Annual Report

2022

Stichting Mars Pensioenfonds

Established in 1964

Statutory seat in Meierijstad

Trade Register of the Chamber of Commerce number: 41081174

CONTENTS

Unless clearly stated otherwise all amounts are in thousands of euros.

REPORT OF THE PENSION BOARD

INTRODUCTION BY CHAIRMAN

We have completed an extremely eventful year, not only for Stichting Mars Pensioenfonds ("MPF"), but literally for billions of people around the globe. We have seen the return of war to the edge of the European continent, disrupting the lives of many. As a result of the war in the Ukraine, we have witnessed rising energy and food prices leading to levels of inflation higher than we have witnessed in the last 30 years. We have seen monetary policy shifts whereby Central Banks across the globe, in their attempt to curb the high inflation levels, switched from an easing monetary policy to a policy of tightening through interest rate increases and the sale of Central Banks' balance sheet assets. All of this was not positive for global economic growth and led to negative investor sentiment which caused massive price drops for almost all asset classes. Consequently, the investment return for the MPF portfolio in 2022 was negative at -17.5%. This negative return was the dominant factor behind the drop in portfolio value from € 1.9 billion at the end of 2021 to € 1.6 billion at year-end 2022. This is not a result we can be satisfied with, but there is a little bit of a silver lining in this story. As a result of steeply increasing interest rates. the value of the liabilities dropped from € 1.3 billion at the end of 2021 to € 0.9 billion at the end of 2022, which caused MPF's funded status to improve from 138.1% at the end of 2021 to 150.0% at the end of 2022.

This has led to the paradoxical situation that our funded position has improved while the value of our assets has dropped by almost 17%. The improvement in funding position has also allowed us at the end of September to grant a target indexation of 3.00% as per 1 January 2023. In addition to the regular indexation, the financial position has allowed us to provide catch-up indexation of 0.49% and 0.27% of retained target indexation for deferred and retired plan members also per 1 January 2023. In 2022 we reached an agreement with social partners to remove the wage index cap from the indexation formula.

2022 was also the year where we, at first sporadically, returned to the office, and working life as we knew it before the COVID pandemic, slowly started to return to normal, albeit a "new normal" because a hybrid "work from home/work in the office" model is with us to stay, and intense travel schedules will be a phenomenon of the past as we just as easily, and far more efficiently, jump on a Zoom or Teams call. We were able to have face to face meetings with the team at Blue Sky Group ("BSG"), the new Pension Administrator, which has allowed us to intensify our working relationship with BSG and has allowed BSG to even better understand MPF's expectations and requirements. This has resulted in MPF's membership of BSG's Horizon Programme, the transition programme BSG has put in place to collaborate with their clients to enable their clients to transition to the new pension design of their choice, at the transition date of their choice.

To prepare for the planned transition to a new pension plan design we have installed a WTP Steering group plus relevant workstreams and a project management structure that will perform the necessary work to categorize the relevant information, to define the relevant decision criteria and to provide social partners and the Pension Board with relevant insights to facilitate the decision-making process that each of these entities will need to execute to achieve a successful transition at the selected transition date.

Our work on integrating ESG considerations into our investment portfolio also continued in 2022 and will culminate in a position paper in the second quarter of 2023. This position paper will enable MPF's Pension Board to consider concrete next steps to further incorporate ESG considerations into its asset allocation.

Finally, we have seen material changes in MPF's governing entities, details of which will be presented elsewhere in this annual report. We have seen board members leave and new board members be appointed. We have seen a Supervisory Council ("SC") member leave and a new SC member was appointed. We have witnessed changes in the membership of the Investment Committee, and so forth. To all that have resigned from one of MPF's governing committees, I would like to extend a big THANK YOU for all you have done for MPF and the Board, and to all newcomers I would like to extend a warm welcome and I wish you all the success in the world in your respective governing roles.

Veghel, 27 June 2023

Fred Nieuwland
Chairman of the Board

1 KEY FIGURES

	2022	2021	2020	2019	2018
Members and retirees					
Active members	1,380	1,294	1,336	1,388	1,401
- Final Pay Plan	409	467	506	607[1]	601
- ARP/ASP Plan	971	827	830	781	800
Deferred members	1,412	1,299	1,277	1,267	1,223
Beneficiaries	1,345	1,420	1,373	1,289	1,263
Beneficiaries per type					
Old age pension	1,036	1,107	1,074	987	958
Partner- and orphan pension	309	313	299	302	305
Pensions					
Cost covering contribution	36.1%	32.8%	49.1%	33.6%	31.6%
Smoothed cost covering contribution	25,7%	21.6%	27.3%	22.1%	20.4%
Actual contribution	25.8%	25.0%	21.1%	7.2%[2]	23.1%
Execution- and administration costs	4,439	3,866	2,843	2,805	2,357
Benefit payments	38,450	37,457	35,600	33,900	31,700
Indexation ARP					
Active members (year+1)	9.16%	4.50%	5.03%	5.36%	4.23%
Inactive members (year+1)	9.16%	2.45%	5.03%	2.26%	4.32%
Indexation Final Pay plan					
Deferred members and retirees (year+1)	3.00%	1.75%	0.34%	1.98%	1.41%
Deferred members and retirees (retained target)	0.27%	0%	0%	0%	0%
Deferred members and retirees (catch-up)	0.49%	0%	0%	0%	Max 2.9%[3]
Additional pension entitlements actives (year+1)	3.11%	1.75%	1.87%	2.88%	2.05%
Additional pension entitlements actives (2015/2018)	3.11%	1.75%	0.76%	2.88%	2.05%

[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.

	2022	2021	2020	2019	2018
Assets and solvency					
Required general reserve	215,900	284,300	333,800	314,400	279,500
Minimum general reserve	39,000	54,400	58,500	53,900	48,900
Regulatory own funds	526,800	534,100	287,438	306,400	310,800
Profit/loss in year	-7,229	246,600	-18,999	-4,300	-57,700
AAL at the risk of the pension fund	930,871	1,286,800	1,393,000	1,290,100	1,134,300
Funding ratio	150.0%	138.1%	119.3%	122.4%	126.0%
Policy Funding Ratio	150.7%	130.0%	113.2%	123.3%	133.3%
Market Value of assets	1,580,213	1,937,400	1,775,000	1,674,000	1,504,000
Investment returns	-337,631	179,000	119,000	197,000	1,000
Investment portfolio					
Real estate investments	100,163	108,200	74,000	83,000	77,000
Equity	509,709	807,500	764,000	740,000	549,000
Fixed income	575,867	624,400	534,400	487,000	515,000
Other investments	419,299	327,000	325,700	307,300	363,000
Investment results					
Total portfolio	-17.5%	10.0%	7.0%	13.0%	0.3%
Benchmark Return	-19.4%	7.1%	7.0%	13.6%	0.6%
Average return per year					
Last 5 years	1.9%	6.9%	6.4%	6.4%	7.2%
Last 10 years	5.6%	9.0%	7.9%	8.1%	8.9%
Investments for risk of the members (ASP and ARP)	122,515	116,500	94,832	76,921	58,900

2 GENERAL INFORMATION

2.1 Legal structure

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

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

The members of MPF 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

MPF 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. MPF 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.

The mission, vision and the strategy are part of the ABTN, a summary of each follow hereafter.

Mission

MPF executes the pension agreement the sponsoring companies have established with their (former) associates and have entrusted to the MPF. 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, 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 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 have been developed to facilitate the transition. MPF performs a value assessment to explain to 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 MPF 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
Direct2Pet Europe B.V.	Amsterdam

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 MPF and gives a description of the policies pursued by the Pension Fund. The ABTN was last modified on 15 December 2022. The most important changes are the changes in governance/organization, new investment policy, the new re-insurance contract and an update of the valuation principles.

2.3 Organization

2.3.1 Pension Board

As of 31 December 2022, 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)	Temporary Secretary of the Board	European Risk & Compliance Manager	2018	2026
Mrs. R. Steenbergen (1969)	Board member	Investment Manager EMEA	2016	2024
vacancy				

On 1 July 2022 Mr. W. van Ettinger has retired from the Pension Board. Mr. F. Nieuwland has been nominated by the Company as his successor. Subsequently the Board decided that he should be Chairperson succeeding Mr. W. van Ettinger. On 19 January 2023 DNB has approved Mr. Nieuwland as Chairperson of the Pension Board. During the interim period Mr. W. van de Laar has been temporary Chairperson.

On 29 September 2022 Mr. P. van Bree has been reappointed for a second term of four years.

On behalf of members:

Name	Job title in Pension Board	Job title	Year of appointment	Year of stepping down
Mr. H. van Heesch (1964)	Board member	Process Operator	2018	2026
Mr. P. van Beek (1974)	Board member	Global Technology Principal Engineer Chocolate	2022	2026

The vacancy on behalf of the members 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.

On 16 June 2022 Mr. H. van Heesch has been reappointed for a second term of four years.

On behalf of the pension beneficiaries:

Name	Job title in Pension Board	Job title	Year of appointment	Year of stepping down
Mr. W. van de Laar (1959)	Temporary Chairperson of the Board	Retiree former Technology Manager Bars Global Scale Team	2022	2026

Mr. H. Faassen retired from the Pension Board on 24 March 2022 to join the Accountability Council (AC). His successor is Mr. W. van de Laar. Mr. W. van de Laar has also been a Board Member from 2003 to 2021. He has been appointed, after DNB approval, for his third and final 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 for a total maximum of 12 years as from the date of the new legislation (2014).

2.3.2 Key functions

MPF has set up key functions under the IORP II legislation. Mr. P. van Bree, who is a board member, is the key function holder for Risk Management, and he is assisted in this task by 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 de Laar	Temporary Chairperson of the Pension Board
Mrs. H. Bakermans	Director of MPF

On 1 July 2022 Mr. W. van Ettinger has retired from the Pension Board. Mr. F. Nieuwland has been nominated by as his successor. On 19 January 2023 DNB has approved Mr. Nieuwland as Chairperson

of the Pension Board and member of the Executive Board. During the interim period Mr. W. van de Laar has been temporary Chairperson and member of the Executive Board.

On 29 September 2022 Mr. W. de Korte resigned from the Executive Board.

On 28 March 2023 Mrs. H. Bakermans retired as Director of MPF. Mrs. J. Vermeulen has been nominated as her successor. On 31 January 2023 DNB has approved Mrs. Vermeulen as Director of MPF.

2.3.3 Pension Office

The Pension Board has delegated the operational duties to the Pension Office which is led by the Director of MPF. 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 various professionals. Their tasks, authorities and responsibilities are also documented in the before mentioned document.
The members of the Pension Office are part of the Mars Benefits department or Mars Investments department. A service level agreement has been agreed between the Fund and Mars for the services of the Pension Office. 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 several consultants such as WTW and BVZA.

The Pension Office consists of:

Name	Job title
Mrs. H. Bakermans	Director of MPF
Mrs. J. Vermeulen	Benefits Manager

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.

On 14 December 2021 the PB approved the enlargement of the AC from three members to six members to ensure a strong AC during the implementation process of the WTP. The AC consists of six members, two representatives of each key stakeholder: the plan members, the beneficiaries, and the employer. In this way all relevant stakeholders are represented in a balanced way.

On 24 March 2022 Mr. H. Faassen, Mr. J. Janssen and Mr. E. van Deijck have been appointed as new AC members by the PB. On 29 August 2022 Mrs. J. Vermeulen resigned from the Accountability Council.

At the end of 2022 the Accountability Council consists of:

Name	Job title	Year of stepping down	On behalf of
Mr. D. Ammermann (1976)	Global Benefits Director	2025	Employer
vacancy			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 Chairperson of the AC	2024	Beneficiaries
Mr. H. Faassen (1951)	Retiree	2026	Beneficiaries

A separate section is included in the Annual Report that reflects the Accountability Council's findings for the year 2022.

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 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 2022.

At the end of 2022 the Supervisory Council consists of:

Name	Year of stepping down
Mr. P. de Koning	2024
Mr. F. Valkenburg	2025
Mrs. E. Wiertz	2026

On 1 June 2022 Mr. A. Slager retired from the Supervisory Council. Mrs. E. Wiertz has been appointed as his successor as from 15 December 2022 for a term of four years.

2.3.5 Administration

As from 1 January 2022 Blue Sky Group (BSG) 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 2022 the final steps have been taken regarding the transition from TKP to BSG. As from 1 April 2022 the pension planner has been updated for active members who wanted to retire as from 2023.

In chapter 7.12 a summary of the performance of the pension administration is provided.

2.3.6 Custody and performance measurement

The custodian for the Defined Benefits assets and the ARP Defined Contribution plan is Bank of New York Mellon (BNYM). BNYM is responsible for custody accounting for all segregated accounts of the Plan, as well as record keeping accounting of all assets held outside BNYM, 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 BNYM, called Global Risk Solutions, is appointed as Performance measurer. The investment options in the ASP plan are managed 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. From that date, MPF's Investment Committee includes 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 2022. A resignation and reappointment schedule has been added to the Investment Committee Charter.

At the end of 2022 the Investment Committee was composed of the following members:

Name	Job title	Year of stepping down	Details
Mr. J. Price	Retiree (before: VP Operations Europe Mars Petcare and Main Meal Food)	2023	
Mr. F. Nieuwland	Chief Investment Officer	2027	Chairperson IC
Mr. A. Parton	Commercial VP Global Petcare	2024	
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			
Vacancy			

Mr. W. van Ettinger retired as member of the Investment Committee on the 1st of July 2022.

On 19 January 2023 DNB approved the reappointment of Mr. F. Nieuwland for a term of four years. As from that date Mr. F. Nieuwland stepped down as Chairperson of the IC as this could not be combined with Chairpersonship of the Pension Board. Mr. J. Price has been nominated and approved by DNB as the new Chairperson of the Investment Committee.

On 19 January 2023 DNB approved the appointment of Mrs. R. Steenbergen as IC member for a term of four years.

On 19 January 2023 DNB approved the appointment of Mr. B. Veninga as IC member for a term of four years.

On 28 April 2023 DNB approved the appointment of Mr. H. Radder as an independent expert member of the investment committee.

All vacancies have been filled with the appointments of the new IC members in 2023. Due to the large number of appointments early 2023 the IC has updated its resignation and reappointment schedule.

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 Group.

In 2022 Mr. R. van den Beucken has left the ASP Member Group. On 24 March 2022 Mr. J. van de Wetering and Mr. R. Harmsen have been appointed as new members. With these appointments the outstanding vacancies have been filled.

On 31 December 2022 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	Maintenance Reliability Improvement Technician	Member representative
Mr. D. Rijsmus	FP&A CoE Manager	Member representative
Mr. J. van de Wetering	Data Analyst Maintenance	Member representative
Mr. R. Harmsen	Operations Senior Team Leader	Member representative

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

MPF has several external advisors:

Advice	Third party
Advisory Actuary	WTW, Eindhoven
Tax Advisor	PricewaterhouseCoopers Belastingadviseurs N.V.
Legal Advisors	BVZA, Rotterdam/Utrecht Stibbe N.V., Amsterdam Hogan Lovells, London
Monitoring and Controls	Secor Investment Advisors LLP, London
Communication Advisor	Blue Sky Group, Amstelveen
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 Blackstone, New York Pramerica, Donegal (Ireland) PIMCO, Newport Beach
Private Equity	GCM Grosvenor, New York LGT Capital Partners, Pfaeffikon Performance Equity Management (PEM), Greenwich
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	WTW, 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 2022 is 150.0%. The Policy Funding Ratio (PFR) is the average of the Funding Ratios over the past twelve months.

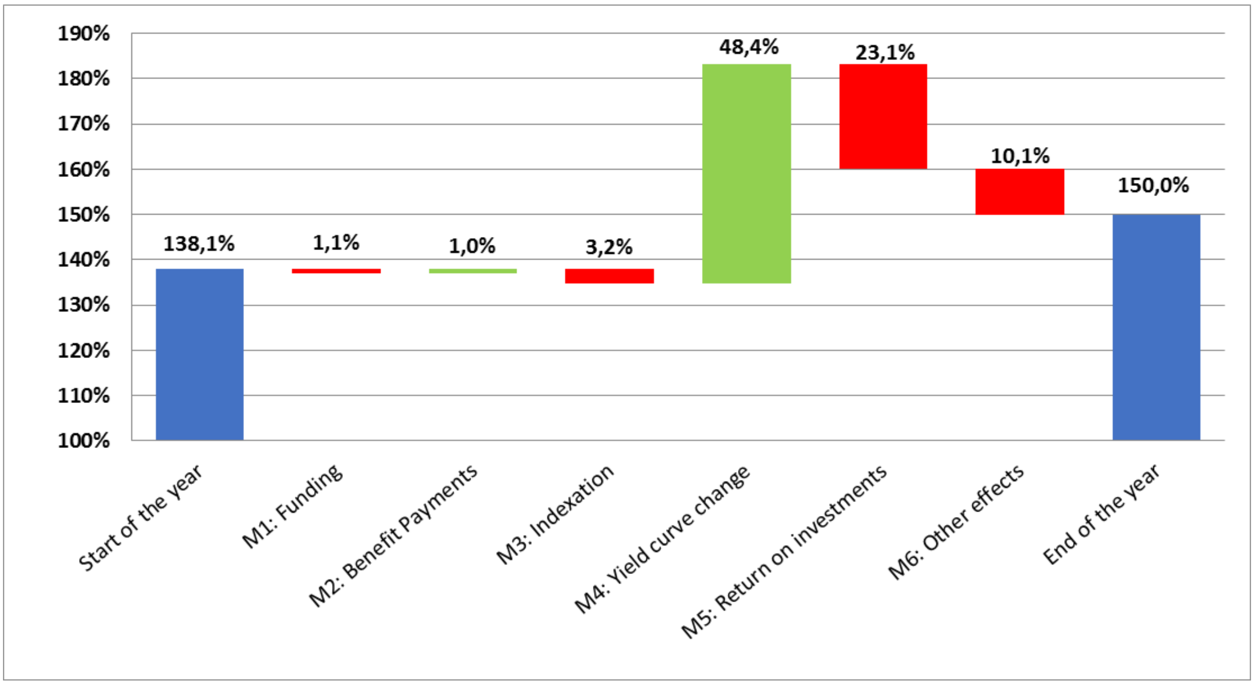
The historical development of the (nominal) (P)FR of MPF is presented in the table below:

	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 2022	119.3%	113.2%	122.4%
31 December 2021	138.1%	130.0%	120.3%
31 December 2022	150.0%	150.7%	120.5%

During 2022 the FR increased with 11.9 percent points, due to a decrease in the AAL (because of a higher applied interest rate) and offset by negative investment returns.

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

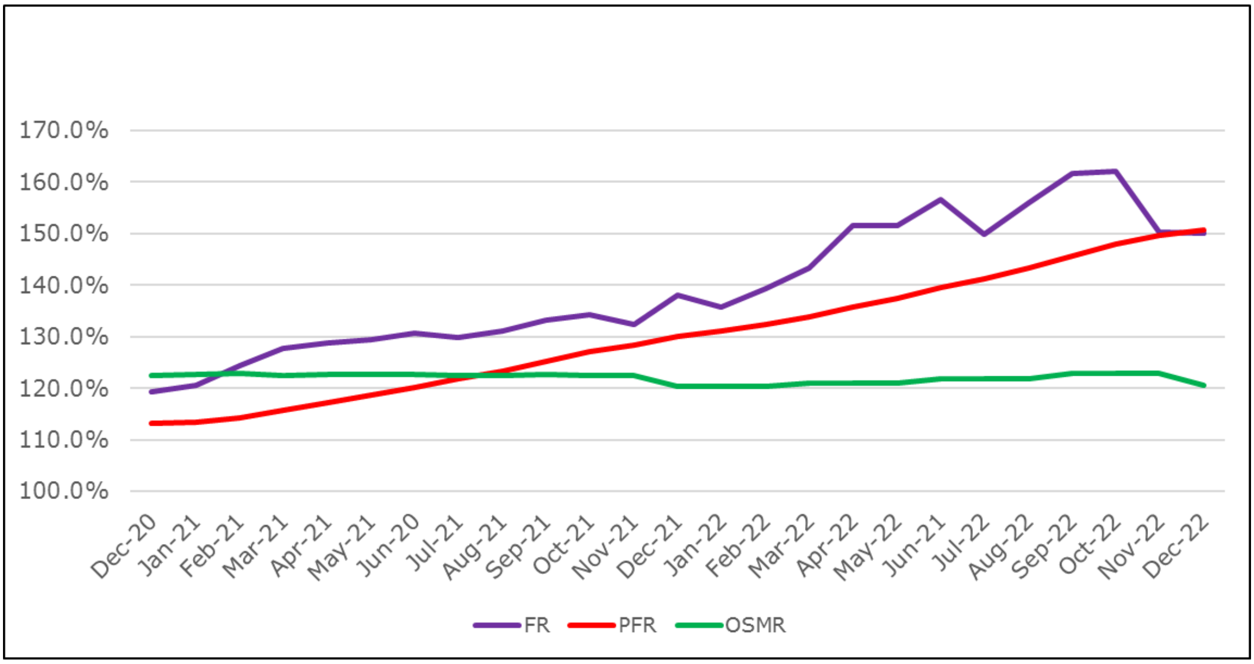
The impact of the developments in 2022 is shown in the next figure:



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 2022 the PFR increased from 130.0% to 150.7%.

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 2022 is approximately 122.7%. 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 2022 is 120.5%. 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 2022.
- The **Target Indexation Limit** (TIL) is the maximum of the funding ratio for future proof indexation and the OSMR and equals 122.7% at year-end 2022. 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 2022.
- The **Minimum Technical Reserve** (MTR) is 103.7%. 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%-threshold** 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 127.7% at year-end 2022. When the PFR is at or above this limit, MPF is allowed to reduce the contribution to be paid by the employer.

In the next scheme an overview of all relevant ratios is set out (as at 31 December 2022):

Policy funding ratio	
> 122.7%	Pension possibly fully indexed (including catchup indexation)
110% - 123.3%	Pension possibly partly indexed
103.7% - 110%	Pension cannot be indexed
100% - 103.7%	Pension possibly discounted in the future
< 100%	No transfers of pension allowed and pension possibly discounted

3.4 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 MPF together with the stakeholders.
In June 2022, 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.

3.5 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 103.7% (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.

3.6 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.

3.6.1 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:

	2022	2021	2020	2019	2018
Annual execution- and administration costs in thousands of euros	4,439	3,866	2,843	2,805	2,357
Costs per member in euros: active members and retirees	1,629	1,424	1,049	1,048	885
Costs per member in euros: active members, retirees and inactive members	1,073	963	713	711	607

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 plan. The costs for 2022 include VAT. The main reason the costs increased relative to 2021 are the costs related to the preparation of the WTP.

The execution- and administration excluding transition costs to a new administrator of EUR 522 (2021: EUR 1,051) and the preparation of the WTP of EUR 726 (2021: EURO 0) in total and per member:

	2022	2021
Annual execution- and administration costs (excluding transition costs) in thousands of euros	3,191	2,815
Costs per member in euros: active members and retirees (2022: 2,725 – 2021: 2,714)	1,171	1,037
Costs per member in euros: active members, retirees and inactive members (2022: 4,137 – 2021: 4,013)	771	701

In 2023 the costs are expected to be higher due to inflation. The annual execution and administration costs are part of the SCCC as paid by the employer.

3.6.2 Investment costs

The table below shows the investment related costs, in percentage of the average amount of investments during 2022 (EUR 1,668 million), incurred by the Pension Fund in 2022.

	Costs outside the funds	Costs inside the funds	Total costs	2021
Management fees	0.15%	0.15%	0.31%	0.36%
Advisory fees	0.10%	0.00%	0.10%	0.10%
Other fees	0.06%	0.14%	0.20%	0.13%
Performance fees	0.00%	0.27%	0.27%	0.22%
Total	**0.31%**	**0.56%**	**0.88%**	**0.81%**
2nd layer costs	0.00%	2.25%	2.25%	1.31%
Total 1st and 2nd layer	**0.31%**	**2.81%**	**3.13%**	**2.12%**
Transaction costs			0.43%	0.27%
Total Investment costs			**3.56%**	**2.39%**

The percentages in the table represent all investment-related costs (EUR 53.0 million) with the exclusion of transaction costs which include the costs for real estate management. The investment cost ratio excluding transaction costs in 2022 is 3.13%. The operational costs for the direct real estate portfolio (EUR 5.3 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 3.56%.

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[4], a best estimate was included. A best estimate is included based on 2021 actual costs data.

The increase of total investment costs from 2.40% in 2021 to 3.56% in 2022 is mostly driven by performance fees in the 2nd layer costs of fund of fund managers (mainly PEM) because of higher performance of the private equity portfolio (based on the 2021 numbers). Also the plan level transaction costs increased because of volatile markets in 2022, which involved more trading/ rebalancing across most asset classes; within total return swaps (TRS), this materializes within entry/exit costs to put on and take off exposure. Financing costs were much higher relative to last year with rates rising sharply, resulting in higher TRS costs relative to 2021.

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. The total of EUR 5.6 million represents the actually invoiced fees which are represented in the Annual accounts in Note 13 (total investment related costs EUR 10.9 million minus operating costs real estate EUR 5.3 million). The remaining Real Estate investments have a vastly different cost structure than the investments of MREI.

	Real Estate	Equity[5]	Fixed Income	Hedge funds	Other[6]	Total
Fees (K EUR)	4,321	36,179	950	7,859	3,714	53,023
Fees invoiced (K EUR)	378	641	864	0	3,729	5,612
Fees (%)	0.26%	2.14%	0.06%	0.46%	0.22%	3.14%
Transaction costs (K EUR)	0	448	1,300	0	5,498	7,246
Transaction costs (%)	0.00%	0.03%	0.08%	0.00%	0.33%	0.43%

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.

[4] These funds are BFOF, PVC I, PVC II, PDI II, PEM Effem Fund II, PEM Effem Fund III, BAAM SAFII

[5] Equity includes Public and Private Equity

[6] Other consist of cost of Overlay (LDI and TRH); advisory (Secor); Custody (Mellon) and other legal, governance and advisory cost.

As a result of the sale of REI NL BV during the year (August 4, 2022), the operational costs of Real assets in 2022 (EUR 5.3 million) decreased related to 2021 (EUR 12.3 million).

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/ behavioural 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 costliest 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. The last time MPF participated in cost benchmarking (performed by the Institutional Benchmarking Institute (IBI)) was in 2020. In 2022 no benchmark has been performed. 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, except for 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, the Investment team and the Investment Committee.

3.7 Pension plans

The current pension plans (Final Pay Plan and ARP/ASP plan) became applicable as of 1 January 2022. 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:

	2022	**2021**	**2020**	**2019**
ARP/ASP plan	971	827	830	781
Final Pay plan	409	467	506	607
Total	**1,380**	**1,294**	**1,336**	**1,388**

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

Stichting Bedrijfstakpensioenfonds voor de Zoetwarenindustrie (BPF Sweets)
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 to justify maintaining 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.

3.7.1 Indexation

Below the indexation granted as per 1 January 2023 in the Final Pay plan and the interest addition in 2022 in the ARP plan are described. More information about the indexation policy itself can be found in chapter 6 (Pensions).

Note that the indexations as per 1 January 2023 have already been included in the AAL year-end 2022.

Indexation of the accrued pensions of the members of the Final Pay plan
The fund was able to meet its indexation ambition and granted an indexation of 3.00% as of 1 January 2023. Further, the fund was able to grant the retained target indexation of 0.27%. The decision for the indexation was made on 17 November 2022 based on the PFR at the end of September 2022 (145.8%). The indexation per 1 January 2023 is included in the AAL year-end 2022.

Indexation for retirees and deferred members in January 2023
The PFR at the end of September 2022 is above 145.8%. Therefore, a full indexation of 3.27% is granted, which is in line with the indexation policy. This is based on the following: The CPI is 14.5%. The target indexation is 75% of this CPI with a maximum of 3.0%. As per 1 January 2023 the cap on the Consumers Price Index has been removed for the determination of the target indexation.

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 3.11% on 1 January 2023, 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 3.11%.

Conditional indexation EOP and EPP 2015 and 2018 for active members
This indexation is conditional (depending on the PFR) 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 3.11%. Based on the PFR, a full indexation of % can be granted per 1 January 2023.

Catch-up indexation for retirees and deferred members
Based on the PFR the cumulative backlog of catch-up indexation of 0.49% could also be granted per 1 January 2023.

Interest ARP/ASP plan

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. These means consist of the so-called '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 2022, 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 5,70% in the period 1 January 2022 until 30 June 2022. For the inactive members the interest given in the first half year of 2022 was 5,70%.

For the second half of 2022 the actual return on assets was enough to give the active members the target interest of 12,73%. For the inactive members the interest given in the second half year of 2022 was also equal to 12,73%. For active members the total yearly interest is 9,16% for 2022. For the inactive members the total annual interest is 9,16% for 2022.

3.8 Actuarial

This section contains a summary of the actuarial report.

	31 December 2022	**31 December 2021**
Market Value of Assets at risk of the pension fund	1,457,698	1,820,889
Market Value of Assets at risk of the members	122,515	116,508
Market Value of Assets Total	1,580,213	1,937,397
Actuarial Accrued Liabilities at the risk of the pension fund	930,871	1,286,833
Actuarial Accrued Liabilities at the risk of the members	122,515	116,508
Actuarial Accrued Liabilities Total	1,053,386	1,403,341
Actual Funding Ratio	150.0%	138.1%
Policy Funding Ratio	150.7%	130.0%
Ongoing Solvency Margin Ratio	120.5%	120.3%
Minimum Technical Reserve	103.7%	103.9%

During the financial year 2022 the Actuarial Accrued Liabilities at risk of the pension fund (AALPF) decreased with 356,0 million. An important reason for this change is the yield curve change (decrease in AALPF).

The profit and loss account (P/L) shows a negative result of 7.2 million leading to the general reserve decreasing from 534.0 million to 526.8 million at the end of 2022. The Funding Ratio increased during 2022 from 138.1% to 150.0%. At year-end 2022 the Funding Ratio is above the minimum Technical Reserve and the Ongoing Solvency Margin Ratio of 120.5%.

The cost covering contribution at market value is determined at 31.8 million. The smoothed cost covering contribution equals 22.7 million. The actual contribution was 22.4 million. The deficit of 0.3 million is caused by a one-off adjustment in the method for processing the contributions of the ASP scheme. For more information we refer to Chapter 8.

The structural contribution for the employers is equal to 20.0% of the pensionable salary sum of all active members. Because the estimated smoothed cost covering contribution for the employers (%) before the start of 2022 was higher than the structural contribution and based on the Policy Funding

Ratio, the actual employer contribution is increased to 21.6% % of the pensionable salary sum (2021: 25.0%).

3.9 Administrative and Financial Agreement

The Administrative and Financial Agreement (AFA) was most recently updated in 2020. On 14 December 2022 an addendum to the AFA has been signed. In this addendum to the AFA the following has been agreed:

- remove the cap on the wage index cap in the indexation policy;
- amend the risk attitude for the short term. The risk term for the short term is expressed in bandwidths for the OSMR as defined in the AFA based on the strategic asset mix. In the new risk attitude for the short term the minimum OSMR as defined in the AFA is equal to 115% and the maximum OSMR is equal to 130%;
- the Company shall pay any future contribution reduction in a separate account in the name of the Company.
    - If the actual funding ratio of the MPF as per the day of Easing in is below the target funding ratio as defined in the WTP and MPF and the Company will have jointly resolved to opt for Easing in, the amount on the separate account will be paid to MPF for as far as necessary to arrive at the target funding ratio as defined in the WTP.
    - The Company and MPF will discuss a compensation arrangement for the involved associates and the required resources for such compensation and how the amount in the separate account shall be used if the actual funding ratio of MPF as per the day of Easing in is above the target funding ratio as defined in the new legislation.

4 RISK SECTION

This section describes the risk management framework, the most important risks and mitigation actions within MPF and the risk attitude of both pension plans. The risk attitude of MPF considers 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 has been formalised in 2019 and was re-confirmed in 2022 after taking into consideration the findings from the audit on MPF's risk management system. On the back of the audit, the fund has codified and put in place the second line risk opinion process, gained insight into (sub)outsourcing risks, started assessing the strength of control measures and has made the risk dashboard dynamic. In 2022 a series of Risk Self Assessments ('RSA') for non-financial risks has been performed (IT Q1/Q2'22, Integrity Q4'22 Quality, Continuity and Strategic Risk Q1-Q2'23), and this workstream on re-evaluating all non-financial risks will be finalised in 2023.
For the second half of 2023, a re-evaluation of the 2021-performed RSA regarding exposures arising from the New Pension System developments will be performed.

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.
The IRM document will receive its periodic, 3-annual update in Q2'2023.

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 to achieve the desired level of risk (for example by introducing or improving control measures).

2. IRM governance

The basis for creating 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 and Committees (PC, IC and PCC) all are risk owners. Together with the Pension Board they form the first line;

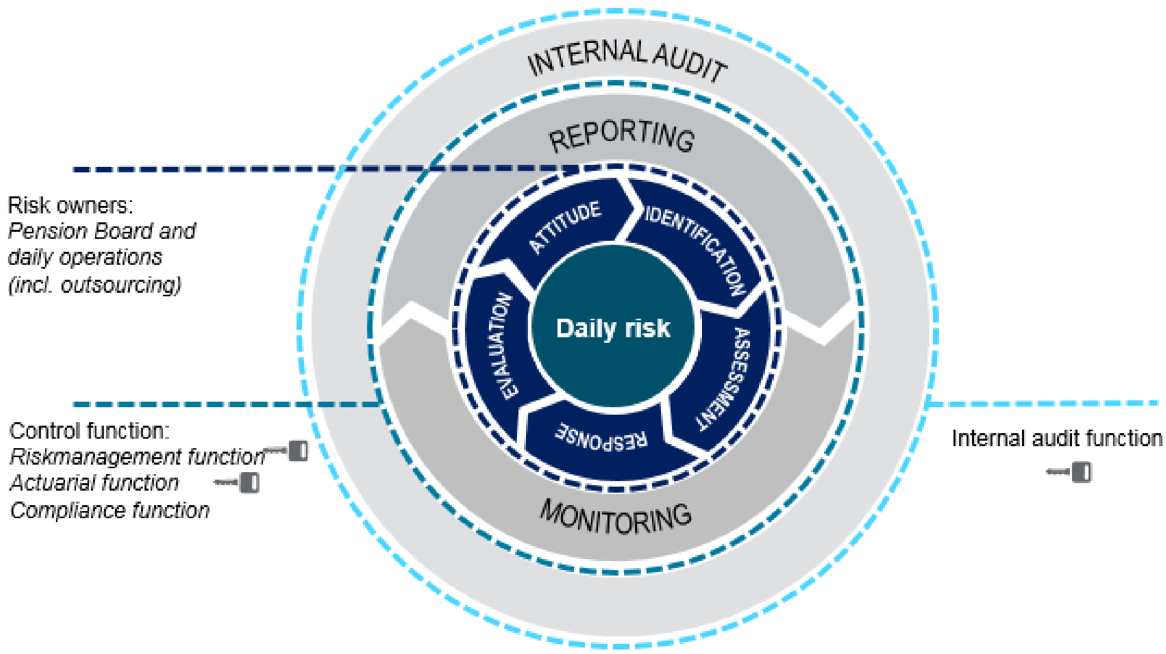
- The second line is the control function that oversees the risk management and compliance of MPF. The responsibility of the control function must be separated from the responsibility of the risk owner. The activities involved with the control function are covered by several components of internal governance which play a role in the control function focused on 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 2022. 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) and KFH Internal Audit. The KFH Risk Management charter (updated in 2022, incorporating the risk opinion process) establishes independence and a direct connection to the Supervisory Council.

  Also Mr. P. van Bree has fulfilled the role as MPF Compliance Officer in 2022, 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 2022, Mr. H. Faassen has functioned as acting KFH Internal Audit, and in the Board meeting of March 2022, 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 the probability 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.

Step 5 is a returning and ongoing topic in each of the Pension Committee meetings as well as in the Investment Committee and ASP Member Group meetings. Information is shared, calibrated, assessed and challenged between the 1^{st} and 2^{nd} 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 'OA meeting' which prepares 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 (1^{st} and 2^{nd} 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. The next ERB will be performed towards the end of 2023.

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 Investment team. Monitoring is shared, reviewed and discussed with the IC, 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, to the Tail Risk Hedge and to the increased interest rate hedges over 2022 which are jointly designed to enable a seamless move towards the New Pension System). The size of the TRH has been increased in 2022 (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 and the interest rate hedging program.

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 to a new administrator. If this risk manifests itself, it will damage MPF's reputation and the confidence of the members in MPF.

Risk assessment

MPF had already 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 (in 2022) is at a lower level; the fund still monitors the risk with focussed attention, as the impact of the risk stays high. BSG has started as the pension administrator on 1 January 2022. The good planning had been executed and the fund has together with the administration provider succeeded in making the transition. The fund will -until after completion of the WTP transition- 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 relation with this supplier has been closely managed in 2022 as part of the supplier evaluation process, and the supplier performance has been reviewed by the fund. The fund has closely collaborated with BSG and has been keen on reviewing and discussing control reporting of BSG to the fund (SLA, ISAE3402, ISO27001/SOC reporting of sub-outsourcing party).

Developments in 2022

It can be noted that the SLA levels at the start were not meeting the required levels, but have improved over the year 2022 and into 2023. Both the fund and BSG recognise there is still room for improvement in order to achieve all targets. The identified deviations from the SLA typically have had a small (and an occasional medium) impact and have been duly followed up with corrections and communication conform process to those impacted.

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 this risk as a risk that needs focused attention in order to be reduced in exposure 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 2022
BSG has had a data breach incident in 2021 and due to that has accelerated internal insight that the IT risk framework that BSG had was not sufficient to meet the required DNB control levels. An intensive set of workstreams has started, where BSG has been very candid in their assessments, progress and shortcomings. A lot of progress has been made since then, and there are still 3 DNB control measures that need improvement, and BSG has made a path towards Q3'23 on how it can also achieve these levels.

Separately, MPF is part of the collective of funds that is co-financing the IT infrastructure changes required to move to WTP.

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 Pension Board pursues active stakeholder management, with focus on the 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 members, creating awareness, and there are Pension Office and Pension Board members on site to contact.

Developments in 2022
The fund has had several conversations with the sponsor to manage progress on the WTP requirements (pros and cons of both the solidary and the flexible contract), on the required level of target funding ratio and the impact to required contribution payments. It also had prepared some changes to the AFA, and the fund has started to work on providing content for important elements of the transition. It can be concluded that there is an open conversation between MPF and sponsor and it is progressively clear what parties' positions are on mentioned subjects.

4.2.2 Main financial risk categories

1. Interest rate risk

Risk description
The risk of a high negative impact on the funding level due to 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 had adopted a de-risking policy in which the level of the interest rate hedge is dependent on both the de-risking phase and the level of the real

interest rate (the interest rate hedge was designed to increase with increases in the level of the real interest rate). This de-risking policy was paused in March 2022.
At that time, the Pension Fund moved to a program that was set-up to protect the target funding ratio of the fund to facilitate a seamless transition to the new pension design by 1 January 2027 the latest. At the target funding ratio (TFR). Easing in could be seen as balanced and in consideration of all stakeholder’s interests. The new temporary interest hedge is designed to increase the hedge at decreasing funded status (as the starting position was that projected actual FR was higher than projected required TFR on 1/1/2027. The fund has since then implemented several interest rate hedge increases to help protect the TFR (due to falling FR). 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. This work has again started mid 2022 and ALM phase I outcomes were shared Q1’2023, indicating that the current investment risk exposure and interest hedge are appropriate, in light of the objectives that the Pension Board has defined. Further interest hedge increases will be a separate board decision.
The net impact of the interest rate change on the funding level is reported in the quarterly Trustee reporting. Several parameters (leverage, free cash, rate move to max leverage, rate move to exhaust free cash) are used to verify whether interest rate hedge levels do not become a problem on their own, and these are monitored daily and reported weekly.

Developments in 2022
As described above in paragraph 4.2.1 and 4.2.2.

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. are managed by IMA’s and investment guidelines. All the investment risks are monitored on an overall portfolio level by the Strategic Advisor and reported at least quarterly and immediately in case of breach of pre-defined risk limits.

Developments in 2022
In 2022, the Tail Risk Hedge program has been increased to mirror full equity exposure across all asset classes (including correlation impacts of equity downfalls on non-equity asset classes). This full TRH has been maintained since by initially moving up from 37% to 42% TRH, and later moving back to 38% after slightly reducing return seeking assets.

Sensitivity of Funding Ratio
The below table shows the sensitivity of the Funding Ratio to interest rate movements and/or an equity market shock versus status on 31 December 2022. KFH RM and Pension Board have actively observed and discussed the sensitivity levels going down through the year after the implemented changes in interest rate hedging and TRH levels. It must be noted that this is based on a model calculating the impacts, but also that the actual level of TFR fluctuates with interest rate- and inflation assumptions:

SENSITIVITY

Shock equity and real estate	Shock interest rates: -1.00%	-0.75%	-0.50%	-0.25%	0.00%	0.25%	0.50%	0.75%	1.00%
-25%	142.2%	142.2%	142.3%	142.3%	143.2%	144.1%	145.1%	146.1%	147.2%
-20%	142.2%	142.3%	142.3%	143.0%	143.9%	144.8%	145.8%	146.9%	148.0%
-15%	142.3%	142.4%	143.2%	144.0%	144.9%	145.9%	146.9%	148.1%	149.3%
-10%	142.9%	143.7%	144.5%	145.4%	146.4%	147.4%	148.5%	149.7%	150.9%
-5%	144.8%	145.7%	146.6%	147.5%	148.5%	149.6%	150.8%	152.1%	153.4%
0%	146.1%	147.0%	147.9%	148.9%	150.0%	151.2%	152.4%	153.7%	155.1%
5%	148.6%	149.6%	150.6%	151.7%	152.8%	154.1%	155.4%	156.8%	158.4%
10%	151.0%	152.0%	153.1%	154.3%	155.5%	156.9%	158.3%	159.9%	161.5%
15%	153.4%	154.5%	155.7%	156.9%	158.3%	159.7%	161.2%	162.9%	164.7%
20%	155.8%	157.0%	158.3%	159.6%	161.1%	162.6%	164.2%	166.0%	167.9%
25%	158.4%	159.7%	161.0%	162.4%	164.0%	165.6%	167.3%	169.2%	171.3%

- FR< MTR
- FR<TIL
- FR < OSMR
- OSMR < FR < OSMR +5%
- OSMR + 5% < FR < TFR1
- TFR1 < FR < TFR2
- TFR2 < FR < TFR2 + 15%
- FR > TFR2 + 15%

(Trigger for) TFR1 = 131.4%
(Trigger for) TFR2 = 137.3%

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 Pay 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.
- The largest shorter term risk towards 1 January 2027, the deadline to move to the new pension design, is that the fund has not sufficient assets available to ensure that a balanced trade-ff between the interests of all stakeholders, would lead to a balanced outcome if the Social Partners would decide to ease in.

The ALM that has been started in 2022 has indicated that the current hedge levels and asset mix are appropriate in the light of the shortened investment horizon towards 1 January 2027 and the PB's objectives to safeguard a balanced transition. Pending the decision on the contract of choice, the PB has decided to pause on any future commitments to illiquid asset classes.

Though the risk attitude of the final pay plan has not changed, the level of risk-taking has decreased over 2022 due the increased TRH and the decision to increase the level of the interest rate hedge.

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 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 2022 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 could absorb quite some risk in the ASP part. This conclusion was subsequently shared and tested with the ASP Members Group (that consists of ARP/ASP Plan members), the Accountability Council (Verantwoordingsorgaan) and finally with Social Partners. The outcome of these extensive consultations was that all parties/stakeholders agreed 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 in plan contributions or in the lifecycles). Prior to increasing the interest rate hedge level, 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, also driven by the shorter time horizon towards 2027 as well as the available retained return when the interest rate hedge was increased. Lastly, the risk-return profile has similarities with the overall lifecycle risk-return profile.
However, the retained return has been clearly eaten into due to the high inflation in combination with the negative real return over 2022, whilst still giving the full CPI+3% into the return of the ARP population. The Pension Board has commissioned work to assess absolute retained return levels as well as a project to measure or identify member's risk attitude.
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.

MPF monitors the expected pension results in the combination of ARP and ASP plan more closely ito 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. Results have improved for all members over 2022, heavily driven by the higher interest rate and the allocated full CPI+3%, allowing for higher annuities.

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 about their actual asset mix in relation to their risk profile to meet the duty of care requirements (see paragraph 7.2).

4.5 Fraud risk

Fraud risk is part of the total set of integrity risks that the fund, being a financial institution, is exposed to. Integrity is a pivotal point of attention for the fund. Not necessarily because the risk is assessed as high, but more because financial institutions can only function properly if trust is irrefutable and therefore the fund does not have to worry about additional reputational risks or risks in the administrative and financial agreement. Therefore, the fund enforces a strict adherence to the fund's code of conduct by all parties involved, should it be associated persons, insiders, service providers or outsourcing parties. This follow up is part of the annual compliance check. Newcomers are debriefed on the set of integrity documents at start of the function and are required to deliver a VOG ('verklaring omtrent gedrag') prior to getting access. The fund also has a training session available on compliance.

Further on, a full risk self-assessment on the integrity risks for the risk area's "outsourcing – Pension administration", "outsourcing – Investment management" and "Internal – Legal" has taken place in Q4 2022. The outcomes of the assessment (performed between the 1st and 2nd risk management lines of the fund) has been that the net risk level of fraud was within the risk attitude of the fund. In theory the fund has a zero tolerance on any integrity risk. Fraud risk in the context of this report includes misappropriation of assets (e.g. theft or attempted fraud by participants) and fraud in financial reporting. For the Pension Fund, compliance with laws and regulations is essential. The fraud risk (internal and external fraud) is managed through preventive and repressive controls. These amongst others are (besides the generic integrity controls mentioned in the paragraph above): separation of functions, 4-eyes principles, annual proof of life, a thorough selection process for external parties (this process is laid down in the outsourcing policy which amongst others also prescribes annual evaluation of providers). From a proportionality point of view (extreme costs to fully manage this risk) a very low residual exposure is tolerable. No events of fraud have been identified over the period in review.

4.6 Going concern risk

This chapter has described the risk management framework, the most important risks and mitigation actions. Furthermore, detailed information on management of risks related to the financial position of the fund, such as interest rate risk and liquidity risk are included in section 12.8 Risk Management of the annual report.

On top of that MPF has a crisis plan that will be in force in the event of a shortfall or in combination with the sponsor that falls away.

In the current financial framework, the contribution increases automatically once the funding ratio decreases. This is a very effective measure that will take place when the policy funding ratio is below OSMR, based on previous assessments of the sponsor's financial health.

The conditional indexation is also related to the policy funding ratio, and therefore this measure is automatically deployed once the policy funding ratio drops below the Target Indexation Limit. No indexation is granted below a funding ratio of Lower Indexation Level.

The final measure of benefit reductions can be a very effective measure but is not deployed as long as the sponsor is able to deliver on the Administrative and Financial Agreement.

The current policy funding ration is currently far above the OSMR and it is very unlikely that the crisis plan will be in force in the next 12 months.

Based on the above, the Board of MPF is of the opinion that the continuity of the pension fund is safeguarded for the next 12 months after adoption of the annual report. The Board of MPF deems it appropriate to draft the financial statements based on the assumption of going concern.

5 INVESTMENT SECTION

5.1 Investment policy and strategy

The long-term investment policy for the Pension Fund changed during 2022. The implementation of the Total Credit asset class, equivalent to 50% Hard Currency EMD, 33% US HY credit and 17% US IG credit, was completed at the end of May. The new Total Credit asset class was a recommendation from the ALM study that was completed in Q2 2021, but the implementation was postponed due to the time required to find and hire a suitably diversified mix of Hard Currency EMD managers.

A transition to a new pension system is expected to be required by 1 January 2027. A new investment policy is needed between now and the date of the transition that will have a primary objective to seek to maintain a funding ratio at the time of transition that would facilitate easing in into the new system in a balanced way. As an interim step a new, temporary (until a new ALM can be completed – expected in 2023) LDI policy was approved in Q3 2022 and implemented in October 2022. The rise in interest rates in 2022 helped the Plan's funding ratio exceed 160% by the end of Q3 2022. Given this increase, the new policy seeks to ensure the Plan's funding ratio remains above the second target funding ratio ("TFR2")[7]. Funded status volatility (risk) is reduced by increasing interest rate and inflation hedges as the funding ratio falls towards TFR2. Since adopting the temporary LDI policy, the interest rate hedge ratio was increased to 79% of the economic liability and direct inflation hedges, targeting 16% of the economic liability, were introduced.

The table below shows the interim policy allocation (which acknowledges that alternatives may deviate from their policy allocations) and the actual asset allocation at the end of 2022.

	Long Term Investment Policy	31-12-2022 interim policy	End 2022 Asset Allocation	Minimum	Maximum
Public Equities	**18.0%**	**14.8%**	**16.0%**	**8.0%**	**28.0%**
Fixed Income	**57.0%**	**54.9%**	**51.8%**	**37.0%**	**77.0%**
Matching Swaps	42.0%	39.9%	35.2%	32.0%	52.0%
Total Credit	15.0%	15.0%	16.6%	5.0%	25.0%
Alternatives	**25.0%**	**29.8%**	**29.8%**	**0.0%**	**45.0%**
Property	10.0%	6.4%	6.4%	0.0%	20.0%
Private Equity	10.0%	13.9%	13.9%	0.0%	15.0%
Hedge Funds	5.0%	9.5%	9.5%	0.0%	10.0%
Cash	**0.0%**	**0.6%**	**2.5%**	**0.0%**	**5.0%**
Hedges					
Currency	63.1%	63.9%	63.9%	62.0%	93.5%
Interest Rate	79.0%	79.0%	79.3%	74.0%	84.0%
Inflation	16.0%	16.0%	16.4%	11.0%	21.0%
TRH[8]	38.0%	38.0%	40.7%	33.0%	43.0%

[7] TFR2 is the funding ratio which, at the point of transition to the new pension system, would result in the value of each member's pension in the new system being at least equal to the value of that pension in the old system, and would cover the value of full regulatory indexation (75% CPI) for inactive members of the Final Pay plan.

[8] Minimum and maximum are not formal limits but actual coverage is expected to remain within this range. The size of the overlay is rebalanced quarterly.

The interim policy reflects the substitution rules for Cash and Alternatives that deviate from their Long-Term Investment Policy allocations. The end 2022 Cash allocation also includes the mark-to-market value of the Plan-level overlay accounts.

The target size of the Liability Driven Investing (LDI) programme, i.e., the Interest Rate and Inflation Hedges, is dependent on the temporary LDI policy and funding ratio of the Plan. At the current step, the programme has targets of hedging 79% of the interest rate sensitivity and 16% of the inflation sensitivity of the economic liability. There is a range of +/- 5% for the LDI hedging. 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 2022 and outlook 2023

The resurgence of well above target inflation, and the subsequent central bank policy tightening that followed, drove financial market performance over the year. Russia's invasion of Ukraine in late February shook global investors, with European economic growth forecasts being downgraded as a result. Commodity prices, particularly oil and natural gas, surged in response to the invasion, which further exacerbated inflation pressures. Global central banks pursued aggressive monetary tightening in response to very high levels of inflation. As a result, sovereign bond yields surged over the year, triggering fears of an economic slowdown and recession in 2023. In the final quarter of the year China relaxed its zero-COVID policy after widespread protests across the nation, which helped improve economic growth prospects and risk-sentiment.

Equity markets recorded large negative absolute returns over the year, with the MSCI ACWI down 16.0% in local currency terms. US equities led the decline, in part due to their abundance of technology stocks which suffered as interest rates climbed. Credit saw negative absolute returns over the year, with US high yield spreads rising on growing recession risks.

The macroeconomic environment provided some pleasant surprises towards the end of the year as China's reopening proceeded faster than expected, the European economy exceeded modest growth expectations, and latest data pointed to moderating inflation in Europe and the US. In the base-case scenario, the US and Europe are expected to avoid recession while the UK may experience a mild recession. Major central banks are expected to maintain restrictive monetary policies which should, over time, bring inflation measures towards their long-term targets. However, significant risks remain. The full impact of these restrictive policies is unknown and will unfold over the course of 2023. Interest rate sensitive sectors of the economy, such as real estate and car sales, are likely to slow-down, though the extent of this is uncertain. Furthermore, while consumers' balance sheets remain healthy, a combination of inflation and slowing growth diminished the size of their accumulated excess savings and depressed consumer confidence. Business balance sheets are also strong but with rising wages and employment growth outstripping productivity, pressure on margins is expected. Overall, corporate earnings are expected to grow broadly in line with current expectations and over the medium-term 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 -17.5%, largely due to the negative performance of the Matching Swaps allocation (within Fixed Income, below), which tracked the liability lower. The Fund comfortably outperformed its benchmark return of -19.4% over the year. The gross of fees return of the Pension fund is by approximation -13.9% coming from the net performance of -17.5% plus the total investment costs of 3.6% (See paragraph 3.6.2).

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[9]:

	Portfolio	PIA Benchmark	Relative Performance
Public Equities	-8.9%	-13.0%	4.1%
Matching Swaps	-33.6%	-34.1%	0.5%
Total Credit	-10.0%	-10.7%	0.7%
Property	-6.6%	-4.4%	-2.2%
Private Equities	-3.3%	-2.7%	-0.6%
Hedge Funds	6.4%	-5.8%	12.2%
Total return mandate investments	**-18.2%**	**-19.6%**	**1.4%**
Plan Level Currency Hedge	0.0%	0.0%	0.0%
Plan Level TRH	0.7%	0.1%	0.6%
Total return (including overlays)	**-17.5%**	**-19.5%**	**2.0%**

Plan and benchmark absolute returns were strongly negative for the year, largely due to rises in swap rates, which hurt performance of the Matching Swaps asset class and benchmark. Return-seeking assets also detracted from absolute returns as markets fell against a backdrop of rising inflation, higher interest rates, recession risk and geopolitical concerns. The exception was the Hedge Funds asset class, which performed exceptionally well in both absolute and relative terms over the year. The strong positive return for Hedge funds highlighted the advantages of the asset class as a diversified source of return for the Plan. Property asset class performance was hurt by the sale of the direct UK property portfolio as assets were sold below carrying value. The TRH programme offset some of the losses from return seeking assets, performing well during the year as markets fell.

The main positive contributors to the Plan's excess return were Hedge Funds, Public Equities and the TRH programme. Public Equity managers benefitted from a shift from growth to value over the year whilst the Hedge Fund manager, Blackstone , finished well ahead of its benchmark due to its high allocation to top performing low-beta macro and systematic strategies. Private Equity experienced negative absolute returns from valuation updates, although the impact was partially offset by currency movements as the US Dollar appreciated. Public Credit managers detracted against a backdrop of widening credit spreads and rising interest rates whilst Private Credit finished well ahead of its public credit benchmark, adding to relative gains.

The 2022 average portfolio weight compared to the 2022 average PIA benchmark weights were as follows[10]:

Asset Category	Benchmark	Average Portfolio weight	Average Policy Weight
Public Equities	MSCI ACWI Net TR index	18.4%	16.7%
Matching Swaps[11]	Custom blend of EUR Swap indices + short Euribor + ESTR + custom basket of inflation swaps	37.2%	40.4%

[9] Source: Mellon Performance Report MPF December 2022 – adjusted for Q4 2022 PE valuations, SECOR Analytics

[10] Source: BNY-Mellon Performance Report Stichting Mars Pensioenfonds December 2022, SECOR Analytics

[11] The Matching Swaps benchmark reflects a mix of swap benchmarks across various tenors designed to match the target risk sensitivity of the Liability and net financing costs associated with the swaps.

Total Credit[12]	Bloomberg Barclays Global Aggregate (EUR hedged[13])	14.8%	14.6%
Property	MV weighted blend of: Actual Portfolio return and 50% NCREIF Fund Index ODCE[14] / 50% INREV ODCE fund index (EUR Hedged)	6.3%	6.3%
Private Equity	Cambridge FoF Vintage Year Weighted	13.1%	13.1%
Hedge Funds	HFRX Equal Weighted Index (EUR Hedged)	7.9%	7.9%
Cash / Plan Level Overlays	Actual gross return on cash	2.3%	1.0%
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[15] [16]:

Year	Portfolio (Net)	PIA Benchmark (Net)	Market Benchmark (Net)
2022	-17.5%	-19.4%	-20.1%
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%
Average last 5 years	1.9%	1.0%	1.0%
Average last 10 years	5.6%	4.5%	4.9%

Measured over a longer period of ten years, the average return for the Pension Fund was 5.6%, 1.1% ahead of the PIA benchmark and 0.7% ahead of the Market benchmark.

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

[12] The average weights shown in the table represent the average weights of the Total Credit asset class from 1 June 2022 and the combined weights of the Diversified Credit and Private Credit asset classes prior to 1 June 2022.

[13] EMD component is Bloomberg Barclays Global Aggregate Index (USD Hedged) to align currency profile of benchmark and Plan

[14] Open-end Diversified Core Equity

[15] 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.

[16] 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.

ESG Policy. Beyond that, it includes a concrete action plan for 2022, which will be implemented with support from the strategic investment advisor.

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 pension fund website. Solely in connection with our understanding that a pertinent required reporting structure is not in line with the status of the development of our policy, we opt for the "Opt-Out" variant related to reporting (on the website). When making an investment decision, the negative impacts that investment decisions can have on the society/environment are 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's de-risking policy was halted in 2022, pending consideration of the WTP. The funding ratio improved significantly in 2022 and there was a desire to protect against potential declines in the funding ratio. In particular, it was decided to protect against the funding ratio falling below TFR2. Until a new ALM is completed, a temporary LDI policy was implemented which increases the level of liability interest rate and inflation hedging depending on the proximity of the funding ratio to TFR2. At the time it was implemented, the temporary LDI policy targeted an interest rate hedge ratio of 45% of the economic liability. Having reached the first two triggers in the policy (as the funding ratio fell back slightly), as of the end of 2022 the policy targeted an interest rate hedge ratio of 79% and an inflation hedge ratio of 16% economic liability.

A new asset-liability management ("ALM") study was started at the end of 2022 and expected to be completed in 2023. The main purpose of the ALM study is to determine the Plan's investment strategy between now and the start of 2027, which is the date at which the pension is expected to transition into the new system.

The Mars Investment Team completed the sale of REI Nederland B.V. (REI), the holding company that owned all of the Plan's direct UK property investments, in Q3 2022. The sale completed a lengthy and challenging process to actively market the portfolio to a selection of institutional investors, facilitated by the input and advice of the advisors.

After balance sheet date, MPF is finalizing the post completion obligations regarding to the sale of REI. An accrual for this has been included in the balance sheet of MPF per 31 December 2022.

6 PENSIONS

There have been important developments in 2022 in pensions. Below we describe the legal developments that have had consequences for the Pension Fund in 2022 and /or will have consequences for the Pension Fund in the future (see 6.1). The Pension Board adopts an active attitude on all pension developments.

MPF 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

On 30 May 2023 "Wet Toekomst Pensioenen" (WTP) was approved by the Senate (Eerste Kamer) and will come into effect as from 1 July 2023.

Lump sum payment at retirement age

1 January 2024 is the intended starting date on which the lump sum payment will come into effect at retirement age. From that moment on, each member 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 2022: EUR 22,363.36 As from 1 January 2023: EUR 25,612.76
Top-up limit (excedent-grens)	As from 1 January 2022: EUR 59,562.95 As from 1 January 2023: EUR 62,812.35
Maximum pensionable salary	As from 1 January 2022: EUR 114,866 As from 1 January 2023: EUR 128,810
Member contribution	0%
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 2022: As from 1 January 2023:	 EUR 15,329.04 EUR 17,556.35	 EUR 15,329.04 EUR 17,556.35
Maximum pensionable salary	1 January 2022: EUR 114,866 1 January 2023: EUR 128,810	1 January 2022: EUR 114,866 1 January 2023: EUR 128,810
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

Death during active membership	Risk based partner pension of 1.33% of the pensionable earnings (excluding offset of EUR 22,363.36 for 2022) for each year of membership that has been achieved until 1 January 2015 plus 1.16% of the pensionable earnings (excluding offset of EUR 22,363.36 for 2022) 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%;

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 if, and, to what extent indexation is granted.

The condition that the the final indexation percentage will never be higher than the wage index is removed from the indexation policy in 2022.

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 equal to a percentage of ”CPI all households” plus 3%. This annual interest addition is capped by a level of 13%. The interest addition also depends on the actual return achieved by MPF. The minimum annual interest 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 must calculate the (Policy) Funding Ratio based on 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 MPF’s 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 ended on 31 December 2022.

In 2022 the board concluded that the reinsurance contract is suitable for the Pension Fund and a new contract was negotiated with Zwitserleven. With the result that the reinsurance contract for the death-in-service and disability-in-service risks with Zwitserleven was renewed for three years. The new contract is in place from 1 January 2023 until 31 December 2025.

This reinsurance can be seen as a catastrophe-risk-coverage because it is based on stop-loss insurance with a deductible amount of 250% of the total risk premium. Claims are possible up to 24 months after the contract period.

7 GOVERNANCE AND COMPLIANCE

The Pension Board had seven 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 2022 there were four so-called Topical Walk-In sessions (internal training sessions for members of the Pension Board, Accountability Council, Supervisory Council and Talent Pool members). Due to Covid-19 it was not possible to have physical meetings in the first quarter of 2022. The meetings in the first quarter of 2022 have been done via videoconferencing. The Pension Board meetings as from the second quarter of 2022 were physical meetings.

7.1 Governance and governance committees

The Pension Board uses a dashboard and balance sheet and investment management reports 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 2022 Pension Board members have attended several seminars organized by the Pensioenfederatie, the DNB, PensioenPro, BSG and external experts to maintain their expertise and attended the internal training meetings and "Topical Walk-in sessions".

Committees

Pension Board members are allocated to areas of expertise defined by DNB. The Committees 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. The roles and responsibilities are as follows at the end of 2022:

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 (chairperson) Mrs. R. Steenbergen Vacancy
Investment Committee	Investments	Mrs. R. Steenbergen Vacancy
Pension Communication Committee	Pension Communication	Mr. H. van Heesch Mr. W. van de Laar Mr. P. van Beek

As from 1 January 2023 Mr. P. van Beek has joined the Pension Committee as a Pension Board member. As from 19 January 2023 Mr. F. Nieuwland has joined the Investment Committee as a Pension Board member.

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

Self-assessments

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 an evaluation of the functioning of the Pension Committee has also taken place. Simultaneously the Supervisory Council held an external self-assessment with the same provider.

Succession members Pension Board and Accountability Council
The sustainability of MPF going forward is a topic the Pension Board will continue to review. One of the main challenges the MPF faces is to find adequate, available and motivated (future) members for the Pension Board, Accountability Council, Investment Committee and ASP Member Group. For this reason, the Pension Board set up a Talent Pool. In 2022 one new candidate has been recruited for the Talent Pool. Currently, MPF is identifying new candidates for the Talent Pool to have a filled pipeline in case of vacancies.

Governance documents
In 2022 the Pension Board has, together with their advisors, worked on updating several governance documents and has agreed on some new policies.

- Addendum to the AFA
- Plan rules Final Pay and ARP/ASP
- ABTN
- Valuation principles
- Pension Committee Charter
- Pension Communication Committee Charter
- KFH Risk Management Charter
- KFH Actuarial Charter
- KFH Internal Audit Charter
- Remuneration policy
- Regulations of the Accountability Council
- Regulations of the Supervisory Council
- IT Policy
- Privacy Statement
- Data Protection Policy
- ESG Policy
- Statement of Investment Principles

Internal Audit
Mr. R. de Waard –insourced from BDO- has been appointed as KFH IA. And BDO has been appointed as the performer of the Internal Audit function.

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

In December 2022, an internal audit has been performed on IT Infrastructure and Cybersecurity. Internal Audit made three commendations to have MPF fully compliant with the Good Practice Information Security of DNB. In 2023 the PB, with the help of Ortec, will develop a detailed action plan to follow-up the recommendations.

7.2 Duty of care (Zorgplicht) ARP/ASP plan

Members of the ARP/ASP plan have the possibility to optout 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 to opt 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.

In 2022 MPF has started the preparations for Choice Guidance that will be effective as from 1 July 2023 as part of the WTP.

7.3 Communication

Communication plans
In December 2022 the Pension Board approved the updated Communication Strategy 2022-2024 and the Communication Action plan 2023.

Digital newsletters and online videos
In 2022 three digital newsletters have been sent. Further a postcard has been sent to collect more email addresses.

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.

2-measurement in Q1 2023
This research was a follow-up to the studies carried out in the spring of 2015 and fall 2018. Both measurements have been conducted among both active members and beneficiaries. The main goal of the survey was to find out how active members and beneficiaries perceive the way the pension fund communicates and informs. Overall, the scores were very positive. The results of the measurement will be analyzed in Q2 2023 and will be the basis for the communication strategy and action plan.

UPO (Uniform Pension Statements)
59 UPO’s (manually processed) have not been sent before the legal deadline of 1 October 2022.
For the other UPO’s there have been some incidents with ‘low’ impact’:

- For 434 active members no A factor was printed
- For 32 members latent BPP pension rights were printed (information was for ex-partner).

All incidents have been discussed with BSG and new UPO’s with correct information were sent to the members.

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 2022.

7.4 Legal

<u>Legal advisor MPF</u>
BVZA is the legal advisor of MPF. Part of the services performed by BVZA is the legal support during the Pension Board meetings. The legal advisor of MPF was present during all MPF meetings in 2022.

<u>Change of indexation policy</u>
In 2022 MPF has made a proposal to remove the cap on the wage index in the indexation policy with the purpose to simplify the indexation policy. Historical figures shown that 75% of price inflation is lower than the wage index on a cumulative basis. The proposal has been approved by the Company and incorporated into an addendum to the AFA and the Pension Regulations.

<u>ABTN</u>
The ABTN was updated and approved in the Pension Board meeting in December 2022.
Amendments that were made include:
- Update of governance and organization;
- New investment policy;
- New re-insurance contract;
- Valuation principles
- Statement of Investment Principles.

7.5 Supervisory authorities

The Pension Fund has received no penalties from DNB or AFM during 2022 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. There has been no exceeding of terms to submit reports and surveys that have led to a sanction.

On 23 August 2022 MPF has visited DNB to discuss the nomination of Mr. F. Nieuwland as chairperson of the Pension Board. During this meeting MPF proposed changes in the governance structure related to the Investment Committee to further strengthen the countervailing power of the Pension Board and a change of the chairperson for the Investment Committee in case Mr. F. Nieuwland would be approved as new chairperson of the Pension Board. After this discussion DNB approved the proposed changes and MPF has implemented the changes by removing the Investment Competency Team from the governance structure, to nominate Mrs. R. Steenbergen as Investment Committee member and to nominate Mr. J. Price as chairperson of the Investment Committee. These nominations have been approved by DNB in early 2023. Further, DNB requested to add an independent expert to the Investment Committee. In March 2023 Mr. H. Radder has been nominated by the PB as independent expert member of the investment committee, and in April 2023, DNB has approved his appointment.

In 2022 DNB approved the appointment of Mr. W. van de Laar and Mr. P. van Beek as Pension Board members and Mrs. E. Wiertz as Supervisory Council member. Further, DNB approved the reappointment of Mr. H. van Heesch and Mr. P. van Bree as Pension Board members.

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 2022, 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 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.
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 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 Committees. The self-assessment of the Board and

Principle number	Subject	Explanation why the principle is met
		Supervisory Council with an external facilitator has taken place in 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 (iBabs). In the quarterly report from the administrator (BSG) there is an overview of complaints in that quarter and how they are dealt with. This report is also accessible for each Pension Board member on iBabs. And the number of complaints is also an item on the monthly dashboard.

7.7 Compliance function

The Compliance Officer and the external compliance support are both part of the Compliance Function. 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.

Mr. P. Van Bree, who was appointed as Compliance Officer in the Pension Board meeting in October 2019, has functioned the full year of 2022 as Compliance Officer of the fund. BVZA has supplied compliance support to compliance officer (2nd Line). Independence, suitability and backup have been worked out in the compliance charter. BVZA has supported the Compliance Officer full 2022.

External compliance support and the Compliance Officer performed quarterly compliance reviews, as well as have performed the Annual Compliance Review over 2021 (presented to the PB in Q1 2022) as well as the review over 2022 (presented to the PB in Q1 2023). 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. In Q2 2022 Bronsgeest Deur Advocaten who work together with BVZA have taken over the role as Privacy Counsel from NautaDutilh. The tasks of the Privacy Counsel are set out in MPF's Data Privacy 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.

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.

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 2022. The board is also not aware of (suspected) incidents that have occurred with its outsourcing relations, advisers and / or the independent auditor and certifying actuary.

Complaints	Number	
Complaints pending 1 January 2022		0
Complaints submitted in 2022		2
• 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 2022		2
Pending 31 December 2022		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 behaviour, 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 member base;
- A composition that matches a balanced gender ratio between men and women.

For further details see also paragraph 7.6

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

7.11 Outsourcing

The Pension Fund has outsourced several 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 several controls in place:

- The Outsourcing Policy was last amended in of 2020 and will have the tri-annual review in 2023. The outsourcing plan includes a description of the processes that have been outsourced, the objective of the outsourcing policy, the organization 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 Committee and TBC Investment evaluate 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

As from 1 January 2022 Blue Sky Group (BSG) 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

2022 final steps have been taken regarding the transition from TKP to BSG. As from 1 April 2022 the pension planner has been updated for active members who wanted to retire as from 2023.

The quality of the services of BSG has been laid down in the Service Level Agreement (SLA) and are part of the Outsourcing agreement made with BSG. In Q1 of 2022 25 points of the SLA were not achieved. This is mainly related to a delay of responses and document send. The main of the delays is related to the transition. Some complex calculations are done for the first time by BSG and therefore take more processing time and for some answers historic information was needed from TKP. Most delays are only a few days.

The SLA reports over 2022 showed an upward trend and a significant improvement is visible compared to previous quarter(s). For Q4 in numbers 80 agreements achieved versus 8 not achieved). The impact for some members was a delay in response time.

The Pension Office has frequent contact with BSG to discuss the current delays. The aim is to have the SLA results on a stable and acceptable result in the course of 2023.

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 2022):

- 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.
- 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 MPF fully complies with the IORP II 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, MPF 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 5 points of attention to further improve the IRM of the fund. These points have been followed up in 2022 and 2023 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 MPF. This document back in 2021 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 undertake an annual evaluation which is reviewed by the Pension Board. The evaluation of the KFH Actuarial for 2022 was approved in the March 2023 Pension Board meeting. The evaluation of the KFH Risk Management will take place in the Board meeting in June 2023 and the evaluation of the KFH Internal Audit will be part of the evaluation of the outsourcing and service parties in the Board meeting of December 2023.

8 ACTUARIAL SECTION

The actuarial analysis of the 2022 result is shown in the next table:

		2022		2021
Contributions and costs				
Employer contributions	17,596		18,545	
Member contributions*	4,703		2,236	
Accrual of benefits (including surcharge for future costs)	-24,157		-22,592	
Contribution surcharge for costs	-2,101		1,966	
Available for costs out of provision	1,020		937	
Execution and administration costs	-4,439		-3,866	
		-7,378		-2,774
Return and yield curve change				
Return on investments	-337,722		167,063	
Interest addition provision	12,707		7,300	
Yield curve change	371,270		96,683	
UFR change	-6,744		-5,899	
		39,511		265,147
Other results				
Result on benefit transfers	-10		3	
Result on other actuarial assumptions	5,259		612	
Other income	153		699	
Indexation	-32,541		-15,950	
Change mortality assumptions	-11,401		0	
Change actuarial assumptions	-822		-1,351	
Corrections	0		304	
Other costs	0		-72	
		-39,362		-15,755
Result		**-7.229**		**246,618**

* 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	31,832
Smoothed cost covering contribution	22,685
Actual contribution	22,364

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 2022 the CCC equals EUR 31,832.

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 2021 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 2022 corresponds to a single expected return of approximately 3.96%.

In 2022 the SCCC equals EUR 22,685.

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 2022 add up to 3.3% of total pensionable salary for all pension plan members. The employer contribution in 2022 according to the contribution policy is equal to 25.0%.

In 2022 the actual total contribution to the pension fund equals EUR 22,364.
The deficit of EUR 321 thousand between the SCCC and the actual contribution is caused by a one-off adjustment in the method for processing the contributions of the ARP scheme. Contributions for ARP/ASP plans are paid in 13 4-week periods. Payment of period 13 is made regularly in January of the following financial year. Beginning in 2022, the contribution for both the ARP and ASP will be accounted for in the fiscal year to which it relates. This means that for the ARP scheme in 2022, 14 periods of contribution have been accounted for once instead of the regular 13 periods. For the ASP plan, this does not apply because the premium from period 13-2021 was already included in the liability 31 December 2021.

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 MTR is derived from the required margin per risk and amount amounts to 103.7% of the total AAL (including risks of the pension fund and risks of the members). The Funding Ratio at the end of 2022 equals 150%. 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 EUR 215,876. The Ongoing Solvency Margin Ratio amounts to 120.5% of the AAL (including a % 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 2022. The Policy Funding Ratio equals 150.7%. Based on these figures the Pension Fund has a sufficient solvency ratio.

9 LOOKING FORWARD

9.1 Pension Fund Governance

All MPF governing entities are fully staffed now, with one vacancy in the Accountability Council as the only exception. This means that the Pension Board, the Supervisory Council, The Accountability Council, and all Board Committees can sink their teeth in a number of meaty topics. First of all, there is the WTP, which will keep everyone involved very busy until the actual moment of transition to a new pension design. In 2022, through our WTP Project organization we have started the groundwork to enable the decision-making process for social partners and the pension board. This work will intensify in 2023 and beyond, because important deadlines in this whole transition process are approaching fast. We will work with our external actuarial, legal and investment advisors, to collect and analyze all the information on the various selection items to enable social partners and pension board to reach well informed and fair and reasonable decision considering all stakeholders' interests. One concrete exercise that needs to be completed this year is the Risk Preference Survey that will be sent to all Plan members. Secondly, we have two IT related workstreams that need to be completed in 2023; we need to analyze the results of the recently executed internal IT audit and start the work on the recommendations coming from that audit. Also, we need to identify which measures we will need to take to comply with the Digital Operational Resilience Act or DORA, which is European regulation on IT security and IT resilience. Thirdly we will need to decide which SFDR (Sustainable Financial Disclosure Regulation) classification we would like to have and how we progress our ESG Policy. Finally, the Investment Committee and Pension Board need to frequently monitor the financial position of the plan and adjust the interest rate, inflation and tail risk hedging positions if and when necessary to protect the funded status. This is particularly relevant given the recent financial market volatility that was caused by the collapse of three mid-size US banks and the takeover of Credit Suisse by UBS. The direct impact to the fund of these events was minimal, because the fund had no investments or deposits or financial exposure to these banks. The indirect impact caused by the general market volatility was of course also felt by the fund, and it is not impossible that other banks will be impacted, so we need to be watchful.

9.2 Change of UFR

The AAL has been determined on the basis of the UFR as published by DNB as at 31 December 2022 and the assumptions as stated in the accounting policies for the annual accounts.
Research done by the Parameters Committee in 2022 shows that the market for bonds with maturities of up to 50 years is sufficiently large to prevent strategic behaviour by Dutch pension funds. Therefore, the Parameters Committee recommends to amend the DNB-UFR curve by moving the first smoothing point from 30 to 50 years and immediate instead of in 4 steps.
Applying the new UFR method will have an effect of approximately 0.1 percentage points on the funding ratio of the pension fund as of 1 January 2023.

Veghel, 27 June 2023

The Pension Board

Mr. F. Nieuwland (Chairman)

Mr. H. van Heesch (Secretary)

Mr. P. van Bree

Mr. W. Van de Laar

Mrs. R. Steenbergen

Mr. P. van Beek

10 REPORT BY THE SUPERVISORY COUNCIL

10.1 Report

As from January 2019, MPF has a supervisory council (in Dutch: 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 (until 1 July 2022) and Ms E. Wiertz (as from 15 December 2022).

The supervisory council oversees the strategies and the management of MPF as well as the policies and risk management.

The council held both digital and physical meetings in 2022. This applied to both its own meetings and meetings with the pension fund. The executive board had regular contact with the council chairman.

The council was kept up to date on all the main issues in an open fashion, had access to all the documents of the Pension Fund, and attended several meetings of the Pensions Board. They were involved in the key areas of strategy and have had an opportunity to give their opinion on the most important aspects. The council made five recommendations for 2022, all of which were followed up by the board:

1. Further developments regarding the new pension contract

Monitoring framework

This will include the operation and duration of the chosen project structure, the effects on various policy areas (administration, derisking, investments, (catch-up) indexation and the implementation agreement), risk management, communication, etc. Depending on the choices made, the balanced consideration of the interests of various groups will be extremely important. We will pay attention to the trade-offs made and their transparent recording.

Findings

No major developments were reported in 2022. However, a consultation structure with work streams was established in which pension fund and employer participate under the guidance of a project leader. The social partners are more or less waiting for the outcome of the political process. From a financial perspective, the necessary actions have been set out in preparation for their decision-making. However, once the social partners have taken directional decisions, it is the board's turn. The board also has its eye on the pension administration and closely follows the development at the administrator.

Recommendations

The council would recommend exploring different scenarios so that the pension fund can better prepare for future decisions.

2. The decision-making process /Board Room Dynamics

Monitoring framework

Since the board will face important decisions, a good decision-making process is important. These include balance, time commitment, knowledge, etc. Recording the considerations leading to the decisions is also an important element that we will include in our monitoring.

Findings

At the end of 2022, the board discussed a different approach. The approach is based on the PDO model (imaging, judging and decision-making). In addition, a rearrangement of committees was initiated, effective from 2023.

Recommendations
The council expects this to be a good step towards careful decision-making and will monitor the new set-up.

3. Information security/ IT
Monitoring framework
Developments in IT, Information Security and cybercrime are moving fast. What matters to the board is how the pension fund follows this up.
Findings
The board notes that information security and IT is high on the pension fund's agenda.

Recommendations
The council assumes this will remain on the agenda for now.

4. ESG
Monitoring framework
ESG is in full development. In particular, we will look at how ESG criteria and investment policy are fleshed out and how they are (compulsorily) reported.

Findings
ESG received a lot of attention in 2022, and the pension fund gave further substance to the criteria.

Recommendations
ESG developments will continue for the time being. The council expects the board to flesh this out further.

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 2023 we have selected the following special monitoring topics:
- WTP
- Board Room Dynamics;
- IT/IB/Cyber
- ESG.

10.2 Response Pension Board on report of the Supervisory Council

The Pension Board has reviewed the Supervisory Council's 2022 report. We are very pleased to read that the Supervisory Council (SC) has noted that we have taken action on the recommendations that were made for the year 2022 and that the Pension Board has realized material progress on those recommendations. The Supervisory Council has asked for greater interaction with the Pension Board as an outcome of its self-assessment in April 2022. The Pension Board will gladly honor this request. Several initiatives have already been effectuated for example, Supervisory Council's attendance at the newly established Observe and Assess meetings (Beeldvormende en Oordeelsvormende vergaderingen) and attendance at Investment Committee meetings. Further initiatives will be explored during 2023.

The Supervisory Council has identified four focus areas for 2022 and has also listed four recommendations to the Pension Board. The first recommendation was for the Pension Board to explore how the various choices that social partners related to WTP would impact the implementation plan of the Pension Fund/ Pension Fund Board. The pension board has identified the scenarios that could become relevant and has started to list the implications of all the potential choices that social partners could make and has identified a proper course of action for all these potential choices.

Also, the Pension Board has decided on an investment policy that is most appropriate for the remaining period until transition. The Pension Board has also made its own assessment of a compensation structure that would lead to a balanced transition. Secondly the SC recommended to the Pension Board to safeguard a careful decision-making process, for which the Board has slightly modified its governance structure and for which the board has introduced the Observe and Assess Meetings which allow Board members to familiarize themselves with new topics and issues and which will be implemented in 2023. Thirdly the SC recommends keeping IT risks high on the agenda, and for the Pension Board this is clearly an important item. The fulfiller Internal Audit has performed an IT Audit at the end of 2022, the findings of which will be addressed by the Pension Board in 2023. Finally, the evolution Pension Fund's ESG policy demanded a lot of effort and discussion in 2022, in the investment committee, between the investment committee and the external advisor and in the Pension Board. All of these discussions will be summarized in a white paper that will be discussed by the Pension Board in 2023.

For the year 2023, the Supervisory Council has indicated four special supervisory themes under paragraph 5 of its report on which we would like to comment as follows:

1. Further Developments regarding the new pension contract. The WTP will bring about many changes, many of will only become clear after social partners and subsequently the Pension Board have reached a number of conclusions. One change that is already crystal clear is that the administration of pensions will change, and many if not all pension administrators face an all-hands-on deck situation to make this transition happen in time for already planned transitions. In this light, the Supervisory Council recommends to the Pension Board to clearly agree with BSG what the Pension Board's administrative requirements are and to carefully document not only the nature but also the delivery of these requirements. The Pension Board would also be well advised to develop a few contingency plans in case a material delay in a planned transition would manifest itself. The Pension Board is keenly aware of the critical role that a robust and fit for purpose pension administration system plays in the transition to a new pension design and takes the Supervisory Council's recommendation to heart. The Supervisory council also recommends Pension Board focus on balancing all stakeholders' interests, the role of existing and potentially new outsourcing relations and the formalization of the transition process including the roles of the Supervisory and Accountability Councils.
2. The decision-making process / Board Room Dynamics – The Supervisory Council will monitor the implementation the Pension Board's new governance process in 2023 and also the transparency and documentation of the new governance process. The SC will pay particular attention to each Pension Board members role and input in the governance process. An important new feature of our governance process is the Observe and Assess meeting which has the objectives to inform all Pension Board members of new issues and to give PB members the opportunity to ask questions such that they can form their own assessment of the presented issues. The Supervisory Council will also monitor the role of the Pension Office and the external advisors. The Pension Board will welcome the feedback the SC will have on the functioning of our new governance process and would like to stress that a careful and detailed documentation of all considerations that have been addressed in every decision-making process will be crucial if we want to be able to demonstrate that every decision has been based on carefully balancing all stakeholders' interests.
3. Information Security / Information Technology / Cybersecurity – 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. In 2023 the Pension Board will discuss the findings of an internal IT Audit that has been executed under the supervision of the KFH Internal Audit. Any actions resulting from this audit will be fully addressed in the second half of 2023 and the PB will also start investigating the requirements that we have to comply with under the new EU legislation labelled the Digital Operational Resilience Act (DORA). The Pension Board will also engage with DNB to assess and implement the requirements that DNB has for a robust IT and Cybersecurity process for MPF but also for all of our outsourcing relationships. Noteworthy is that GDPR Compliance and protection against cyberattacks are key objectives for MPF.

4. ESG – In 2023 SECOR and the Investment Team will create a white paper that will serve as a guide for potential further ESG integration in MPF's investment policy. This white paper will be an instrument for the MPF do discuss and decide on focus areas of where the PB would want to increase the ESG content of its investment policy. It should be mentioned here that MPF does not have the resources nor the asset size to implement ESG related strategies that large plans can because of their asset and resource base. However, any further ESG integration that is consistent with the PB's fiduciary responsibilities and that avoids any type of Greenwashing should be considered. Furthermore, the PB will comply with any disclosure requirements that MPF needs to comply with under the Sustainable Finance Disclosure Regulation

11 REPORT BY THE ACCOUNTABILITY COUNCIL

11.1 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 PB 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 them. The AC is entitled to consult the PB as well as 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 form and structure of internal supervision;
- The profile for and selection of the members of the Supervisory Council;
- The adoption and modification of an internal complaints- and disputes procedure;
- The adoption and modification of the communication- and information policy;
- Full or partial transfer of the obligations of MPF or the acquisitions of obligations by MPF:
- Liquidation, merger or division of MPF;
- Concluding, changing or terminating the Administrative & Financial Agreement;
- Converting MPF into another legal form, as referred to in Article 18 of Book 2 of the Dutch Civil Code;
- Composition of the actual premium and the amount of the premium components.

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 2022

The AC has had four meetings in 2022. 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.

The topical walk-in sessions, organised by the board, 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 2022 the AC had a working session with the Executive Board which focused entirely on the AC's advice concerning the change of MPF's indexation-, investment- and contribution policy, given the complexity of the subject.

In the PB-AC-SC consultation meeting in December 2022, a presentation was shared by the AC about their self-evaluation over 2022 and their priorities for 2023.

In April 2023 the AC had a working session with the Executive Board to gather input for preparing this annual report. Topics included a review of last year and the 2023 priorities for MPF, with a focus on the 'Wet Toekomst Pensioenen' (WTP) and how the AC can pro-actively support this.

Also in April 2023, 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, organised by the Dutch Pension Federation, Montae, WTW 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.
The AC has been trained in a joint session with all involved how to use the new meeting/documentation software called iBabs.

Pension Board requests for AC advice during 2022
The AC has provided the following advice to the Pension Board:

Advice request topic	Date PB advice request	Date AC advice	AC advice
Job description and profile PB Member Active Members Mars Pension fund	16/02/2022	26/02/2022	Positive
Profile for member SC	13/07/2022	18/07/2022	Positive
Indexation, investment & contribution policy	09/08/2022	07/09/2022	Positive
SC member interview, Benno and Esme	14/09/2022	16/09/2022	Positive
Updated remuneration policy	29/09/2022	05/10/2022	Positive
Updated AC regulations	29/09/2022	05/10/2022	Positive
Contribution for 2023	14/11/2022	16/11/2022	Positive
Addendum AFA wrt Indexation	24/11/2022	30/11/2022	Positive
Communication strategy	02/12/2022	15/12/2022	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 2022 annual report
In summary, the AC is pleased to see that the Pension Board of MPF is pro-active and highly engaged in managing 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 PB has maintained an excellent working relation with all stakeholders.
The PB 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 2022 in last year's report:

- We recognise that despite all the challenges caused by the Covid-19 pandemic, the transition from TKP to BSG has been successful.
- Funding and indexation: the AC recognises that balancing the interest of all stakeholders remains a priority in the decision making of the PB. We applaud the constructive cooperation with the Sponsor in this fundamental financial area; more specifically the agreement of introducing an escrow account to accumulate reduced contribution payments, as well as protecting our funded status through a dynamic investment policy to support an optimal future transition into the new pension system by the end of 2026.
- With the WTP in view, the AC has been expanded in March 2022 from 3 to 6 members. The AC has already experienced the benefits of the increased brain power and the solidification of the discussion quality, underpinning the advices to the PB.
- WTP: the AC welcomes the pro-activity of the PB in preparation of this major project by setting up an extensive, joined project team which seeks in-depth professional actuarial and legal advice.
- 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 continued search for new members.

- The PB 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 PB to ensure that the AC is consulted timely on all relevant matters.
- Last but not least: we observe that the PB continues to maintain a close working relation with our sponsor, but is able to maintain its independent, objective position. We are very pleased with this.

AC recommendations for 2023
The AC would appreciate if the PB could include the following three areas in their 2023 priorities:
- WTP: maintain current pro-active approach and continue the close cooperation with the sponsor to come to the best possible new pension plan, while balancing the interests of all stakeholders. The AC is eager to continue to act as a sounding board for the WTP Steering Group and the Value Assessment workstream. We see this as a perfect example of applying the 5 Principles. The AC is also keen to be kept informed regarding all WTP developments relevant to MPF; in our opinion topical walk-in sessions are ideally suited for this purpose.
- Integral financial policy; the AC ask that the indexation-, contribution- and investment policy established in 2022 will be continued and consolidated in 2023 in order to facilitate the future transition into the WTP.
- 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 all governance roles within MPF. We will continue our support for internal training and "training on the job" wherever possible.

11.2 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 2022 and are pleased that, once again, we are aligned.

For the year 2022 the Accountability Council would like us to consider the following areas:

1. New Pension Law or WTP – The Accountability Councils requests that the PB maintains its pro-active approach regarding WTP developments and to continue the cooperation and dialogue with the sponsor in order to reach the best possible new pension design, considering all stakeholders' interests in a balanced way. The PB can commit to this and will also use the AC as a sounding board for the WTP Steering Group and all of the workstreams. Relevant WTP developments will also be reviewed with the AC in topical walk-in sessions. Everything that was mentioned in the SC's recommendations on WTP are obviously also relevant for the AC to monitor.

2. Integral financial policy – The AC asks that the interplay between contribution, indexation and investment policy should be continued in 2023 in order to facilitate the transition to a new pension design. This has been and will continue to be one of the key focus areas for the PB in 2023 and beyond. The PB would like to mention here that there is one caveat, which is that a continuation of what was established in 2022 can only be continued if the financial conditions for MPF will be similar in 2023 as they were in 2022.

3. 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 confident that we can develop the right number of succession options for all roles in the main governance bodies, with the support of the sponsor. It is particularly helpful that the PB, the SC, and the AC are now (almost) fully staffed, such that we can create a holistic succession plan rather than reactively trying to find suitable candidates for vacancies that arose suddenly and unexpectedly.

ANNUAL ACCOUNTS

12 CONSOLIDATED FINANCIAL STATEMENTS

12.1 Consolidated Balance Sheet as at 31 December 2022

(after appropriation of result, in EUR 1,000) [17]

ASSETS			31-12-2022		31-12-2021
Investments for risk pension fund	1				
Real estate		100,163		108,192	
Equity		509,709		807,497	
Fixed income		575,867		624,439	
Hedge funds		140,773		122,224	
Derivatives		60,028		66,564	
Other financial investments		218,498		138,221	
			1,605,038		1,867,137
Investments for risk members	2		122,515		116,508
Receivables and prepayments					
Other receivables	3		1,523		6,254
Other assets					
Cash	4		6,487		3,817
			1,735,563		**1,993,716**

LIABILITIES					
Foundation capital and reserves					
Foundation capital	5		0		0
General reserves	6		526,827		534,056
Technical provision for risk pension fund					
Actuarial accrued liabilities	7	929,413		1,285,332	
Provision for future disability	8	1,458		1,501	
			930,871		1,286,833
Pension provision for risk members	9		122,515		116,508
Current liabilities	10		155,350		56,319
			1,735,563		**1,993,716**

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

12.2 Consolidated statement of income and expenses for the year ended 31 December 2022

(in EUR 1,000) [18]

INCOME			2022		2021
Contributions from employer and employees	11		10,877		14,260
Contributions for account and risk members	12		11,487		9,690
Investment results for risk pension fund	13	-331,090		166,905	
Investment results for risk members	14	-6,541		12,138	
			-337,631		179,043
Other income	15		142		699
Total INCOME			**-315,125**		**203,692**
EXPENSES					
Benefits payment	16		38,450		37,457
Execution- and administration costs	17		4,439		3,866
Change pension provision:					
• Accrual of benefits		12,529		12,902	
• Indexation		34,642		15,950	
• Addition of interest		-6,166		-7,300	
• Withdrawal for payments of pension benefits and pension execution costs		-39,229		-37,987	
• Yield curve change		-364,526		-90,784	
• Change of mortality assumptions		11,401		0	
• Withdrawal for other actuarial- and technical assumptions (retirement)		878		-767	
• Changes as a result of transfer of rights		0		0	
• Other changes pension provision		-5,448		1,627	
Change provision pension liabilities for risk pension fund	18		-355,919		-106,359
Change provision for future disability	19		-43		202
Change provision for risk members	20		6,007		21,676
Reinsurance	21		65		68
Transfer of pension rights for risk pension fund	22		0		60
Transfer of pension rights for risk members	23		-900		31
Other expenses	24		5		73
Total EXPENSES			**-307,896**		**-42,926**
NET RESULT			**-7,229**		**246,618**
Proposed appropriation of net result: - Added/(withdraw) to the general reserves			-7,229		246,618

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

12.3 Consolidated statement of cash flows for the year ended 31 December 2022

(in EUR 1,000)

		2022		2021
Cash flow from pension activities				
Contributions received	22,738		18,569	
Net cash flow from transfers of rights	1,821		-145	
Pension benefits paid	-39,254		-37,446	
Paid execution- and administration costs	-4,558		-3,664	
Paid contribution reinsurance	-74		-68	
Other amounts received	-		679	
Total cash flow from pension activities		-19,327		-22,075
Cash flow from investment activities				
Sale and redemption of investments	10,673,416		5,619,177	
Received direct investment returns	20,377		25,058	
Purchase investments	-10,617,315		-5,581,554	
Paid costs asset management	-11,757		-17,333	
Other amounts paid	-		-	
Total cash flow from investment activities		64,721		45,348
CHANGE CASH		45,394		23,273
Movements in cash and cash equivalents can be broken down as follows:				
Cash available for investments		210,411		167,687
Cash pension fund		6,487		3,817
Balance per 31 December		216,898		171,504
Balance per 1 January		171,504		148,231
CHANGE CASH		45,394		23,273

12.4 General

Activities

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

MPF 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. MPF 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). MPF owned 100% of the shares of REI until August 4, 2022, when the shares in de company were sold. REI is only included in the consolidated profit and loss account of MPF until the date it was sold. 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

There is an active contribution in collateral, further 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.

Indirect (listed) real estate investments are valued at the latest available quoted market price per balance sheet date. Indirect (non-listed) real estate investments are valued at fair value, based on Net Asset Value.

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 accounting principles are recognized under receivables and prepayments.

Cash
Cash is valued at nominal value.

Repurchase agreements
Temporarily sold assets remain, provided repurchase has been agreed, on the balance sheet of the selling fund (so-called repurchase transactions). The fund retains beneficial ownership. Against the cash received recognized as an asset, related to the aforementioned temporary sale, the repurchase obligation is recorded as a liability in the balance sheet.
Cash received as security (collateral) under the above transaction is included in investments. Where cash received as collateral has been reinvested, these investments are included in the relevant investment category. The debt from the collateral received is included in other liabilities. Where investments have been received as collateral in lieu instead of cash, these investments and the related liabilities are not included in the pension fund's balance sheet. All resulting income and expenses are

recognized on an accrual basis over the accrual principle over the life of the related transactions are recognized under interest income or -expense in the statement of income and expenses.

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 2022 as published by the Dutch Actuarial Association (2021: AG Projection Table 2020).
- The mortality rates for experience rating are adjusted with fund specific correction factors based on the WTW 2022 experience rates model (2021: WTW 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 (2021: 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% (2021: 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 pension liabilities for members participating in the ARP/ASP Defined Contribution schemes. For valuation purposes, the provision for risk members equals the value of the investments for risk

members. The movements includes received contributions from members/employers concerning the Defined Contribution schemes as well as transfers, investment results and other changes. Contributions, transfers, investment results and other changes 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 accounting principles 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
Accrual of benefits
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
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.

Addition of interest
The pension liabilities were increased, based on the one-year rate of the DNB curve at the beginning of the financial year 2022.

Change of mortality assumptions
In 2022 the mortality assumptions changed. The life expectancy rates for males and females are derived from the AG Projection Table 2022 as published by the Dutch Actuarial Association in 2022.

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

Withdrawal for payments of pension benefits and pension execution 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.

Withdrawal for other actuarial- and technical assumptions (retirement)
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 as a result of 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 pension provision
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 MPF 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	Derivatives	Other financial investments	Total
Value per 1 January 2022	108,192	807,497	624,439	122,224	24,712	190,006	1,877,070
Purchases	7,818	95,771	3,202,196	0	668,754	6,649,965	10,624,504
Sales	-28,284	-334,280	-3,227,950	0	-533,461	-6,563,863	-10,687,838
Valuation changes	12,437	-59,371	-9,155	18,549	-250,994	-44,752	-333,286
Other	0	92	-13,663	0	-61	51,584	37,952
Subtotal	100,163	509,709	575,867	140,773	-91,050	282,940	1,518,402
Derivatives credit							151,078
Deducted: investments for risk members (ARP)							-64,442
Value per 31 December 2022							**1,605,038**
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	5,481,527
Sales	-588	-359,079	-991,261	0	-217,007	-3,976,834	-5,544,771
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 2022 is including the credit position of derivatives (151,079) and a deduction of 64,442 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 210,411 (2021: 167,687). This amount includes 0 (2021: 8,838) of cash in REI. Also included in this category are collaterals 50,992 (2021: 12,386), short term funds 11,516 (2021: 6,431), commercial paper 0 (2021: 1,502) and repo's 10,001 (2021: 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	31-12-2022		31-12-2021	
	EUR	%	EUR	%
Global Value Property Fund	96,281	96%	78,446	73%
Angel Place Bridgwater	0	0%	5,653	5%
Westside Edinburgh	0	0%	7,021	6%
Exchange Rochdale	0	0%	7,438	7%
Clarendon Hyde	0	0%	3,392	3%

The positions relates to investments in REI and Global Value Property Fund.

Equity	31-12-2022		31-12-2021	
	EUR	%	EUR	%
Pem - effem fund	157,707	31%	177,523	22%
Marathon Asset Management LLP	0	0%	103,572	13%

Fixed Income	31-12-2022		31-12-2021	
	EUR	%	EUR	%
France Treasury Bill BTF REGS	84,382	14%	0	0%
Effem private credit feeder	65,959	11%	61,585	10%
European Union Bill	33,373	6%	0	0%
Global Emerging Debt-USD Government bonds	0	0%	76,547	12%

Hedge funds	31-12-2022		31-12-2021	
	EUR	%	EUR	%
Blackstone effem fund	140,773	100%	122,224	100%

Fair value hierarchy
The following tables summarize the valuation of investments by level within fair value hierarchy as of 31 December 2022 and 2021. 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	3,882	0	96,281	100,163
Equity	193,414	105,163	211,132	509,709
Fixed income	104,089	342,856	128,922	575,867
Derivatives	6,877	-97,927	0	-91,050
Hedge funds	0	0	140,773	140,773
Other financial investments	221,927	61,013	0	282,940
Total per 31 December 2022	**530,189**	**411,105**	**577,108**	**1,518,402**

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	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	0	190,006
Total per 31 December 2021	**592,094**	**586,735**	**698,241**	**1,877,070**

2 Investments for risk members

The investments for risk members consist of:

	31-12-2022	31-12-2021
Investments concerning ASP plan	58,073	64,723
Investments concerning ARP plan	64,442	51,785
Balance per 31 December	**122,515**	**116,508**

In 2022 the investments developed as follows:

	ASP	ARP
Balance per 1 January	64,723	51,785
Contributions	4,703	6,784
Transfers	504	829
Investment result	-11,670	5,129
Other changes	-187	-85
Balance per 31 December	**58,073**	**64,442**

Other changes concern cases of deceased members.

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 (commutation etc.)	0	-121
Balance per 31 December	**64,723**	**51,785**

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.

3 Other receivables

	31-12-2022	31-12-2021
Contributions	1,218	499
Other receivables	305	5,755
Balance per 31 December	**1,523**	**6,254**

Contributions concern the final contributions from the Companies for 2022.

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

	31-12-2022	31-12-2021
Cash at Rabobank	6,487	3,817
Balance per 31 December	**6,487**	**3,817**

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 stated at zero.

6 General reserves

The general reserves changed due to the addition of the result for the year of the pension fund:

	31-12-2022	31-12-2021
Balance per 1 January	534,056	287,438
Result for the year	-7,229	246,618
Balance per 31 December	**526,827**	**534,056**

The minimum regulatory own funds, 3.7% of the actuarial accrued liabilities at the risk of the pension fund, equals EUR 39,0 million. Legally required own funds amount to EUR 215,9 million and are equal to 20.5% 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 2022 was 118.0% (2021: 107.3%).

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

	31-12-2022	31-12-2021
Funding Ratio	150.0%	138.1%
Minimum required solvency ratio	103.7%	103.9%
Policy Funding Ratio	150.7%	130.0%
Ongoing solvency margin ratio	120.5%	120.3%

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 2022 is 150.7% (31 December 2021: 130.0%).

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 withdraw the result of 2022 with an amount of 7,229 from the general reserves. This proposal has already been incorporated in the balance sheet.

7 Actuarial accrued liabilities

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

	2022	2021
Provision for pension liabilities, balance at 1 January	**1,285,332**	**1,391,691**
Accrual of benefits (including surcharge for future costs)	12,529	12,902
Indexation to the account of the pension fund	34,642	15,950
Addition of interest	-6,166	-7,300
Benefit payments (incl. commutation and costs)	-39,229	-37,987
Yield curve change	-364,526	-90,784
Change in mortality assumptions	11,401	0
Other actuarial and technical assumptions	878	1,351
Individual value transfer (outgoing)	0	-62
Other changes pension liabilities (results on mortality and disability, corrections)	-5,448	-429
Total change	**-355,919**	**-106,359**
Provisions for pension liabilities, balance at 31 December	**929,413**	**1,285,332**

Yield curve change
The interest rates increased in 2022 resulting in a gain of 371,270 (change of AAL). In 2022 the change in UFR methodology resulted in a loss of 6,744. The interest addition to the AAL was 6,166 (gain) and the loss on direct and indirect returns on investments was 324,882. The costs for investment managers are a loss of 6,299. The total result on return and yield curve change was a gain of 39,511.

The effect of the UFR methodology is calculated per year end 2022 and therefore less negative than the estimated effect last year, which was calculated on year end 2021 interest rate. Due to an increase of the interest rate from year end 2021 to year end 2022, the effect the net UFR has decreased.

Change of mortality assumptions
In 2022 the mortality assumptions changed. The life expectancy rates for males and females are derived from the AG Projection Table 2022 as published by the Dutch Actuarial Association in 2022. This impacted the AAL with 10,113. Also, the mortality rates for experience rating are adjusted in 2022 with fund specific correction factors based on the Willis Towers Watson 2022 experience rates model. This impacted the AAL with 1,288. The combined effect of mortality assumptions on the ALL amounts to EUR 11,401.

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.
Due to the indexation on January 1, 2023, the AAL increased by an amount of 32,541.

Addition of interest
The pension liabilities have accrued interest at -0.533% (2021 -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 878 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 4,816 due to mortality, an increase of 729 due to disability, a increase of 91 because of retirement and other effects -188). The decrease in the result on mortality is explained by the lower actual mortality in 2022.

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.

	31-12-2022 Members	**31-12-2022** AAL	**31-12-2021** Members	**31-12-2021** AAL
Actives (including disabled)	409	249,936	467	409,889
Deferred members	719	176,279	720	257,449
Retirees	1,345	504,656	1,420	643,289
Sub-total	**2,473**	**930,871**	**2,607**	**1,310,627**
Minus: BPF Sweets *	0	0	0	-25,295
Total	**2,473**	**930,871**	**2,607**	**1,285,332**

* 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

	2022	2021
Balance per 1 January	1,501	1,299
Regular change	-43	202
Balance per 31 December	**1,458**	**1,501**

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* (BPF Sweets).

The provision for risk members consist of:

	31-12-2022	31-12-2021
Investments concerning ASP plan	58,073	64,723
Investments concerning ARP plan	64,442	51,785
Balance per 31 December	**122,515**	**116,508**

In 2022 the provisions developed as follows:

	ASP	ARP
Balance per 1 January	64,723	51,785
Contributions	4,703	6,784
Transfers	504	829
Investment result	-11,670	5,129
Other changes	-187	-85
Balance per 31 December	**58,073**	**64,442**

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**

10 Current liabilities

	31-12-2022	31-12-2021
Derivatives	151,079	41,852
Accrued expenses and other liabilities	3,236	13,434
Contributions of employer	0	0
Wage tax and premiums social security	1,035	1,033
Balance per 31 December	**155,350**	**56,319**

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 include EUR 1,454 (2021: EUR 1,339) corporate income tax and VAT and EUR 0 (2021: EUR 9,810) 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 151.6 million (2021: 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 1.4 million. This amount is indexed on a yearly basis.

REI

On August 4, MPF sold the shares of REI. MPF may be liable to pay a certain amount to the buyer of the shares in case of a breach of contract on the condition that the breach cannot be remediated within 30 days. The claim has a threshold of GBP 70 thousand and cannot exceed the purchase price of the shares. The purchase price is GBP 1 plus or minus an amount calculated for the adjusted NAV. At this point in time, it is considered that the adjusted NAV is a negative amount and as such no payable will arise from the contract.

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.

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	31-12-2022		31-12-2021	
	EUR	%	EUR	%
S1 Interest rate risk	19,411	1.8	9,800	0.7
S2 Market risk on equities and property	167,694	16.0	206,200	14.7
S3 Currency risk	68,602	6.5	102,300	7.3
S4 Commodity risk	0	0.0	0	0.0
S5 Credit risk	51,860	4.9	81,400	5.8
S6 Technical insurance risk	30,223	2.9	36,000	2.6
S10 Active risk	23,890	2,3	12,400	0.9
Diversification-effect	-147,029	-14.0	-164,900	-11.8
Adjustment for risks for members	1,225	0.1	1,100	0.1
Required own funds	**215,876**	**18.2**	**284,300**	**20.3**

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.

	31-12-2022	31-12-2021
	in years	in years
Fixed income duration (excluding derivatives)	2.79	2.50
Fixed income duration (including derivatives)	8.58	4.50
Duration of the (nominal) pension liabilities	15.10	17.90

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 increase as the funding ratio falls towards the second target funding ratio (TFR2). The Pension Board and its Investment Committee have carefully implemented the necessary infrastructure to enable this interest rate hedging procedure. As of 31 December 2022 the funding ratio was 149.4%, above TFR2 (estimated to be 139.9% at the time, adjusted to 137.3% in early January). Because the funding ratio had fallen below TFR2 + 10% earlier in December 2022, the 'dynamic' hedge ratio target (based on the full economic indexed liability) had been increased to 79%.
The Pension Fund's fixed income portfolio (Bonds), excluding derivatives, can be divided into the following subcategories.

Fixed income - Asset categories	31-12-2022		31-12-2021	
	EUR	%	EUR	%
Government Bonds	234,540	41.0	131,903	21.0
Index Linked Bonds	15,252	3.0	17,087	3.0
Mortgages and Mortgage backed securities	62,510	11.0	39,129	6.0
Credits	260,209	45.0	419,611	67.0
Cash and cash-like instruments	18,516	0.0	20,466	3.0
Total	**591,027**	**100.0**	**628,196**	**100.0**

Cash and cash-like instruments concern short term claims and interest. The net pending trades (- EUR 17.574 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 MPF 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	31-12-2022		31-12-2021	
	EUR	%	EUR	%
Consumers	57,488	11.0	107,906	14.0
Energy	10,392	2.0	15,758	2.0
Financials	256,297	50.0	305,065	37.0
Health care	48,488	10.0	87,904	11.0
Industrials	37,427	7.0	70,633	9.0
Communication services	13,222	12.0	29,809	4.0
Information Technology	61,915	4.0	152,176	19.0
Materials	18,802	3.0	26,409	3.0
Utilities	1,662	0.0	8,116	1.0
Other	1,296	1.0	3,721	0.0
Total	**506,989**	**100.0**	**807,497**	**100.0**

12.8.3 Currency risk (S3)

At the end of 2022 about 65% (2021: 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 36% at the end of 2022 (45% at the end of 2021). The total net market value of the outstanding currency forward contracts at the end of the year was 8,283 (2021: 400).

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

Currency	Before Hedging	Currency Derivatives	31-12-2022 Net position after hedging	31-12-2021 Net position after hedging
Euro	528,609	546,100	1,074,709	1,307,727
British pound	86,614	-42,690	43,924	65,172
Japanese yen	60,701	-55,001	5,700	-18,911
US Dollar	817,533	-412,273	405,260	593,975
Other	16,661	-27,852	-11,191	-70,893
Total	**1,510,118**	**8,284**	**1,518,402**	**1,877,070**

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 68,602.

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	31-12-2022	31-12-2021
Mature markets	480,975	753,332
Emerging Markets	27,947	54,165
Total	**508,922**	**807,497**

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

Fixed Income – Regions	31-12-2022	31-12-2021
Mature markets	521,943	532,933
Emerging Markets	71,497	95,263
Total	593,440	628,196

The net pending trades (- EUR 17.574 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.

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. MPF 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	**31-12-2022**		**31-12-2021**	
	EUR	**%**	**EUR**	**%**
AAA	114,974	19.0	120,591	19.0
AA	166,348	28.0	37,161	6.0
A	32,743	6.0	91,751	15.0
BBB	51,750	9.0	117,245	19.0
Lower than BBB	121,113	20.0	143,923	23.0
No rating	104,100	18.0	117,525	18.0
Total	**591,028**	**100.0**	**628,196**	**100.0**

The net pending trades (- EUR 17.574 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 2022 to take the most recent mortality assumptions and the increased long-term trend in mortality probabilities (and therefore the life expectancy) into account.
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 MPF should be taken into account. For this reason the pension fund uses the MPF specific experience rating based on the Willis Towers Watson 2022 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.

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 1,474,439 (2021: EUR 1,979,364).

Positions more than 2% of the total assets:

	31-12-2022		31-12-2021	
	EUR	**%**	**EUR**	**%**
Pimco - GL BD	322,979	21.9	392,040	19.8
Bond collateral	183,841	12.5	180,260	9.1
Blackstone effem fund	140,773	9.5	122,224	6.2
GL Val Prop FD	96,281	6.5	78,446	4.0
Pem - EFFEM II	93,378	6.3	121,075	5.7
Nomura HY BD	87,387	5.9	102,780	5.2
Blackrock PV CR	65,959	4.5	61,585	3.1
GLG	59,691	4.0	0	0.0
MSIM EAFE EQ	56,725	3.8	0	0.0
Pem - EFFEM III	51,691	3.5	50,181	2.4
PICTET	51,593	3.5	0	0.0
Vanguard US EQ	36,312	2.5	0	0.0
GMO US QUAL EQ	35,685	2.4	0	0.0
ARROWST WRLD EQ	33,723	2.3	0	0.0
ARDEVORA GL EQ	32,032	2.2	0	0.0
Global Emergin Debt-USD Government bonds	0	0.0	76,547	3.9
	1,348,050	**91.3**	**1,185,138**	**59.4**

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.

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 2022:

Type of contract	Expiry Date	Notional Values	Market Value assets	Market Value liabilities
Futures	Various	-201,893	8,279	-3,556
Currency Forward contracts	Various	-537,804	10,741	-2,458
Options	Various	-861	17,541	-5,210
Interest Rate Swaps	Various	642,340	8,791	-133,235
Total return swaps	Various	552,149	11,260	-4,240
Other	Various	156,800	2,056	-2,380
Total		**610,731**	**58,668**	**-151,079**

The table below shows the derivatives positions 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**

12.9 Notes to the statement of income and expenses

11 Contributions from employer and members

The total employer contribution amounts EUR 21.6% (2021: 25.0%) of the pensionable salaries reduced with the contributions from the employers registered in BPF Sweets. The employer contribution percentage includes the contribution for the account and risk of member with respect to the concerning the ARP plan (EUR 6,784) and a contribution with respect to the ASP-plan (EUR 4,703). This is resulting in an employer's contribution with respect to the Final Pay Plan of EUR 10,877. The members also contribute to the ASP-plan for a total of EUR 3,292. The total actual contribution is EUR 22,364.

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

	2022	2021
Cost covering contribution	31,832	31,431
Smoothened contribution	22,685	20,723
Actual contribution	22,364	23,950

The cost covering contribution is based on the actuarial assumptions applicable as per 31 December 2022, 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:

	2022		2021	
	CCC	SCCC	CCC	SCCC
Unconditional accrual	26,231	18,879	25,608	16,962
Solvency surcharge	3,570	1,775	3,857	1,795
Surcharge for administration costs	2,031	2,031	1,966	1,966
Total	**31,832**	**22,685**	**31,431**	**20,723**

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

12 Contributions for account and risk members

	2022	2021
ARP contribution	6,784	5,844
ASP contribution	4,703	3,846
Total contribution	**11,487**	**9,690**

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 2022	Total 2021
Real Estate	6,072	-2,550	-5,637	-2,115	14,748
Equity	4,087	-55,397	-641	-51,951	221,528
Fixed Income	8,724	-7,672	-864	188	27,934
Derivatives	2,121	-251,773	0	-249,652	-108,791
Hedge funds	0	18,549	0	18,549	18,385
Other financial investments	-524	-36,726	-3,729	-40,979	-5,331
Investment results	**20,480**	**-335,570**	**-10,871**	**-325,961**	**168,473**
Allocated to ARP				-5,129	-1,568
Net Investment result				**-331,090**	**166,905**

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 10.9 million (2021: 17.3 million) also include the operational costs related to the direct investments in real estate EUR 5.3 million in and (2021: EUR 12.3 million).

	2022	2021
Management fee external asset managers	2,803	2,659
Investment advice	1,722	1,766
Operating costs real estate	5,258	12,297
Custody fee	396	398
Other costs	608	0
Value added tax on costs foreign asset managers and other	84	213
Total	10,871	17,333

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.

Transaction costs mainly concern the premiums and discounts on the purchase and sale of shares of securities. The several types of transaction costs, i.e. the 2nd layer costs as well as transaction costs for alternative funds are not recorded in the custodian records and cannot be reliably estimated. Therefore these costs are not separately presented.

14 Investment results for risk members

	2022	2021
Investment results ARP (after deduction of transfers ARP)	5,129	1,568
Investment results ASP	-11,670	10,570
Total	**-6,541**	**12,138**

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 2022 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 2022	Total 2021
Equity	0	-11,670	0	-11,670	10,614
Fixed Income	0	0	0	0	-44
Total	**0**	**-11,670**	**0**	**-11,670**	**10,570**

The mutual funds in which ASP invests, provides a shared price including direct (coupons and dividend) and indirect investment results. Also (transaction) costs are included which mainly concern the premiums and discounts on the purchase and sale of shares of securities)

15 Other income

	2022	2021
Retained fees ASP scheme	142	699

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 2022 at once.

16 Benefits payment

	2022	2021
Retirement pension	33,448	32,317
Partner pension	4,456	4,622
Disability pension	451	443
Commutation of small pensions	56	45
Orphan pension	39	30
Total	**38,450**	**37,457**

17 Execution- and administration costs

	2022	2021
Administration costs	1,577	990
Actuarial (advising)	327	678
Legal advisory	214	224
Cross charges from the employer (support Pension Office)	365	330
Benefits Professional (support Pension Office)	159	159
Governance costs (Pension Board, Supervisory Council, Accountability Council)	215	274
Audit and advisory services	84	78
Communication costs	0	1
Membership contributions	104	108
Actuarial (certifying)	33	-16
Keyfunctionholders	81	66
Other costs (mostly transition fees)	1,280	974
Total	**4,439**	**3,866**

The execution- and administration costs are VAT included. In total an amount of 715 (2021: 584) has been paid on VAT charges. The total costs are higher compared to 2021 due to the transition costs for the transfer of the pension administration from TKP to BSG and costs for the preparation for WTP.

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 (2021: two employees) who have employment contracts with Mars Nederland B.V., have been outsourced to MPF and all are working within the Netherlands, therefore there are no employees working outside the Netherlands. The costs are charged to MPF and included in this report. In 2022 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 137 (2021: 204).

Members of the Accountability Council receive a compensation of 3 per year (2021: 3).

Board members not employed at Mars Nederland B.V. received a total remuneration of EUR 137 (2021: EUR 157).

Independent audit and advisory services

	2022	2021
Audit of the financial statements and regulatory returns to the Dutch Central Bank	90	78
Other audits procedures	0	0
Tax services	0	0
Other non-audit services	25	0
Total	**115**	**78**

Audit services are provided by PricewaterhouseCoopers Accountants N.V.

18 Change provision pension liabilities for risk pension fund

	2022	2021
Change provision	-355,919	106,359

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

	2022	2021
Provision change for future disability	-43	202

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

20 Change provision for risk members

	2022	2021
Provision change for the account and risk of members	6,007	21,676

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

21 Reinsurance

	2022	2021
Premium	65	68

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 2022 no claims were made.

22 Transfers of pension rights for risk pension fund

	2022	2021
Incoming transfer values	0	0
Outgoing transfer values	0	60
Total	**0**	**60**

23 Transfers of pension rights for risk members

	2022	2021
Incoming transfer values	-1,878	-294
Outgoing transfer values	978	325
Total	**-900**	**31**

24 Other expenses

	2022	2021
Contribution AO for ASP members	0	55
Credit interest bank	5	18
Total	**5**	**73**

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

The balance of income and expense (loss) for the year 2022 of 7,730 is deducted to the general reserves.

12.11 Subsequent events

UFR

The AAL has been determined on the basis of the UFR as published by DNB as at 31 December 2022 and the assumptions as stated in the accounting policies for the annual accounts.

Research done by the Parameters Committee in 2022 shows that the market for bonds with maturities of up to 50 years is sufficiently large to prevent strategic behaviour by Dutch pension funds. Therefore, the Parameters Committee recommends to amend the DNB-UFR curve by moving the first smoothing point from 30 to 50 years and immediate instead of in 4 steps.

Applying the new UFR method will have an effect of approximately 0.1 percentage points on the funding ratio of the pension fund as of 1 January 2023.

13 SINGLE FINANCIAL STATEMENTS

13.1 Single balance sheet as at 31 December 2022

After appropriation of results (in EUR 1,000)

ASSETS			31-12-2022		31-12-2021
Investments for risk pension fund					
Real estate	25	100,163		83,746	
Equity		509,709		807,497	
Fixed income		575,867		624,438	
Hedge funds		140,773		122,224	
Derivatives		60,028		66,564	
Other financial investments	26	218,498		129,382	
			1,605,038		1,833,851
Investments for risk members	2		122,515		116,508
Investments in subsidiaries	27		0		0
Receivables and prepayments					
Other receivables	28		1,523		28,390
Other assets					
Cash	4		6,487		3,817
			1,735,563		**1,982,566**

LIABILITIES					
Foundation capital and reserves					
Foundation capital	5		0		0
General reserves	6		526,827		534,056
Technical provision for risk pension fund					
Actuarial accrued liabilities	7	929,413		1,285,332	
Provision for future disability	8	1,458		1,501	
			930,871		1,286,833
Pension provision for risk members	9		122,515		116,508
Current liabilities	29		155,350		45,169
			1,735,563		**1,982,566**

13.2 Single statement of income and expenses for the year ended 31 December 2022

(in EUR 1,000)

INCOME			2022		2021
Contributions from employer and employees	11		10,877		14,260
Contributions for account and risk members	12		11,487		9,690
Investment results for risk pension fund	30	-329,688		170,161	
Investment results for risk members	14	-6,541		12,138	
			-336,229		182,299
Other income	15		142		699
Total INCOME			**-313,723**		**206,948**
EXPENSES					
Benefits payment	16		38,450		37,457
Execution- and administration costs	17		4,439		3,866
Change pension provision:					
• Accrual of benefits		12,529		12,902	
• Indexation		34,642		15,950	
• Addition of interest		-6,166		-7,300	
• Withdrawal for payments of pension benefits and pension execution costs		-39,229		-37,987	
• Yield curve change		-364,526		-90,784	
• Change of mortality assumptions		11,401		0	
• Withdrawal for other actuarial- and technical assumptions (retirement)		878		-767	
• Changes as a result of transfer of rights		0		0	
• Other changes pension provision		-5,448		1,627	
Change provision pension liabilities for risk pension fund	18		-355,919		-106,359
Change provision for future disability	19		-43		202
Change provision for risk members	20		6,007		21,676
Reinsurance	21		65		68
Transfer of pension rights for risk pension fund	22		0		60
Transfer of pension rights for risk members	23		-900		31
Other expenses	24		5		73
Total EXPENSES			**-307,896**		**-42,926**
NET RESULT			**-5,827**		**249,874**
Result subsidiary (MREI)	31		**-1,402**		**-3,256**
TOTAL NET INCOME			**-7,229**		**246,618**

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 MPF.

Investments in subsidiaries

This is a 100% participating interest in REI Nederland B.V. (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

	2022	2021
Balance per 1 January	83,746	53,400
Purchases	7,740	18,727
Sales	-3,470	-588
Valuation changes	12,147	12,207
Balance per 31 December	**100,163**	**83,746**

26 Other financial investments

	31-12-2022	31-12-2021
Cash available for investments	210,411	148,848
Liquid assets available for investment	72,529	32,318
Deducted investments ARP	-64,442	-51,785
Total	**218,498**	**129,381**

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. On the 4th of August 2022 the investment in REI was sold for an amount of GBP 1 which resulted in a loss of EUR 16,8 million. As part of the sale and purchase agreement, part of the amount of the intercompany loans provided to REI were converted to capital by way of an informal capital contribution. This is reflected in the movement schedule related to the participation in REI below as well as in Note 28 Receivables from group companies.

The capital is lower than the outstanding loans form the pension fund to REI. The investment in subsidiaries is therefore stated at zero and the loans are denominated with the negative value of the capital and reclassified as Receivables form group companies.

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

Capital	2022	2021
Balance per 31 December previous year	-48,455	-42,396
Contributions	43,568	0
Operational result	-1,402	-3,256
Revaluations (foreign currency)	0	-2,803
Result of disposal of investment	6,289	0
	0	-48,455
Deduction from net investment (receivables from group companies)	0	48,455
Balance per 31 December	**0**	**0**

On the 4th of August 2022 the investment in REI was sold for an amount of EUR 1 (equivalent of GBP 1). As part of the sale and purchase agreement, part of the intercompany loans provided to REI were converted to capital by way of an informal capital contribution in the amount of EUR 43,568 thousand (equivalent of GPB 36.736 thousand). This movement is also reflected in Note 28 Receivables from group companies. The operational result of REI for the period ended on the 4th of August 2022 amounts to EUR 1,402 thousand. The disposal of the investment for an amount of EUR 1 (equivalent of GBP 1) results in a book profit of EUR 6,289 thousand.

28 Receivables and prepayments

	31-12-2022	**31-12-2021**
Receivable from group companies	0	26,862
Contributions employer	1,218	499
Other receivables	305	0
Accrued interest Intercompany loan REI	0	1,029
Total	**1,523**	**28,390**

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	**31-12-2022**	**31-12-2021**
Balance per 31 December previous year	**75.317**	**68.190**
Additions and currency revaluation results	0	11.121
Repayments	-10.096	-3.994
Conversion loan to share premium (contribution)	-43.568	0
Result on transfer of loan	-21.653	0
	0	75.317
Deduction remaining negative equity	0	-48.455
Total	**0**	**26.862**

Receivables from group companies concern the loans to REI, consisting of Senior Debt, Junior Debt and Interest Free Debt. All loans are denominated in GBP. The loan was devalued due to the operational result of REI in 2021. In August 2022, as part of the sale of the shares in REI, partial loan repayments of in total EUR 10,096 thousand (equivalent of GBP 8,500 thousand) were made by REI. In addition, part of the intercompany loans provided to REI were converted to capital by way of an informal capital contribution in the amount of EUR 43,568 thousand (equivalent of GPB 36.736 thousand). The repayments and contributions in total amount to EUR 53,644 thousand. The remainder of the loans was assigned to the buyer of the investment in REI for an amount of EUR 1 (equivalent of GBP 1), which results in a book loss of EUR 21,653 thousand.

29 Current Liabilities

	31-12-2022	31-12-2021
Derivatives	151,079	41,852
Accrued expenses and other liabilities	3,236	2,284
Contributions employer	0	0
Wage tax and premiums social security	1,035	1,033
Total	**155,350**	**45,169**

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.

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 2022	Total 2021
Real Estate	2,526	-3,239	0	-713	16,578
Equity	4,087	-55,397	-641	-51,951	221,528
Fixed Income	8,724	-7,672	-864	188	27,934
Derivatives	2,121	-251,773	0	-249,652	-108,791
Hedge funds	0	18,549	0	18,549	18,385
Other financial investments	-524	-36,726	-3,729	-40,979	-5,331
Investment results	**16,934**	**-336,259**	**-5,234**	**-324,559**	**170,303**
Allocated to ARP				-5,129	-1,568
Loan to subsidiary				0	1,426
Net Investment result				**-329,688**	**170,161**

The total direct investment results concerning real estate of EUR 2,526 thousand is compiled of interest income on the loan to REI of EUR 2,401 thousand and direct investment result on the real estate portfolio of EUR 125 thousand. The total indirect investment results concerning real estate of negative EUR 3,239 is compiled of the book profit on the sale of REI of EUR 6,289 thousand, the book loss on the transfer of the loan to REI of negative EUR 21,653 thousand and indirect investment results related to the real estate portfolio of EUR 12,120 thousand.

31 Result subsidiary (REI)

The result of the subsidiary is compiled of:

	2022	2021
Operational result	-1,402	-3,255
Results on exchange rates	0	-1
Total	**-1,402**	**-3,256**

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 (2021: two employees) who have employment contracts with Mars Nederland B.V. and have been outsourced to MPF. The costs are charged to MPF and included in this report.

13.6 Subsequent events

UFR
The AAL has been determined on the basis of the UFR as published by DNB as at 31 December 2022 and the assumptions as stated in the accounting policies for the annual accounts.
Research done by the Parameters Committee in 2022 shows that the market for bonds with maturities of up to 50 years is sufficiently large to prevent strategic behaviour by Dutch pension funds. Therefore, the Parameters Committee recommends to amend the DNB-UFR curve by moving the first smoothing point from 30 to 50 years and immediate instead of in 4 steps.
Applying the new UFR method will have an effect of approximately 0.1 percentage points on the funding ratio of the pension fund as of 1 January 2023.

Veghel, 27 June 2023

The Pension Board

Mr. F. Nieuwland (Chairman)

Mr. H. van Heesch (Secretary)

Mr. P. van Bree

Mr. W. Van de Laar

Mrs. R. Steenbergen

Mr. P. van Beek

The Supervisory Council

Mr. P. de Koning (Chairman)

Mr. F. Valkenburg

Mrs. E. Wiertz

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 2022 is included in the statement of income and expenses.

14.2 Actuarial Statement

The assignment to issue an Actuarial Statement, as referred to in the Pension Act in respect of the financial year 2022, was issued to Towers Watson Netherlands B.V. by Stichting Mars Pensioenfonds, established in Veghel.

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.

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.

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 € 6,750,000. With the external auditor I have agreed to report any observed discrepancies above a level of € 450,000. 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.

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.

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 2023 was taken into account on the balance sheet date, this would not change my opinion of the financial position of Stichting Mars Pensioenfonds.

Rotterdam, 27 juni 2023

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 2022

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 2022, 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 2022 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 2022;
- 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).

Information in support of our opinion

We designed our audit procedures with respect to fraud and going concern, and the matters resulting from that, in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in support of our opinion, such as our findings and observations related to the audit approach fraud risk and the audit approach going concern was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Audit approach fraud risks

We identified and assessed the risks of material misstatements in the financial statements due to fraud. During our audit we obtained an understanding of Stichting Mars Pensioenfonds and its environment and the components of the internal control system. This included the Pension Board's risk assessment process, the Pension Board's process for responding to the risks of fraud and monitoring the internal control system. We refer to section 4.5 'Fraud Risk' of the report of the Pension Board for management's fraud risk assessment.

We evaluated the design and relevant aspects of the internal control system with respect to the risks of material misstatements due to fraud and in particular the fraud risk assessment, the code of conduct, which includes whistleblower procedures, and the integrity policy, among other things. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls designed to mitigate fraud risks.

We asked members of the Pension Board, as well as employees of the Pension Office, whether they are aware of any actual or suspected fraud. This did not result in signals of actual or suspected fraud that may lead to a material misstatement.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We identified the following fraud risks and performed the following specific procedures:

Identified fraud risks	***Our audit work and observations***
Risk of management override of controls According to the Dutch Standards on Auditing, the risk of management override of controls is present in all entities. Inherently, management has a unique position to commit fraud, due to the ability to manipulate accounting records and to prepare fraudulent financial statements by overriding internal controls that would otherwise seem to operate effectively. Therefore, we perform audit procedures related to address the risk of management override of controls related to: journal entries and other adjustments made during the process of preparing the financial statements; estimates; significant transactions outside the regular course of business.	We have evaluated the design and implementation of internal controls related to procedures for creating and processing journal entries. We have selected journal entries based on risk criteria and have performed specific audit procedures on these journal entries. We have tested if the journal entries and other adjustments made in the financial statements preparation process are acceptable. We have also paid specific attention to significant transactions outside the regular course of business of the Foundation or that would otherwise be deemed irregular, based on our understanding of the Foundation and its environment and other information obtained in the course of our audit procedures. We have not identified any significant transactions outside the regular course of business, other than the sale of equity shares and transfer of the loans of 100%-subsidiary REI Nederland B.V. as disclosed in note 27 and 28 in the financial statements. We have reviewed the relevant agreements and bank statements evidencing the transactions with the notary related to these events. We have not found any indications of (possible) fraud related to significant transactions outside the regular course of business based on the procedures performed. We have evaluated the design and implementation, as well as the operating effectiveness, of internal controls related to estimates. We have verified the internal controls related to access management in the IT-systems by reviewing the ISAE3402 reports (or international equivalents) of relevant service organizations.

We pay special attention to tendencies following possible personal interests of board members.	During our audit procedures we have paid specific attention to significant estimates that are based on subjective inputs, such as fund specific elements of the valuation of the technical provisions for risk pension fund and the valuation of non-listed investment funds. Based on our audit procedures and the outcomes, we have evaluated these estimates for possible tendencies that can result in a risk of a material misstatement due to fraud. We have performed, amongst others, the following procedures: We have evaluated the valuation of non-listed investment funds using the net asset values obtained from audited financial statements for these funds. We have evaluated the actuarial assumptions and changes to these assumptions, as well as the actuarial analysis, and discussed this with the Pension Board and certifying actuary. We have evaluated the disclosures related to the financial position of the Foundation based on the requirements in the Dutch Accounting Standards ('Richtlijnen voor de Jaarverslaggeving'). We have not identified any tendencies in our audit of estimates as a result of personal interests of the Pension Board members. Our audit procedures did not lead to indications of (possible) fraud as a result of management override of controls.

We incorporated an element of unpredictability in our audit. Furthermore, we reviewed correspondence with regulators and during the audit we remained alert to indications of fraud. We have reviewed available information, amongst which the SIRA ('Systematische Integrale Risico Analyse'), prepared by the Pension Board. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance of laws and regulations. Whenever we identify any indications of fraud, we re-evaluate our fraud risk assessment and its impact on our audit procedures.

Audit approach going concern

The Pension Board has prepared the financial statements based on the going concern assumption for all business activities of the Foundation for the foreseeable future. Our procedures to evaluate the Pension Board's going concern assessment included obtaining evidence around going concern risk and the going concern assumption used by the Pension Board to determine the amounts and the disclosures included in the financial statements.

Based on the obtained information, we have identified whether events or conditions exist that may cast significant doubt on the entity's ability to continue as a going concern.

Based on applicable laws and regulations, pension funds are required to hold sufficient equity reserves, expressed in the 'Ongoing Solvency Margin Ratio' (OSMR). The OSMR is based on the financial evaluation framework ('financieel toetsingskader'). If the funding ratio is below the OSMR, the pension fund must prepare a recovery plan to evidence how the pension fund plans to restore the reserves to the required levels. If the pension fund cannot meet the requirements for recovery, additional measures must be considered. This may involve the reduction of pension rights of (in)active members and pensioners to meet the OSMR requirements.

As disclosed by the Pension Board in section 4.6 'Going concern risk' of the report of the Pension Board, section 12.5.1. 'Accounting policies – General – Continuity assumption' and note 6 ('General reserves') of the financial statements, the Foundation does not have a deficit in reserves as per year-end. It is the expectation of the Pension Board that the Foundation has sufficient potential to prevent a situation of deficit. The Pension Board has performed a going concern assessment for the foreseeable future (at least twelve months after preparing the financial statements) and has not identified any events or circumstances that may cast significant doubt on the entity's ability to continue as a going concern (further: going concern risks).

Our procedures to evaluate the Pension Board's going concern assessment included, amongst others:

considering whether the Pension Board's going concern assessment includes all relevant information of which we are aware as a result of our audit and performing inquiries of the Pension Board regarding the most important assumptions underlying its going concern assessment. Amongst others, the Pension Board took into consideration:

- the financial position of the Foundation in relation to the OSMR;
- the administrative and financial agreement with the sponsors, including agreements related to contribution and requirements for additional capital contributions by the sponsor;
- the continuous monitoring of the investment portfolio, including the interest rate risk hedging policy and liquidity risk management;
- political, demographical, geographical and operational developments, to the extent these may be relevant to the activities of the Foundation.

performing inquiries of the Pension Board as to its knowledge of going concern risks beyond the period of the Pension Board's assessment.

Furthermore, we reviewed correspondence with regulators. Our procedures did not result in outcomes contrary to the Pension Board's assumptions and judgments used in the application of the going concern assumption.

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; and
- contains all the information regarding the directors' report and the other information that is required by Part 9 of Book 2 of 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 directors' report 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, 27 June 2023

PricewaterhouseCoopers Accountants N.V.

Original has been signed by N.C. Doets RA MSc

Appendix to our auditor's report on the financial statements 2022 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 Plan (DC)	Beschikbare premieregeling
DNB	De Nederlandsche Bank
EB – Executive Board	Dagelijks bestuur
ECB	Europese Centrale Bank
EM	Emerging Markets
EMD	Emerging Market Debt
EOP	Additional Retirement Pension (Extra ouderdomspensioen)
EPP	Additional Partners Pension (Extra partnerpensioen)
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
LIL	Lower Indexation Level (beleidsdekkingsgraad waaronder geen indexatie wordt toegekend)
MPF	Stichting Mars Pensioenfonds
REI	REI Nederland 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
TIL	Target Indexation Limit (beleidsdekkingsgraad waarboven volledige toeslagverlening kan plaatsvinden)
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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