

Unless clearly stated otherwise all amounts are in thousands of euros

12.8 Risk management

The Pension Funds regulations require a proper financial position in relation to the risks of the Pension Fund. One of the main requirements is the solvency of the fund.

The solvency margin is, based on the risk profile and according to regulatory standards, calculated as follows:

Solvency margin	**31-12-2021**		**31-12-2020**	
	EUR	**%**	**EUR**	**%**
S1 Interest rate risk	9,800	0.7	7,200	0.5
S2 Market risk on equities and property	206,200	14.7	250,500	16.8
S3 Currency risk	102,300	7.3	117,000	7.9
S4 Commodity risk	0	0	0	0
S5 Credit risk	81,400	5.8	87,900	5.9
S6 Technical insurance risk	36,000	2.6	39,300	2.6
S10 Active risk	12,400	0.9	32,500	2.2
Diversification-effect	-164,900	-11.8	-201,600	-13.6
Adjustment for risks for members	1,100	0.1	1,000	0.1
Required own funds	284,300	**20.3**	333,800	**22.4**

The formula used to calculate the solvency margin is:

$$\sqrt{S_1^2 + S_2^2 + S_3^2 + S_4^2 + S_5^2 + S_6^2 + S_{10}^2 + 2 \times 0.40 \times S_1 \times S_2 + 2 \times 0.40 \times S_1 \times S_5 + 2 \times 0.50 \times S_2 \times S_5}$$

12.8.1 Interest rate risk (S1)

A pension fund has interest rate risk because the interest rate sensitivity of the investments is different from the interest rate sensitivity of the liabilities. If the relevant interest rate changes, the investments will react differently than the liabilities and this has a consequence for the funded status. A measure of interest rate sensitivity is the so-called duration, which is technically the weighted average remaining maturity of all cash flows. The duration approximately represents the percentage change in the value of investments and liabilities as a result of a 1% interest rate change.

	31-12-2021 in years	**31-12-2020 in years**
Fixed income duration (excluding derivatives)	2.5	3.1
Fixed income duration (including derivatives)	4.5	6.1
Duration of the (nominal) pension liabilities	17.9	18.2

It is assumed that all non-fixed income assets have zero duration.

The Pension Board has adopted a formal interest rate hedging procedure. This interest rate hedging procedure is dynamic in nature. The interest rate hedge will generally increase linearly with the relevant interest rate, but small tactical deviations are possible. The Pension Board and its Investment Committee have carefully implemented the necessary infrastructure to enable this interest rate hedging procedure. As of 31 December 2021 the 20-year EUR real swap rate was -1.6%, which was below the lowest trigger defined in the LDI trigger table. Thus, the 'dynamic' liability hedge ratio target (based on the full economic indexed liability) for the Plans was 39% (based on the second de-risking step). The hedge resulting from the Plan's physical assets covers 20% and 19% is added by a dynamic overlay. The tactical hedge target was neutral to the dynamic target.

Unless clearly stated otherwise all amounts are in thousands of euros

The Pension Fund's fixed income portfolio (Bonds), excluding derivatives, can be divided into the following subcategories.

Fixed income - Asset categories	31-12-2021		31-12-2020	
	EUR	%	EUR	%
Government Bonds	131,903	21%	153,388	27%
Index Linked Bonds	17,087	3%	5,616	1%
Mortgages and Mortgage backed securities	39,129	6%	64,744	11%
Credits	419,611	67%	321,348	57%
Cash and cash-like instruments	20,466	3%	23,462	4%
Total	**628,196**	**100%**	**568,558**	**100%**

Cash and cash-like instruments concern short term claims and interest. The net pending trades (- EUR 3.8 million) are not included in the fixed income portfolio above.

12.8.2 Market risk (S2)

Market risk can be split into interest rate risk, currency risk and price risk. The investment guidelines define the strategy that Mars Pension Fund will adopt to control market risk. In practice, the Investment Committee oversees the controls regarding market risk, in line with the agreed policy framework and investment guidelines. Periodically all aggregated market positions are reported to the Investment Committee and the Pension Board.

The investments in real estate are in the UK. This is resulting in a relatively high market risk. The currency risk (GBP) is mainly covered in the hedges plan.

In the table below, the sectorial division of the Pension Fund's equity investments is (excluding derivatives) presented:

Equity – sector categories	31-12-2021		31-12-2020	
	EUR	%	EUR	%
Consumers	107,906	14%	128,515	17%
Energy	15,758	2%	17,829	2%
Financials	305,065	37%	241,077	32%
Health care	87,904	11%	77,514	10%
Industrials	70,633	9%	89,490	12%
Communication services	29,809	4%	42,791	6%
Information Technology	152,176	19%	114,596	15%
Materials	26,409	3%	40,607	5%
Utilities	8,116	1%	9,297	1%
Other	3,721	0%	1,910	0%
Total	**807,497**	**100%**	**763,626**	**100%**

12.8.3 Currency risk (S3)

At the end of 2021 about 69% (2020: 69%) of the investment portfolio (including the property assets, property cash and operational cash account, excluding investments for risk members) has been invested outside of the Euro zone. The actual EUR (look-through) exposure of the total portfolio hedging was 45% at the end of 2021 (58% at the end of 2020). The total net market value of the outstanding currency forward contracts at the end of the year was 400.

Unless clearly stated otherwise all amounts are in thousands of euros

The look-through currency exposure before and after plan level hedging can be specified as follows:

Currency	**Before Hedging**	**Currency Derivatives**	**31-12-2021 Net position after hedging**	**31-12-2020 Net position after hedging**
Euro	587,305	720,422	1,307,727	1,007,571
British pound	160,976	-95,804	65,172	111,371
Japanese yen	83,915	-102,826	-18,911	33,673
US Dollar	1,004,796	-410,821	593,975	578,268
Other	40,478	-111,370	-70,893	-1,350
Total	**1,877,470**	**-400**	**1,877,070**	**1,729,533**

The strategic currency exposure is equal to 34% of the assets (30% exposure plus exposure to emerging market currencies) or 625,725 in equilibrium. The buffer for the currency risk is 102,290.

12.8.4 Commodity/price risk (S4)

All investments and all asset classes are subject to the risk of price movement. Some to a limited extent such as short maturity government bonds, some to a higher extent such as emerging market equities. One must bear in mind, however, that the asset classes with the highest price risk also tend to have the highest expected returns. In other words, the portfolio of the pension fund needs to take some price risk, otherwise the expected return will not be sufficient. This trade-off between risk and return is addressed in the ALM study and this has resulted in a strategic investment policy in which the price risk of asset classes will be accepted when the expected return is commensurate. Generally, movements in price lead to movements in value and the value changes are directly and fully reflected in the value of the investment portfolio. On a strategic level the pension fund manages the impact of price risk by diversifying by investing in different asset classes and by considering only active investment management. On a tactical level the Pension Fund controls the price risk by underweighting perceived overvalued asset classes within the allowable ranges. Hedging it through derivatives like options and futures can also mitigate price risk.

The equity investments can be divided into the following regions:

Equity - Regions	**31-12-2021**	**31-12-2020**
Mature markets	753,332	667,782
Emerging Markets	54,165	95,844
Total	**807,497**	**763,626**

The fixed income investments can be divided into the following regions:

Fixed Income - Regions	**31-12-2021**	**31-12-2020**
Mature markets	532,933	492,007
Emerging Markets	95,263	76,551
Total	**628,196**	**568,558**

The net pending trades (- EUR 3.8 million) are not included in the fixed income above.

12.8.5 Credit risk (S5)

Credit risk can be defined as the risk of financial losses for the pension fund as a consequence of a counterparty default or payment impairment, if the Pension Fund is a creditor of this counterparty. The Pension Fund's exposure to Bond issuers, banks (through deposits), reinsurers, and OTC derivative counterparties are all subject to credit risk.

Unless clearly stated otherwise all amounts are in thousands of euros

Settlement risk is a specific element of credit risk that needs to be mentioned because it relates to all investment transactions. This occurs when parties, with which the Pension Fund has engaged in financial transactions, are incapable of honoring their obligations under the transaction within pre-agreed time limits, and this inability to honor the obligations leads to a financial loss for the Pension Fund.

There are various ways in which a pension fund can control credit and settlement risks, first and foremost to impose counterparty exposure limits on the total fund level and to implement an effective collateral management programme. Mars Pension Fund also gives its fixed income investment managers investment guidelines that seek to diversify the credit risk as broadly as possible. The Pension Fund tries to mitigate the settlement risk by only investing in markets where a proper and reliable clearing and settlement system is in operation. The Pension Fund requires from its investment managers to perform a due diligence investigation into the clearing and settlement system of each market before the manager is allowed to invest in a new market. If and when the Pension Fund engages directly in transactions in non-exchange traded instruments such as OTC derivative transactions, it will only do so when ISDA and CSA agreements have been established with the transaction counterparties so that the Pension Fund's financial position in such a transaction is properly collateralized.

The credit rating split, based on information of independent credit rating agencies (Moody's, and when not available Standard & Poor's or Fitch), in the fixed income portfolio is as follows:

Fixed income – credit rating	**31-12-2021**		**31-12-2020**	
	EUR	**%**	**EUR**	**%**
AAA	120,591	19%	142,975	25%
AA	37,161	6%	35,898	6%
A	91,751	15%	97,037	17%
BBB	117,245	19%	97,329	17%
Lower than BBB	143,923	23%	115,038	20%
No rating	117,525	18%	80,281	15%
Total	**628,196**	**100%**	**568,558**	**100%**

The net pending trades (- EUR 3.8 million) are not included in the fixed income above. Assets without a rating mostly concern cash and short term loans.

12.8.6 Technical insurance risk (S6)

The most important technical insurance risks are the longevity-, death-in-service-, disability-in-service- and the indexation-risk.

The **longevity risk** is the risk that members live longer than assumed in the determination of the AAL. As a result there could be too little assets to finance the accrued benefits. The pension fund has used the mortality table AG Projection table 2020 to take the most recent mortality assumptions and the increased long-term trend in mortality probabilities (and therefore the life expectancy) into account. The mortality research committee of the AG indicated on 5 July 2021 that it saw no reason for an interim adjustment of the AG Projection table (after investigation into the possible influence of COVID19). The next regular update of the AG Projection table will take place in September 2022. At that time, it will become clear whether, and if so how, the excess mortality caused by the corona pandemic has consequences for that publication.
Statistics show that in general the mortality of pension fund members is lower than the mortality of the entire population. The AG Projection tables are based on data of the total population in the Netherlands. For a correct calculation of the AAL the difference in life expectancy between the total population and the population of Mars Pension Fund should be taken into account. For this reason the pension fund uses the MPF specific experience rating based on the Willis Towers Watson 2020 experience rating model.

The **death-in-service risk** is the difference between the cash value of a spouse's pension that starts immediately after the death of a member and the cash value of all accrued benefits of the member. This risk is expressed in the risk premium for death-in-service.

Unless clearly stated otherwise all amounts are in thousands of euros

The **disability-in-service risk** for the pension fund consists on the one hand of the costs for continuation of the pension accrual, which is equal to the cash value of the pension accrual for the future and on the other hand the costs for the disability benefit. The risk premium for disability-in-service is used for this risk.

The death-in-service and disability-in-service-risk are both partly reinsured by Zwitserleven (for more information see 21 Reinsurance premiums).

The fund has incorporated these risks into the buffer for insurance technical risk at year-end by using the standard model as presented by DNB.

The **indexation risk** is the risk for the pension fund that the indexation ambition of the board in relation to the price indexation cannot be realized. The extent to which this can be achieved depends on the developments in interest rates, investment returns, wage inflation and demography (investment and actuarial results), depending on the Funding Ratio of the pension fund. The indexation is conditional.

12.8.7 Liquidity risk

Liquidity risk is the risk that investments cannot be sold within an acceptable time period and/or cannot be transformed into cash at an acceptable price, as a consequence of which the fund cannot meet its financial obligations. The liquidity needs of the Pension Fund are modelled and taken into consideration in the investment strategy review, and the resulting asset allocation reflects the Pension Fund's liquidity needs. The Pension Fund will invest sufficiently in highly liquid assets that can be sold quickly and efficiently in most market circumstances. Furthermore, the Pension Fund invests in assets that generate periodical income streams that can be used to meet the Pension Fund's financial obligations, thereby reducing and/or eliminating the need to sell investments to meet cash needs. Income generating assets include (almost) all fixed income investments and property investments. At the end of the year the Pension Fund has sufficient liquid assets to meet its liquidity needs. However, the intention, as mentioned, is not to sell these assets but to use the income from income generating assets to supply the required liquidity. The Treasury & Benefits Centre (TBC) also creates a liquidity planning for the Pension Fund on a monthly basis.

12.8.8 Concentration risk

Large individual investments in the portfolio can lead to concentration risk. In order to determine which investments could be earmarked as large positions, one must add or compare all positions against the same debtor per asset class. Large positions are then defined as positions that constitute more than 2% of the total assets (EUR 1,979,364, 2020: EUR 1,808,261).

Positions more than 2% of the total assets:

		31-12-2021		31-12-2020
	EUR	%	EUR	%
Pimpco - GL BD	392,040	19.8%	169,041	9.3%
Bond collateral	180,260	9.1%	157,344	8.8%
Blackstone effem fund	122,224	6.2%	103,839	5.7%
Pem - effem II	121,075	5.7%	99,802	5.5%
Nomura HY BD	102,780	5.2%	82,538	4.6%
Global Value Property Fund	78,446	4.0%	51,103	2.8%
Global Emerging Debt-USD Government bonds	76,547	3.9%	0	0.0%
Blackrock PV CR	61,585	3.1%	48,581	2.7%
Pem - effem III	50,181	2.4%	0	0.0%
HDG FD FX Overlay	0	0.0%	103,562	5.7%
GL EQ CCY Hedge	0	0.0%	63,119	3.5%
P/C FX-O/LAY	0	0.0%	62,158	3.4%

Unless clearly stated otherwise all amounts are in thousands of euros

Equity TRH	0	0.0%	50,020	2.8%
Plan Level LDI	0	0.0%	37,182	2.1%
	1,185,138	**59,4%**	**1,028,289**	**56.9%**

12.8.9 Other financial risks (S10)

12.8.9.1 Systemic risk

Systemic risk occurs when the global financial system (all financial and capital markets) no longer functions properly, in which case the pension fund would not be able to trade its investments. It is difficult for any financial institution to directly control a systemic risk or systemic failure. However, careful monitoring of liquidity, counterparty and concentration risk can help mitigate the impact of a systemic crisis.

12.8.9.2 Specific financial instruments (derivatives)

Within the ranges of the agreed strategic investment possibility, the Pension Fund can use financial derivatives to hedge financial risks or to enhance or restrict certain exposures. The possible financial effects of using derivatives will always be taken into consideration.
The use of financial derivatives will expose the Pension Fund to price risk and counterparty risk (the risk that counterparties to the transaction cannot meet their financial obligations). Using only approved counterparties and collaterals can mitigate this risk. The following instruments can be used:

Futures
These are standard exchange traded instruments that can be used to change the exposure to asset classes. Futures are used to implement the Pension Fund's tactical investment strategy and for rebalancing purposes. Tactical deviations from policy are permissible within the predefined ranges of the strategic investment policy.

Equity Put Options
This concerns exchange traded or over-the-counter (OTC) options with which the Pension Fund can limit the downside risk of an equity portfolio. The Pension Fund has to pay a premium to obtain a put option. This premium is dependent on the actual value of the underlying equity index, the maturity of the options, and the exercise price of the option. In case the Pension Fund writes a put option (sell a put option), then the premium received would be exposed to price risk in case the underlying index decreases in value.

Equity Call Options
This concerns exchange traded or over-the-counter (OTC) options with which the Pension Fund can capture the upside potential of an equity portfolio. The Pension Fund has to pay a premium to obtain a call option. This premium is dependent on the actual value of the underlying equity index, the maturity of the options and the exercise price of the option. In case the Pension Fund writes a put option (sell a put option), then the premium received would be exposed to price risk in case the underlying index increases in value.

Forward Contracts
These are individual contracts with financial counterparties where both parties agree to buy one currency or security and sell another currency or security at a predetermined price (the forward rate) and at a predetermined time. Currency forward contracts are used to hedge exchange rate risks. Bond Forwards are used in Fixed Income strategies.

Swaps
A swap is defined as an over-the counter contract with a counterparty (usually a bank) in which both contract parties agree to exchange interest payments on a pre-agreed notional value. The use of swaps will help the Pension Fund to increase the interest rate sensitivity of the portfolio, thereby reducing the duration mismatch.

Unless clearly stated otherwise all amounts are in thousands of euros

Swaptions
A swaption is an option contract on a swap. The option buyer is allowed to enter into a swap contract with a counterparty at a predetermined interest rate, with a predetermined maturity at a predetermined time. The option buyer will only do so if the contract terms are better than the market terms at the time of exercise.

The table below shows the derivatives positions (clean value) in the Pension Fund as per 31 December 2021:

Type of contract	Expiry Date	Notional Values	Market Value assets	Market Value liabilities
Futures	Various	118,604	3,048	-18,994
Currency Forward contracts	Various	-716,664	8,104	-8,503
Options	Various	-2,776	14,908	-3,055
Interest Rate Swaps	Various	246,971	32,664	-4,286
Total return swaps	Various	335,651	5,197	-3,427
Other	Various	67,867	1,221	-3,587
Total		**49,653**	**65,142**	**-41,852**

The table below shows the derivatives positions in the Pension Fund as per 31 December 2020:

Type of contract	Expiry Date	Notional Values	Market Value assets	Market Value liabilities
Futures	Various	315,913	1,567	-2,112
Currency Forward contracts	Various	-465,796	4,294	-1,607
Options	Various	10,021	5,077	-2,573
Interest Rate Swaps	Various	93,144	59,304	-2,544
Total return swaps	Various	36,640	2,707	-3,009
Other	Various	-84,790	1,442	-1,591
Total		**-94,868**	**74,391**	**-13,436**

12.9 Notes to the statement of income and expenses

11 Contributions from employer and members
The total employer contribution amounts EUR 20,103 (25.0%, 2020: 21.1%) of the pensionable salaries reduced with the contributions from the employers registered in BPF Zoetwaren. The employer contribution percentage includes the contribution for the account and risk of member with respect to the concerning the ARP plan (EUR 5,844) and a contribution with respect to the ASP-plan (EUR 1,289). This is resulting in an employer's contribution with respect to the Final Pay Plan of EUR 12,970. The members also contribute to the ASP-plan for a total of EUR 2,557. The total actual contribution is EUR 23,950.

The costs covering-, smoothened- and actual contributions are:

	2021	2020
Cost covering contribution	31,431	43,370
Smoothened contribution	20,723	24,130
Actual contribution	23,950	21,238

The cost covering contribution is based on the actuarial assumptions applicable as per 31 December 2021, including an interest rate term structure according to the instructions of DNB per this date. The smoothened cost covering contribution is, in accordance with the ABTN, based on a fixed discount rate of 5.3%. This causes the smoothened contribution to be lower than the cost covering contribution. The actual contribution is based on the contribution policy and at least equal to the smoothened cost covering contribution (determined at the beginning of the financial year) and is expressed as a percentage of the pensionable salary.

The (smoothened) cost covering contribution is:

Unless clearly stated otherwise all amounts are in thousands of euros

	2021 CCC	2021 SCCC	2020 CCC	2020 SCCC
Unconditional accrual	25,608	16,962	35,030	19,566
Solvency surcharge	3,857	1,795	6,309	2,533
Surcharge for administration costs	1,966	1,966	2,031	2,031
Total	**31,431**	**20,723**	**43,370**	**24,130**

For more information is referred to chapter 8 "Actuarial section" of this report.

12 Contributions for account and risk members

	2021	2020
ARP contribution	5,844	5,721
ASP contribution	3,846	3,865
Total contribution	**9,690**	**9,586**

The ASP contribution consist of 2,557 of contribution paid by members and 1,289 paid by the employer.

13 Investment results for risk pension fund

	Direct investment results	Indirect investment results	Investment related costs	Total 2021	Total 2020
Real Estate	12,725	14,801	-12,778	14,748	-32,730
Equity	5,335	216,877	-684	221,528	68,953
Fixed Income	7,814	20,844	-724	27,934	-8,457
Derivatives and hedge funds	2,146	-92,552	0	-90,406	89,612
Other financial investments	-1,144	-1,040	-3,147	-5,331	-4,370
Investment results	26,876	158,930	-17,333	168,473	113,008
Allocated to ARP				-1,568	-2,229
Net Investment result				**166,905**	**110,779**

The investment results allocated to ARP is determined on an annual basis at a maximum equal to a percentage amounting to "CPI all households" plus 3%. This will never exceed more than 13% on an annual basis and depends on the actual interest made by MPF. The minimum addition is 0%. The Pension Board decides every six months whether, and to what extent it will be granted.

Investment related costs

The investment related costs include management fees for external asset managers, investment advice, custody fee and other investment related costs (i.e. tax- and legal advice). The total amount of investment related costs of EUR 17.3 million also include the operational costs related to the direct investments in real estate (EUR 12.7 million in 2021 and EUR 14.9 million in 2020).

	2021	2020
Management fee external asset managers	2,659	2,691
Investment advice	1,766	1,982
Operating costs real estate	12,297	14,910
Custody fee	398	482
Other costs	0	0
Value added tax on costs foreign asset managers and other	213	351
Total	**17,333**	**20,416**

The investment related costs represent only the direct costs outside the investment funds. Other costs inside the investment funds are settled in the direct investment results.

Unless clearly stated otherwise all amounts are in thousands of euros

Transaction costs mainly concern the premiums and discounts on the purchase and sale of shares of securities. Several types of transaction costs are not readily available, i.e. 2nd layer costs, transaction costs for alternative funds, and are thus not yet recorded in the custodian records, and therefore not represented in the accounting of MPF.

14 Investment results for risk members

	2021	2020
Investment results ARP (after deduction of transfers ARP)	1,568	2,229
Investment results ASP	10,570	5,573
Total	**12,138**	**7,802**

The investment results ARP are a part of the investment results for risk fund. The change of the ARP is, besides changes in population, due to contributions and a calculated return. The employer pays contributions for ARP. The calculated return is however not equal to the investment results. In 2021 the calculated return was maximized to the CPI-index plus 3%. The investment results ASP consists mostly of positive returns on equity.

Investment results ASP

	Direct investment results	Indirect investment results	Investment related costs	Total 2021	Total 2020
Equity	15	10,710	-111	10,614	5,530
Fixed Income	0	-43	-1	-44	43
Total	15	10,667	-112	10,570	5,573

Transaction costs mainly concern the premiums and discounts on the purchase and sale of shares of securities. Transaction costs are invisible to the Pension Fund and generally not yet recorded and available from the custodian records, therefore not further represented.

15 Other income

	2021	2020
Retained fees ASP scheme	699	0

The retained fees for administration costs in previous years were wrongly not withdrawn from the investments and paid to the pension fund. This was corrected in 2021 at once.

16 Benefits payment

	2021	2020
Retirement pension	32,317	30,510
Partner pension	4,622	4,651
Disability pension	443	314
Commutation of small pensions	45	58
Orphan pension	30	31
Total	**37,457**	**35,564**

17 Execution- and administration costs

	2021	2020
Administration costs	990	867
Actuarial (advising)	678	748
Legal advisory	224	257
Cross charges from the employer (support Pension Office)	330	212
Benefits Professional (support Pension Office)	159	147
Governance costs (Pension Board, Supervisory Council, Accountability Council)	274	316

Unless clearly stated otherwise all amounts are in thousands of euros

Audit and advisory services	78	74
Communication costs	1	6
Membership contributions	108	99
Actuarial (certifying)	-16	111
Keyfunctionholders	66	0
Other costs (mostly transition fees)	974	6
Total	**3,866**	**2,843**

The execution- and administration costs are VAT included. In total an amount of 584 has been paid on VAT charges. The total costs are higher compared to 2020 due to the transition costs for the transfer of the pension administration from TKP to BSG.

Since the Pension Fund does not have members, there are no salary payments or social insurance charges. The work on behalf of the Pension Fund is performed by three employees (2020: two employees) who have employment contracts with Mars Nederland B.V. and have been outsourced to Mars Pension fund. The costs are charged to Mars Pension fund and included in this report. In 2021 the Pension Office was supported by a Benefits Professional.

The total remuneration paid to members of the Pension Board and Supervisory Council for their membership in the Board is 204 (2020: 243).

Members of the Accountability Council receive a compensation of 3 per year (2020: 3).

Board members not employed at Mars Nederland B.V. received a total remuneration of EUR 157.

Independent audit and advisory services

	2021	2020
Audit of the financial statements	78	74
Other audits procedures	0	0
Tax services	0	0
Other non-audit services	0	0
Total	**78**	**74**

Audit services are provided by PricewaterhouseCoopers Accountants N.V.

18 Change provision pension liabilities for risk pension fund

	2021	2020
Change provision	106,359	102,650

The change in the provision is mainly the consequence of the development of the RTS (interest). For further details is referred to number 7.

19 Change provision for future disability

	2021	2020
Provision change for future disability	202	256

For more details we refer to the notes under reference number 8.

20 Change provision for risk members

	2021	2020
Provision change for the account and risk of members	21,676	17,911

For more details we refer to the notes under reference number 2.

Unless clearly stated otherwise all amounts are in thousands of euros

21 Reinsurance

	2021	2020
Premium	68	63

The Pension Fund has a reinsurance contract for the death-in-service and disability-in-service risks with Zwitserleven until 31 December 2022. This reinsurance can be seen as a catastrophe-risk-coverage because it is based on stop-loss insurance with a net retention of EUR 2.5 million which is approximately 250% of the risk premium. Declaration is possible 24 months after the contract period. In 2021 no claims were made.

22 Transfers of pension rights for risk pension fund

	2021	2020
Incoming transfer values	0	0
Outgoing transfer values	60	6
Total	**60**	**6**

23 Transfers of pension rights for risk members

	2021	2020
Incoming transfer values	-294	-897
Outgoing transfer values	325	374
Total	**31**	**-523**

24 Other expenses

	2021	2020
Contribution AO for ASP members	55	47
Credit interest bank	18	0
Total	**73**	**47**

12.10 Statutory regulations regarding the allocation of the balance of income and expenses

The balance of income and expenses (profit) of 2021 of 246,618 is added to the general reserves.

12.11 Subsequent events

UFR

De Nederlandsche Bank (DNB) indicated on 28 August 2020 that the new UFR method will be introduced in four equal steps from 1 January 2021. This Ultimate Forward Rate (UFR) is part of the interest rate term structure as published monthly by DNB.

The transition to a new UFR method is part of the advice of the Parameters Committee of June 2019.

The gradual introduction ensures that the effect of the new UFR method on the funding ratio gradually materializes over time. The 'younger' a pension fund, the higher the interest rate sensitivity of the pension liabilities and the greater the impact of the introduction of the new UFR method. A lower interest rate term structure also has a greater impact. The first step of the new UFR method is part of the interest rate term structure as published by DNB on 31 December 2021.

Applying the second step of the new UFR method will have an effect of approximately -0.6 percentage points on the funding ratio of the pension fund as of 1 January 2022.

Unless clearly stated otherwise all amounts are in thousands of euros

Ukraine
Because of Russia's invasion of the Ukraine the Pension Board has, in close coordination with the Mars T&B team and SECOR, been monitoring the markets and reviewing the market outlook. The conclusion is that exposure to Russian, Ukrainian, and Belarussian assets is minimal from a MPF perspective (0.4% of the total plan assets) and should not have a significant negative impact on the returns and the fund status (max -0.3%-point of the fund status). The Pension Board of MPF is more concerned with the impact of the Russia-Ukraine conflict on the global growth and inflation backdrop and is closely monitoring the way the unfolding situation may impact the MPF's broader asset allocation.

We also checked whether employees, members or suppliers were placed on the sanction list. This is not the case. Also, there are no direct or indirect dependencies on suppliers, service providers or outsourcing parties in any of these countries. The pension fund thus complies with sanctions legislation.

Since the raid took place in February 2022, this must be regarded as a post-balance sheet event. The invasion and the resulting sanctions legislation has a direct impact on the value of some of the investments and, as explained, therefore has limited consequences for the financial situation as at the balance sheet date.

13 SINGLE FINANCIAL STATEMENTS

13.1 Single balance sheet as at 31 December 2021

After appropriation of results (in EUR 1,000)

	Note [16]		31-12-2021		31-12-2020
ASSETS					
Investments for risk pension fund					
Real estate	25	83,746		53,400	
Equity		807,497		763,959	
Fixed income		624,438		534,379	
Hedge funds		122,224		103,839	
Derivatives		66,564		74,548	
Other financial investments	26	129,382		137,367	
			1,833,851		1,667,492
Investments for risk members	2		116,508		94,832
Investments in subsidiaries	27		0		0
Receivables and prepayments	28		28,390		28,452
Other assets					
Cash	4		3,817		2,491
			1,982,566		**1,793,267**
LIABILITIES					
Foundation capital and reserves					
Foundation capital	5		0		0
General reserves	6		534,056		287,438
Technical provision for risk pension fund					
Actuarial accrued liabilities	7	1,285,332		1,391,691	
Provision for future disability	8	1,501		1,299	
			1,286,833		1,392,990
Pension provision for risk members	9		116,508		94,832
Current liabilities	29		45,169		18,007
			1,982,566		**1,793,267**

[16] The reference numbers refer to the corresponding numbers in the notes to the balance sheet.

Unless clearly stated otherwise all amounts are in thousands of euros

13.2 Single statement of income and expenses for the year ended 31 December 2021

(in EUR 1,000)

	Note[17]		2021		2020
INCOME					
Contributions from employer and members	11		14,260		11,652
Contributions for account and risk members	12		9,690		9,586
Investment results for risk pension fund	30	170,161		142,303	
Investment results for risk members	14	12,138		7,802	
			182,299		150,105
Other income	15		699		0
Total INCOME			**206,948**		**171,343**
EXPENSES					
Benefits payment	16		37,457		35,564
Execution- and administration costs	17		3,866		2,843
Change pension provision:					
• Accrual of benefits		12,902		21,916	
• Indexation		15,950		3,597	
• Addition of interest		-7,300		-4,091	
• Benefit payments (incl. commutation and costs)		-37,987		-36,030	
• Yield curve change		-90,784		151,565	
• Change of mortality assumptions		0		-33,372	
• Other actuarial- and technical assumptions		-767		5,421	
• Changes as a result of transfer of rights		0		6	
• Other changes pension provision		1,627		-6,356	
Change provision liabilities for risk pension fund	18		-106,359		102,650
Change provision for future disability	19		202		256
Change provision for risk members	20		21,676		17,911
Reinsurance	21		68		63
Transfer of pension rights for risk pension fund	22		60		6
Transfer of pension rights for risk members	23		31		-523
Other expenses	24		73		47
Total EXPENSES			**-42,926**		**158,819**
NET RESULT			**249,874**		**12,525**
Result subsidiary (REI)	**31**		**-3,256**		**-31,524**
TOTAL NET INCOME			**246,618**		**-18,999**

[17] The reference numbers refer to the corresponding numbers in the notes to the Profit and Loss Account.

Unless clearly stated otherwise all amounts are in thousands of euros

13.3 Accounting policies

General
The accounting policies used for the single balance sheet and profit and loss account are the same as those used for the consolidated financial statements of Mars Pension Fund.

Investments in subsidiaries
This is a 100% participating interest in REI in Veghel. Participating interests are carried at net asset value, determined in accordance with the accounting policies used for the consolidated financial statements.

Result subsidiaries
The result is the amount by which the carrying amount of the participation has changed since the previous financial statements as a result of the earnings achieved by the participation.

13.4 Notes to the single balance sheet

General
When the balance value presented on the single balance sheet equals the value presented on the consolidated balance sheet, this balance sheet item has the same reference number as shown on the consolidated balance sheet. Details of these balance sheet values can be found in paragraph 12.6 "Notes to the consolidated Balance Sheet".

25 Real estate

	2021	2020
Balance per 1 January	53,400	33,584
Purchases	18,727	23,193
Sales	-588	-461
Valuation changes	12,207	-2,916
Balance per 31 December	**83,746**	**53,400**

26 Other financial investments

	31-12-2021	31-12-2020
Cash available for investments	148,848	135,790
Liquid assets available for investment	32,318	46,102
Deducted investments ARP	-51,785	-44,525
Total	**129,381**	**137,367**

Since 2015 a part of the total investment portfolio is considered as investment for risk of members (ARP). This amount is deducted from the investments for risk Pension Fund and included in the investments for risk of members.

27 Investments in subsidiaries
This item consists of the capital investment in REI. The capital is lower than the outstanding loans form the pension fund to REI. The investment in subsidiaries is there for zero and the loans are denominated with the negative value of the capital and reclassified as Receivables form group companies.

Unless clearly stated otherwise all amounts are in thousands of euros

The development during the last two years of the participation in REI can be specified as follows:

Capital	2021	2020
Balance per 31 December previous year	**-42,396**	**-11,419**
Repayments and dividend	0	0
Operational result	-3,256	-31,524
Revaluations (foreign currency)	-2,803	547
	-48,455	-42,396
Deduction from net investment (receivables from group companies)	48,455	42,396
Balance per 31 December	**0**	**0**

28 Receivables and prepayments

	2021	2020
Receivable from group companies	26,862	25,794
Contributions employer	499	0
Prepaid expenses	0	1,693
Accrued interest Intercompany loan REI	1,029	965
Total	**28,390**	**28,452**

All receivables have a remaining duration of less than a year. The fair value of the receivables approximates the carrying amount due to their short-term character and the fact that provisions for bad debt are recognized, where necessary.

Receivables from group companies	2021	2020
Balance per 31 December previous year	68,190	69,673
Additional loans	11,121	2,377
Repayments and dividends	-3,994	-3,860
	75,317	68,190
Deduction remaining negative equity	-48,455	-42,396
Total	**26,862**	**25,794**

Receivables from group companies concern the loans to REI. The Senior Debt loans (EUR 59,359) have an average interest rate of 5.06% and the Junior Debt loans (EUR 10,314) have an average interest rate of 10.06%. The loans are extended until at least 30 June 2023. All loans are denominated in GBP. There are no particular warranties underlying the loan. The loan was devalued due to the operational result of REI in 2020.

29 Current Liabilities

	31-12-2021	31-12-2020
Derivatives	41,852	13,436
Accrued expenses and other liabilities	2,284	960
Contributions employer	0	2,604
Wage tax and premiums social security	1,033	1,007
Total	**45,169**	**18,007**

Negative derivate-positions are classified as current liabilities and positive derivative-positions are classified as assets. A further explanation on the derivatives can be found in paragraph 12.8 "Risk management". All current liabilities have a remaining duration of less than a year.

Unless clearly stated otherwise all amounts are in thousands of euros

13.5 Notes to the single statement of income and expenses

30 Investments results for risk pension fund

	Direct investment results	Indirect investment results	Investment related costs	Total 2021	Total 2020
Real Estate	4,469	12,207	-98	16,578	-2,873
Equity	5,335	216,877	-684	221,528	68,952
Fixed Income	7,814	20,844	-724	27,934	-8,457
Derivatives and hedge funds	2,146	-92,552	0	-90,406	89,612
Other financial investments	-1,144	-1,040	-3,147	-5,331	-4,370
Investment results	18,620	156,336	-4,653	170,303	**142,864**
Allocated to ARP				-1,568	-2,229
Loan to subsidiary	1,426	0	0	1,426	1,668
Net Investment result				**170,161**	**142,303**

31 Result subsidiary (REI)

The result of the subsidiary is compiled of:

	2021	2020
Operational result	-3,255	-31,586
Results on exchange rates	-1	62
Total	**-3,256**	**-31,524**

Since the Pension Fund does not have employees, there are no salary payments or social insurance charges. The work on behalf of the Pension Fund is performed by three employees (2020: two employees) who have employment contracts with Mars Nederland B.V. and have been outsourced to Mars Pension fund. The costs are charged to Mars Pension fund and included in this report.

13.6 Subsequent events

UFR
De Nederlandsche Bank (DNB) indicated on 28 August 2020 that the new UFR method will be introduced in four equal steps from 1 January 2021. This Ultimate Forward Rate (UFR) is part of the interest rate term structure as published monthly by DNB.

The transition to a new UFR method is part of the advice of the Parameters Committee of June 2019.

The gradual introduction ensures that the effect of the new UFR method on the funding ratio gradually materializes over time. The 'younger' a pension fund, the higher the interest rate sensitivity of the pension liabilities and the greater the impact of the introduction of the new UFR method. A lower interest rate term structure also has a greater impact. The first step of the new UFR method is part of the interest rate term structure as published by DNB on 31 December 2021.

Applying the second step of the new UFR method will have an effect of approximately -0.6 percentage points on the funding ratio of the pension fund as of 1 January 2022.

Ukraine
Because of Russia's invasion of the Ukraine the Pension Board has, in close coordination with the Mars T&B team and SECOR, been monitoring the markets and reviewing the market outlook. The conclusion is that exposure to Russian, Ukrainian, and Belarussian assets is minimal from a MPF perspective (0.4% of the total plan assets) and should not have a significant negative impact on the returns and the fund status (max -0.3%-point of the fund status). The Pension Board of MPF is more concerned with the impact of

Unless clearly stated otherwise all amounts are in thousands of euros

the Russia-Ukraine conflict on the global growth and inflation backdrop and is closely monitoring the way the unfolding situation may impact the MPF's broader asset allocation.

We also checked whether employees, members or suppliers were placed on the sanction list. This is not the case. Also, there are no direct or indirect dependencies on suppliers, service providers or outsourcing parties in any of these countries. The pension fund thus complies with sanctions legislation.

Since the raid took place in February 2022, this must be regarded as a post-balance sheet event. The invasion and the resulting sanctions legislation has a direct impact on the value of some of the investments and, as explained, therefore has limited consequences for the financial situation as at the balance sheet date.

Veghel, 16 June 2022

The Pension Board

Mr. W. van Ettinger (Chairman)
Mr. H. van Heesch (Secretary)
Mr. P. van Bree
Mr. W. van de Laar
Mrs. R. Steenbergen

OTHER INFORMATION

OTHER INFORMATION

14.1 Articles of association governing profit appropriation

In the Articles of Association of the pension fund no arrangement is included for the appropriation of the balance of the statement of income and expenses. The destination is further detailed in the Actuarial and Technical Business Memorandum (ABTN). The proposal for the appropriation of the balance of income expenses for 2021 is included in the statement of income and expenses.

14.2 Actuarial Statement

Assignment

The assignment to issue an Actuarial Statement, as referred to in the Pension Act in respect of the financial year 2021, was issued to Towers Watson Netherlands B.V. by Stichting Mars Pensioenfonds, established in Veghel.

Independence

As the certifying actuary I am independent of Stichting Mars Pensioenfonds, as required by Section 148 of the Pension Act. I do not perform any other activities for the pension fund other than those based on the actuarial function.

Data

The data on which my audit was based were provided by and were compiled under the responsibility of the board of the pension fund.
In testing the assets of the pension fund and in assessing its financial position, I have based my assessment on the financial data on which the annual accounts are based.

Agreement external auditor

Based on the mutual 'Handreiking' that applies for both the external auditor and me, there has been agreement about the activities and expectations concerning this year's assessment. For the assessment of the technical provisions and the financial position as a whole I have determined the materiality to be equal to € 9,600,000. With the external auditor I have agreed to report any observed discrepancies above a level of € 642,000. These agreements have been recorded and the results of my assessments have been discussed with the external auditor.
In addition, I have used the basic data that has been subject to the assessment of the external auditor within the context of his review of the annual accounts. The external auditor has informed me on his findings regarding the reliability (material accuracy and completeness) of the basic data and other principles that are important for my judgement.

Activities

In carrying out the assignment, in accordance with my legal responsibility as stipulated in Section 147 of the Pension Act, I have examined whether the pension fund complies with Section 126 up to and including Section 140 of the Pension Act.
The basic data provided by the pension fund are such that I have accepted these data as the point of departure for my assessment activities.
As part of the work for the assignment I have, for instance, assessed whether:

- The technical provisions, the minimum required net assets and the required net assets have been determined adequately;
- The cost covering contribution has been determined in compliance with the legal requirements;
- The investment policy is in accordance with the prudent person rule.

In addition, I have formed an opinion about the financial position of the pension fund. This opinion is based on the liabilities of the pension fund incurred up to and including the balance sheet date and the available assets on that date, also taking into account the financial policy of the pension fund.
My audit was carried out in such a way that it may be ascertained with a reasonable degree of certainty that the results do not contain any inaccuracies of material importance.
The activities described and the implementation thereof are in accordance with the applicable standards and common practice of the Royal Dutch Actuarial Association and, in my view, provide a sound basis for my opinion.

Opinion

The technical provisions have been determined adequately. The net assets of the pension fund on the balance sheet date were higher than the statutory required net assets.
Taking into account the above, I have satisfied myself that, viewed as a whole, the pension fund has complied with Section 126 up to and including Section 140 of the Pension Act.
The policy funding ratio of the pension fund on the balance sheet date is higher than the funding ratio associated with the statutory required net assets.
My opinion about the financial position of Stichting Mars Pensioenfonds is based on the liabilities of the pension fund incurred up to and including the balance sheet date and the available assets on that date. In my opinion, the financial position of Stichting Mars Pensioenfonds is sufficient. For the sake of completeness. I note that if the change in the interest rate term structure as implemented by DNB as of 1 January 2022 was taken into account on the balance sheet date, this would not change my opinion of the financial position of Stichting Mars Pensioenfonds.
In the context of this opinion, I refer to the developments after the balance sheet date resulting from the Ukraine crisis, as explained by the pension fund in the annual report.

Rotterdam, 16 June 2022

R.J.M. van de Meerakker MSc, AAG

Affiliated with Towers Watson Netherlands B.V.

14.3 Independent auditor's report

Independent auditor's report

To: the Pension Board of Stichting Mars Pensioenfonds

Report on the financial statements 2021

Our opinion

In our opinion, the financial statements of Stichting Mars Pensioenfonds ('the Foundation') give a true and fair view of the financial position of the Foundation and the Group (the foundation together with its subsidiaries) as at 31 December 2021, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2021 of Stichting Mars Pensioenfonds, Meierijstad. The financial statements comprise the consolidated financial statements of the Group and the single financial statements.

The financial statements comprise:

- the consolidated and single balance sheet as at 31 December 2021;
- the consolidated and single statement of income and expenses for the year then ended; and
- the notes, comprising a summary of the accounting policies applied and other explanatory information.

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

The basis for our opinion

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

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

Independence

We are independent of Stichting Mars Pensioenfonds in accordance with the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Report on the other information included in the annual report

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

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

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

- contains all the information regarding the report of the Pension Board and the other information that is required by Part 9 of Book 2of the Dutch Civil Code.

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

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those procedures performed in our audit of the financial statements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the Pension Board

The Pension Board is responsible for:

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

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

Our responsibilities for the audit of the financial statements

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

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

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

Amsterdam, 22 June 2022
PricewaterhouseCoopers Accountants N.V.

Original has been signed by N.C. Doets RA

Appendix to our auditor's report on the financial statements 2021 of Stichting Mars Pensioenfonds

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

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Pension Board.
- Concluding on the appropriateness of the Pension Board's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

14.4 Terminology

AAL	Accrued Actuarial Liabilty
ABTN	Actuariële Bedrijfs Technische Nota
AFA - Administrative and Financial Agreement	Uitvoeringsovereenkomst
AFM	Autoriteit Financiële Markten
AG	Actuarieel Genootschap
ALM	Asset Liability Management
ARP (MUP)	Associate Retirement Plan (Medewerker Uittredings Plan)
ASP (MSP)	Associate Selection Plan (Medewerker Selectie Plan)
BPF (industry wide pension fund)	Bedrijfstak Pensioen Fonds
CBS	Centraal Bureau voor de Statistiek
CCC	Cost Covering Contribution
CPI	Consumenten Prijs Index
CSA	Credit Support Annex
Defined Contribution Pension Scheme (DC)	Beschikbare premieregeling
DNB	De Nederlandsche Bank
EAFE	European And Far East
EB – Executive Board	Dagelijks bestuur
ECB	Europese Centrale Bank
EM	Emerging Markets
EMD	Emerging Market Debt
TBC	Treasury & Benefits Centre
FED	Federal Reserve Board
FR	Funding ratio (dekkingsgraad)
FTK	Financieel Toetsingskader
GDP	Gross Domestic Product (Bruto Nationaal Product)
IBNR	Incurred But Not Reported
IMA	Investment Management Agreement
ISDA	International Swaps and Derivatives Association
KPI	Key Performance Indicators
LDI	Liability Driven Investments
MPF	Stichting Mars Pensioenfonds
REI	REI Nederland B.V. (before Mars Real Estate Investment B.V.)
MTR	Minimum Technical Reserve (minimaal vereist eigen vermogen)
OTC	Over The Counter
OSMR	Ongoing Solvency Margin Ratio (vereist eigen vermogen)
PCC	Pensioen Communicatie Commissie
PFR	Policy Funding Ratio (Beleidsdekkingsgraad)
RTS	Rentetermijnstructuur
SLA	Service Level Agreement
SCCC	Smoothened Cost Covering Contribution
TRH	Tail Risk Hedge
UFR	Ultimate Forward Rate
UPO	Benefit Statement (Uniform Pensioen Overzicht)
WTP	New Pension Deal (Wet Toekomst Pensioenen)

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