Annual Report

2023

Stichting Mars Pensioenfonds
Established in 1964

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

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REPORT OF THE PENSION BOARD

INTRODUCTION BY CHAIRMAN

The new Dutch pension law (WTP) has already been in force for nearly ten months, a period that has passed remarkably quickly. The Pension Board (PB) of Stichting Mars Pensioenfonds has energetically explored the potential implications of the new regulations for the fund. Thanks to stability in the PB, the Accountability Council (AC), and the Supervisory Council (SC), we have been able to focus on identifying and discussing the key elements of the new pension design. While the framework of the new pension design is crafted by the social partners, the PB has been proactive and eager to serve as a thoughtful sounding board and collaborative partner once the social partners commence their deliberations. We are proud to have met this goal, continuously supported by the endorsements of both the AC and SC.

Currently, the social partners are pinpointing the critical aspects of the new pension design, resulting in a promising new episode for the PB. This involves translating the detailed plans outlined in the transition plan, due by the end of 2024, into a viable, balanced, and equitable implementation strategy. These aspects—viability and balanced interests—are at the core of the forthcoming implementation plan. This plan, along with a comprehensive communication strategy, will be submitted to DNB and AFM respectively before 1 July 2025. As in the preparatory phase, the AC and SC will continue to accompany the PB on this transformative journey, offering their valued insights at pivotal moments.

The new Pension Law is already influencing our current policies, even though the transition is slated for 1 January 2027. Our investment approach, for instance, is strategically designed to safeguard our funded status, ensuring ample resources to seamlessly transfer to the new pension plan. While this strategy aims to maximize financial security, it has led to a conservative investment return of 1.5% in 2023. Though modest, this return reflects our deliberate strategy amid fluctuating markets, and we maintain a robust funded status of 140.8%, aligned with our strategic objectives.

Given our solid financial positioning, the Pension Board has approved a 0.16% indexation for pensions in payment from 1 January 2024, matching 75% of the increase in the Consumer Price Index from September 2022 to 2023 as reported by the Central Bureau of Statistics.

In the realm of ESG, we are excited to share our initial responses to the PRI survey, which were received positively, details of which will be elaborated later in this document. Our active engagement with investment managers ensures a consistent elevation of ESG standards, and we mandate that new investments in public asset classes meet SFDR 8 or 9 criteria. Our post-transition investment policy will reflect the high value our members place on ESG considerations.

Embracing the concept that “the shop is open while under construction,” we continue to adeptly manage two pension plans. Despite the ongoing changes, we concluded 2023 without any significant disruptions, a testament to the dedication of all involved. I extend my heartfelt thanks to everyone and look forward to a similarly successful 2024.

Veghel, 27 June 2024

Fred Nieuwland

Chairman of the Board

1 KEY FIGURES

	2023	2022	2021	2020	2019
Members and retirees					
Active members	1,448	1,380	1,294	1,336	1,388
- Final Pay Plan	367	409	467	506	607
- ARP/ASP Plan	1,081	971	827	830	781
Deferred members	1,439	1,412	1,299	1,277	1,267
Retirees	1,370	1,345	1,420	1,373	1,289
Retirees per type					
Old age pension	1,051	1,036	1,107	1,074	987
Partner- and orphan pension	319	309	313	299	302
Pensions					
Cost covering contribution	27.4%	36.1%	32.8%	49.1%	33.6%
Smoothed cost covering contribution	24.9%	25.7%	21.6%	27.3%	22.1%
Actual contribution	12,7%*	25.8%	25.0%	21.1%	7.2%*
Execution- and administration costs	4,477	4,439	3,866	2,843	2,805
Benefit payments	39,937	38,450	37,457	35,600	33,900
Indexation ARP					
Active members (year+1)	10.14%	9.16%	4.50%	5.03%	5.36%
Inactive members (year+1)	0.00%	9.16%	2.45%	5.03%	2.26%
Indexation Final Pay plan					
Deferred members and retirees (year+1)	0.16%	3.00%	1.75%	0.34%	1.98%
Deferred members and retirees (retained target)	0.00%	0.27%	0.00%	0.00%	0.00%
Deferred members and retirees (catch-up)	0.00%	0.49%	0.00%	0.00%	0.00%
Additional pension entitlements actives (year+1)	7.23%	3.11%	1.75%	1.87%	2.88%
Additional pension entitlements actives (2015/2018)	7.23%	3.11%	1.75%	0.76%	2.88%

* In 2019 and 2023 a discount was appliable.

	2023	2022	2021	2020	2019
Assets and solvency					
Required general reserve	238,700	215,900	284,300	333,800	314,400
Minimum general reserve	41,000	39,000	54,400	58,500	53,900
Regulatory own funds	458,700	526,800	534,100	287,438	306,400
Profit/loss in year	-68,116	-7,229	246,600	-18,999	-4,300
AAL at the risk of the pension fund	971,064	930,871	1,286,800	1,393,000	1,290,100
Funding ratio	140.9%	150.0%	138.1%	119.3%	122.4%
Policy Funding Ratio	145.9%	150.7%	130.0%	113.2%	123.3%
Market Value of assets	1,581,490	1,580,213	1,937,400	1,775,000	1,674,000
Investment returns	32,948	-337,631	179,000	119,000	197,000
Investment portfolio					
Real estate investments	117,170	100,163	108,200	74,000	83,000
Equity	396,994	509,709	807,500	764,000	740,000
Fixed income	606,363	575,867	624,400	534,400	487,000
Other investments	346,865	419,299	327,000	325,700	307,300

	2023	2022	2021	2020	2019
Investment results					
Total portfolio	1.4%	-17.5%	10.0%	7.0%	13.0%
Benchmark Return	1.6%	-19.4%	7.1%	7.0%	13.6%
Average return per year					
Last 5 years	2.1%	1.9%	6.9%	6.4%	6.4%
Last 10 years	4.6%	5.6%	9.0%	7.9%	8.1%
Investments for risk of the members (ASP and ARP)	151,715	122,515	116,500	94,832	76,921

Due to rounding their might be some differcensen in the summation of figures.

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 11 December 2023. The most important changes are the changes in governance/organization and the new investment policy.

2.3 Organization

2.3.1 Pension Board

As of 31 December 2023, the Pension Board has the following members:

On behalf of employers:

Name	Job title in Pension Board	Job title	Year of appointment	Term expiration
Mr. F. Nieuwland (1965)	Chairman of the Board	Chief Investment Officer	2023	2027
Mr. P. van Bree (1974)	Board member	European Risk & Compliance Manager Pensions	2018	2026
Mrs. R. Steenbergen (1969)	Board member	Investment Manager EMEA	2016	2024

On 19 January 2023 DNB has approved Mr. Nieuwland as Chairperson of the Pension Board.
On 11 January 2024 DNB has approved the re-appointment of Mrs. R. Steenbergen for a third term of four years.

On behalf of members:

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

On behalf of the pension beneficiaries:

Name	Job title in Pension Board	Job title	Year of appointment	Term expiration
Mr. W. van de Laar (1959)	Board member	Retiree, former Technology Manager Bars Global Scale Team	2022	2026

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.
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. F. Nieuwland	Chairman of the Pension Board
Mrs. J. Vermeulen	Director of MPF

On 19 January 2023 DNB has approved Mr. Nieuwland as Chairperson of the Pension Board and member of the Executive Board.

On 28 March 2023 Mrs. H. Bakermans retired as Director of MPF. 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 member of the Pension Office and the support are part of the Mars Benefits Team or Mars Investments Team. 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. J. Vermeulen	Director of MPF

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.

At the end of 2023 the Accountability Council (AC) consists of:

Name	Job title	Term expiration	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

On 1 February 2024 Mr. J. Jansen resigned from the AC. Mr. D. Kaijser was appointed as his successor on 20 June 2024.

On 21 March 2024 the PB appointed Mrs. S. Kleijbeuker as employer representative in the AC for a term of four years.

On 20 June 2024 Mr. A. van Gestel was reappointed as Chairperson of the AC for a term of four years.

With the appointments all vacancies in the Accountability Council have been filled in 2024.

A separate section is included in the Annual Report that reflects the Accountability Council's findings for the year 2023.

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 2023.

At the end of 2023 the Supervisory Council consists of:

Name	Term expiration
Mr. P. de Koning	2024
Mr. F. Valkenburg	2025
Mrs. E. Wiertz	2026

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 chapter 7.12a 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. For the Netherlands an external investment expert is added as a member of the Investment Committee. 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 2023 the Investment Committee was composed of the following members:

Name	Job title	Term expiration	Details
Mr. J. Price	Retiree (before: VP Operations Europe Mars Petcare and Main Meal Food)	2025	Chairperson IC
Mr. F. Nieuwland	Chief Investment Officer	2026	
Mr. A. Parton	Retiree (before: Commercial VP)	2024	
Mr. H. Fleige	Finance Implementation Lead	2024	
Mr. S. Anthoons	Retiree (before: Organizational change S&F Director)	2025	
Mrs. R. Steenbergen	Investment manager EMEA	2027	
Mr. B. Veninga	Former Mars associate (before S&F Director)	2027	
Mr. H. Radder	External expert	2028	

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 Investment Committee 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 appointments of Mrs. R. Steenbergen and Mr. B. Veninga as Investment Committee members 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 Investment Committee members in 2023. Due to the large number of appointments early 2023 the Investment Committee has updated its resignation and reappointment schedule.

According to the reappointment schedule the term of Mr. A. Parton expires on 1 July 2024. On 20 June 2024 the Pension Board reappointed Mr. A. Parton as Investment Committee member for a term of four years pending DNB approval.

2.3.8 ASP Member Group

The ASP Member Group found its origin at the start of the ASP plan provides the Pension Board with observations related to the ongoing matters of the Associate Selection Plan (ASP), which is part of ARP/ASP plan.

In 2023 the ASP Member Group assessed its role and concluded to be of less added value and they were comfortable that important activities are transitioned to other MPF governance bodies. Further the ASP Member Group concluded that the Pension Board has appropriate focus on the ASP member’s interest. As a result of this assessment the ASP Member Group asked the Pension Board to terminate the ASP Member Group.

In December 2023 the PB agreed to terminate the ASP Member Group and to revoke the terms of reference ASP Member Group.

2.3.9 Investment managers

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

2.3.10 External Advisors

MPF has several external advisors:

Advice	Third party
Advisory Actuary	WTW, Eindhoven
Tax Advisor	PricewaterhouseCoopers Belastingadviseurs N.V.
	BVZA, Rotterdam/Utrecht
Legal Advisors	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

Advice	Third party
ALM Advisor	WTW, Amsterdam
Integral Risk Advisor	WTW, Eindhoven
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	Secor Investment Advisors LLP, London

3 FINANCIAL INFORMATION

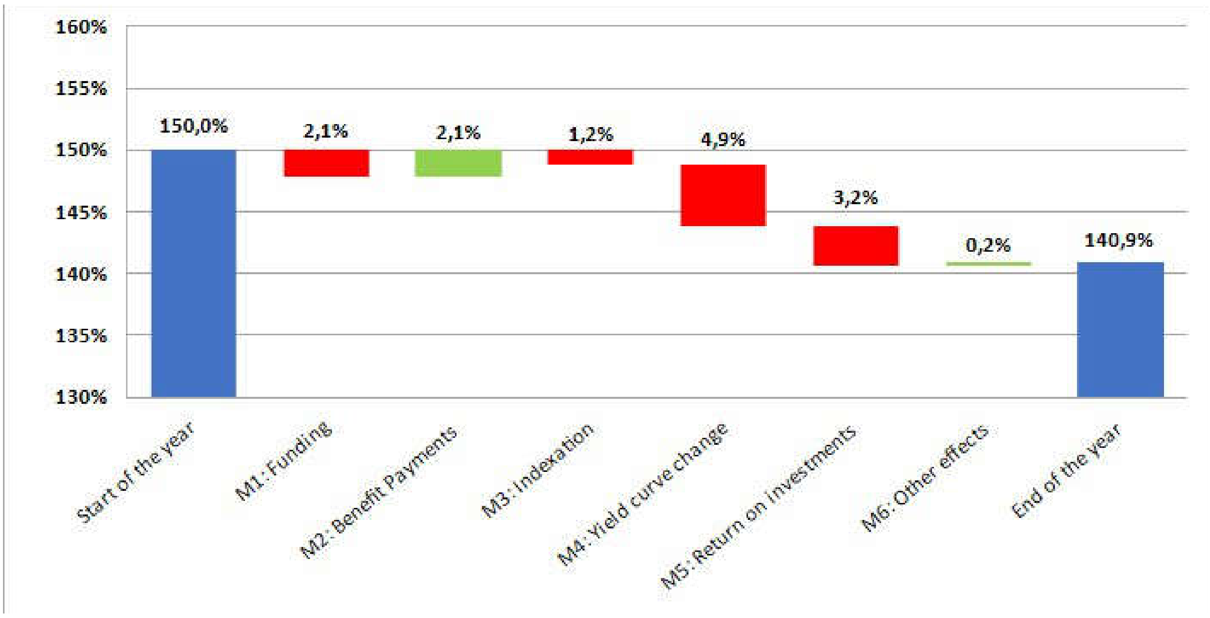
3.1 Funding Ratio

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 2023 is 140.9%. 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-Dec-2014	124.6%	-	126.7%
31-Dec-2015	124.9%	124.2%	132.4%
31-Dec-2016	125.0%	116.6%	131.3%
31-Dec-2017	132.2%	132.3%	132.1%
31-Dec-2018	126.0%	133.3%	123.4%
31-Dec-2019	122.4%	123.3%	123.1%
31-Dec-2022	119.3%	113.2%	122.4%
31-Dec-2021	138.1%	130.0%	120.3%
31-Dec-2022	150.0%	150.7%	120.5%
31-Dec-2023	140.9%	145.9%	121.3%

During 2023 the FR decreased with 9.1 percent points, due to a increase in the Actuarial Accrued Liabilities (AAL) (because of a lower applied interest rate). The Ongoing Solvency Margin Ratio (OSMR) is explained in chapter 3.3. The impact of the developments in 2023 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 2023 the PFR decreased from 150.7% to 145.9%.

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 2023 is approximately 123,9%. 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 2023 is 121.3%. This ratio depends on the strategic risk profile of the pension fund. The OSMR is an important ratio for the financial position of the pension fund. If the PFR is below the level of the OSMR, the pension fund has a deficit. This is not the case at the end of 2023.
- The **Target Indexation Limit** (TIL) is the maximum of the funding ratio for future proof indexation and the OSMR and equals 123.9% at year-end 2023. 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 2023.
- 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 128.9% at year-end 2023. 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 2023):

Policy funding ratio	
> 123,9%	Pension possibly fully indexed (including catchup indexation)
110% - 123,9%	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 2023, the annual feasibility test was performed by WTW. The results don't meet the predetermined lower bound set by the pension fund. This is due to the difference between the actual indexation per 1 January 2023 (3.76%) and the high price inflation of 2022 (14.5%).

The pension fund consulted social partners to discuss the outcome of the feasibility test. Whether, and if so, what, measures should be taken.
- Accept that the predetermined lower bound set by the pension fund will not be met
- Re-set (lower) the lower bound for the pension result
- Adjusting the financial policy of the pension fund

Social partners accepted that the predetermined lower bound set by the pension fund will not be met given the transition to the new pension system in the upcoming years and the discussion around the fiancial policy in relation to the new pension system.

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 2023 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).

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

	2023	2022	2021	2020	2019
Annual execution- and administration costs in thousands of euros	4,477	4,439	3,866	2,843	2,805
Costs per member in euros: active members and retirees	1,589	1,629	1,424	1,049	1,048
Costs per member in euros: active members, retirees and inactive members	1,052	1,073	963	713	711

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 2023 include VAT. The main reason the costs increased relative to 2022 are the costs related to the preparation of the WTP.

The costs related to the preparation of the WTP are EUR 1,234 thousand (2022: EUR 2,725 thousand) in total:

	2023	2022
Annual execution- and administration costs (excluding transition costs) in thousands of euros	3,243	3,191
Costs per member in euros: active members and retirees (2023: 2,828 – 2022: 2,725)	1,151	1,171
Costs per member in euros: active members, retirees and inactive members (2023: 4,257 – 2022: 4,137)	762	771

In 2024 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 2023 (EUR 1,483 million), incurred by the Pension Fund in 2023.

	Costs outside the funds	Costs inside the funds	Total costs	2022
Management fees	0.13%	0.16%	0.29%	0.31%
Advisory fees	0.11%	0.00%	0.11%	0.10%
Other fees	0.04%	0.09%	0.13%	0.20%
Performance fees	0.00%	0.00%	0.00%	0.27%
Total	**0.28%**	**0.25%**	**0.53%**	**0.88%**
2nd layer costs	0.00%	0.66%	0.66%	2.25%
Total 1st and 2nd layer	**0.28%**	**0.91%**	**1.19%**	**3.13%**
Transaction costs			0.32%	0.43%
Total Investment costs			**1.51%**	**3.56%**

The percentages in the table represent all investment-related costs (EUR 17.7 million) with the exclusion of transaction costs. The investment cost ratio excluding transaction costs in 2023 is 1.19%.

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 1.51%.

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[1], a best estimate was included. A best estimate is included based on 2022 actual costs data.

The decrease of total investment costs from 3.56% in 2022 to 1.51% in 2023 is mostly driven by the decrease of the performance fees in the 2nd layer costs of fund of fund managers because of lower performance of the private equity portfolio in 2022 (-3.3% vs 66.9% in 2021). Because of a lag in the determination of the final performance fee, the performance fee reported in 2023 is based on the performance of 2022). Also the plan level transaction costs decreased because of less trading/ rebalancing across most asset classes; within total return swaps (TRS), this materializes within entry/exit costs to put on and take off exposure.

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 fees invoiced of EUR 4.3 million represents the actually invoiced fees which are represented in the Annual accounts in Note 14.

	Real Estate	Equity*	Fixed Income	Hedge funds	Other**	Total
Fees (K EUR)	3,989	1,154	1,262	8,254	3,015	17,674
Of which fees invoiced (K EUR)	152	256	902	0	3,009	4,319
Fees (%)	0.27%	0.08%	0.08%	0.56%	0.20%	1.19%
Transaction costs (K EUR)	0	164	1,026	0	3,562	4,752
Transaction costs (%)	0.00%	0.01%	0.07%	0.00%	0.24%	0.32%

* Equity includes Public and Privaty Equity

** Other consist of cost of Overlay (LDI and TRH); advisory (Secor); Custody (BNY Mellon) and other legal, governance and advisory cost

[1] These funds are PEM Effem I, PEM Effem Fund II, PEM Effem Fund III, GCM

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

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

The key drivers that MPF believes to drive investment success are:
- Expert outsourcing: 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.
- Four guiding investment principles:
  - Exploit risk, illiquidity and time premiums. The Pension Fund has used and will use the benefit 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 added value perspective. The structural reward 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 for a large part 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 risk seeking assets, including alternatives (illiquid) investments, and these managers generally charge higher fees.
- Some of the illiquid 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. In 2023 MPF participated in cost benchmarking (performed by the Institutional Benchmarking Institute (IBI)) related to the 2022 figures. 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 Matching Swaps and Overlays.

The Pension Board believes that the costs involved with implementing MPF’s investment strategy are justified by the longer-term excess performance.

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:

	2023	2022	2021	2020
ARP/ASP plan	1,081	971	827	830
Final Pay plan	367	409	467	506
Total	**1,448**	**1,380**	**1,294**	**1,336**

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 2024 in the Final Pay plan and the interest addition in 2023 in the ARP plan are described. More information about the indexation policy itself can be found in chapter 6).

Note that the indexations as per 1 January 2024 have already been included in the AAL year-end 2023.

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 0.16% as of 1 January 2024. The decision for the indexation was made on 21 November 2023 based on the PFR at the end of September 2023 (148.4%). The indexation per 1 January 2024 is included in the AAL year-end 2023.

Indexation for retirees and deferred members
The PFR at the end of September 2023 is above the Target Indexation Limit of 124.2%. Therefore, a full indexation of 0.16% is granted, which is in line with the indexation policy. This is based on the following: The CPI as published by the CBS is 0.21%. The target indexation is 75% of this CPI with a maximum of 3.0%.

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 7.23% on 1 January 2024, 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 7.23%.

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 7.23%. Based on the PFR, a full indexation of 7.23% can be granted per 1 January 2024.

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%, capped by a level of 13%.

In the first half of 2023, the actual return on assets was negative, but for active members the buffer was enough to grant a yearly interest of CPI plus 3%, capped by a level of 13%. Therefore, the interest for the active members was equal to the target interest of 13% in the period 1 January 2023 until 30 June 2023. For the inactive members the interest given in the first half year of 2023 was equal to the minimum guaranteed interest of 0%.

For the second half of 2023 the actual return on assets was negative, but for active members the buffer was enough to grant the target interest of 7.4%. For the inactive members the interest given in the second half year of 2023 was 0%, because of the negative actual return. For active members the total yearly interest is 10.14% for 2023. For the inactive members the total annual interest is 0% for 2023.

3.8 Actuarial

This section contains a summary of the actuarial report.

	31-Dec-2023	31-Dec-2022
Market Value of Assets at risk of the pension fund	1,429,775	1,457,698
Market Value of Assets at risk of the members	151,715	122,515
Market Value of Assets Total	1,581,490	1,580,213
Actuarial Accrued Liabilities at the risk of the pension fund	971,064	930,871
Actuarial Accrued Liabilities at the risk of the members	151,715	122,515
Actuarial Accrued Liabilities Total	1,122,779	1,053,386
Actual Funding Ratio	140.9%	150.0%
Policy Funding Ratio	145.9%	150.7%
Ongoing Solvency Margin Ratio	121.3%	120.5%
Minimum Technical Reserve	103.7%	103.7%

During the financial year 2023 the Actuarial Accrued Liabilities at risk of the pension fund (AALPF) increased with 40.2 million. An important reason for this change is the yield curve change (increase in AALPF).

The profit and loss account (P/L) shows a negative result of 68.1 million leading to the general reserve decreasing from 526.8 million to 458.7 million at the end of 2023. The Funding Ratio decreased during 2023 from 150.0% to 140.9%. At year-end 2023 the Funding Ratio is above the minimum Technical Reserve and the Ongoing Solvency Margin Ratio of 121.3%.

The cost covering contribution at market value is determined at 27.4 million. The smoothed cost covering contribution equals 24.9 million. The actual contribution was 12.7 million. Based on the premium policy, the board has decided to reduce the employer's premium for 2023. As a result, the actual contribution is 12.2 million lower than the smoothed cost covering contributrion. 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 (SCCC) for the employers (%) before the start of 2023 was 24.0%. This is higher than the structural contribution. In the Affiliation Agreement it is agreed that the contribution is set at the SCCC when the SCCC is higher than the structural contribution. Based on the Policy Funding Ratio, the contribution reduction is 15.2%. This makes the total employer contribution 8.8% of the pensionable salary sum (2022: 21.6%).

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 will reserve the contribution reduction as a corporate commitment.
    - 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 corporate commitment 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 and periodically re-confirmed since, taking into consideration the findings from audits such as on MPF's risk management system and IT. Recently, the risk attitude non-financial risks has been slightly updated to mirror the fund's true actual risk attitude. This will enable the fund to better prioritise efforts to reduce risk exposures that matter most.

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. Over 2022 and 2023 all Risk Self Assessments ('RSA') for non-financial risks have been performed. Including re-evaluating the 2021-performed RSA regarding exposures arising from the New Pension System ('**NPS**') developments in the second half of 2023.

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 has received its periodic, triennial 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, MIT, the Executive Board and Committees (PC and IC) all are risk owners. Together with the Pension Board they form the first line;

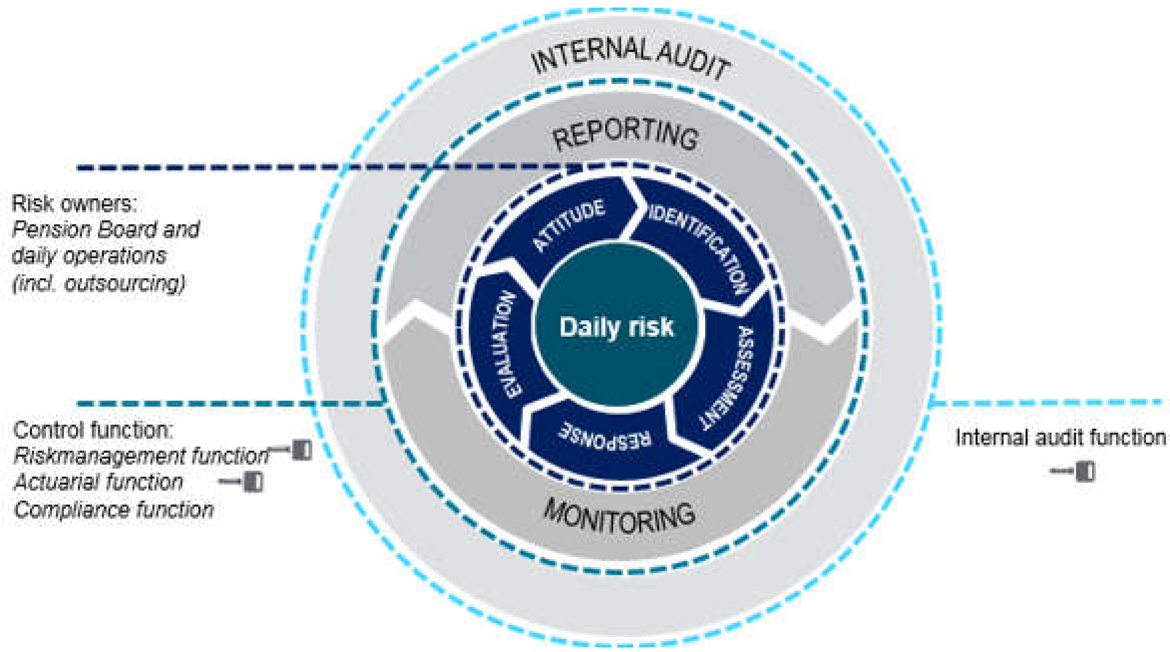
- The second line is the control function that oversees the risk management and compliance of MPF. The responsibility of the control function must be separated from the responsibility of the risk owner. The activities involved with the control function are covered by several components of internal governance 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 2023. 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 establishes independence and a direct connection to the Supervisory Council.

Also Mr. P. van Bree has fulfilled the role as MPF Compliance Officer in 2023 (see 7.7), 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. Mr. R. de Waard has been appointed as KFH IA. Audits are performed by the performer, which is 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 meetings. Information is shared, calibrated, assessed and challenged between the 1st and 2nd Line. The Pension Board is periodically informed by means of a presentation of the highlights through the dashboard, as well as by means of in-depth explanation in the Pension Board meeting by the first line action owners. Where needed, topics are pre-discussed in so called '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 (1st and 2nd Line), as well as between Key Function Holders amongst themselves. There is intensive and open interaction between MPF's first and second line, allowing deep understanding of risk exposure, risk changes, changes on mitigating actions and ongoing monitoring. The KFH Risk Management wraps this up in the dashboard which is presented to the full Pension Board on a quarterly basis.

Step 6 (evaluation) was done as part of the own risk assessment ('ORA' or 'ERB'). ORA's have been performed end 2020 (special-topic ORA for admin provider change) and again completed end 2023 (a generic, 3-annual ORA). Main outcomes of the ORA have been incorporated in this risk section and were continuous improvement reco's for updating the pre-read format (enabling more direction on pre-read owner deliverables in the pre-read), attention on new risks (in NPD and IT) and periodic assessment of control measures.

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 and installed inflation rate hedges over 2023 which are jointly designed to enable a seamless move towards the New Pension System). The size of the TRH has been slightly decreased in 2023 (see 4.4.2) and the fund sustained its control and governance by embedding monitoring into the trustee reports to give visibility on trigger points, costs and effectiveness of the TRH mandate. Increased and weekly sharing of monitoring of the interest and inflation rate hedging program are in place including measures on leverage, liquidity and stress test limits.

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 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

This risk over the years has been managed downwards by moving to BSG as administrator beginning of 2022. In the light of moving to the new pension deal ('**NPD**') however, it still is a risk to be managed with focussed attention, as the impact of the risk is high. The fund will -until after completion of the NPD 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 2023 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 2023
Over last year, BSG has improved on delivery versus SLA which reduces discontinuity risk (MPF driven). The remaining Q3 and Q4 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 and the Service Level Agreement report.

MPF closely oversees periodic NFR reporting, IT control framework improvements (monitoring BSG IT maturity vs extended list of COBIT controls).

One of MPF Board members is having a special focus on IT in general, in total 2 board members are at B-level IT knowledge and a plan has been designed to bring a third member on B-level (and taking over the lead in this area in 2025).

Developments in 2023
BSG is in the aftermath of improving IT risk control framework to meet the required DNB control levels after a data breach incident in 2021. 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, but there are still some control measures that need further improvement in design and existence. This should be completed by begin Q2 2024, after which proof of effectiveness will be demonstrated and logged

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

3. Transition to the New Pension System

Risk description
As from 2028 at the latest it is not possible to have an open defined benefit pension arrangement in the Netherlands. Meaning Social partners and MPF will need to facilitate moving to a new pension plan design and -implementation, which has a massive impact on the organisation and its governance. The 3 most prominent risk net-risk exposures are 1/ the dependence on social partners and government; 2/ continuity of the current investment structure and value-add 3/ Legal and reputational risk. Risk events could be delays, interpretation differences, changes in legislation, errors and (alleged) breaches and media coverage thereof.

Risk assessment
MPF has assessed the magnitude of the 3 risks mentioned above as troubling. This means that there should be focused attention to reduce this risk in the shorter term.

Control measures
The Pension Board in conjunction with the employer has set up a project management structure and governance structure to oversee the total project as well as have specific working groups by the headline topics. External advisors, consultants and specialist support is part of the governance structure. There are formal and informal alignment sessions between the various parties and forums, and these have been embedded in a detailed project plan and -timeline. Timeline includes the relevant milestones and factors-in dependencies and iterations.

Developments in 2023
The fund has performed a re-evaluation of the New Pension Deal project risk exposures end of 2023 and actioned accordingly. A monthly frequency of boardmeetings has been established in order to give frequent updates and allow for agile decision making.

Good progress has been made on understanding the possibilities and directionally choices are becoming clearer after significant amounts of investigation in the value assessment, administration, future benefit and one-mars workstreams. The Risk Preference Study has been performed in 2023 (work in progress by the investments workgroup to merge the results with available scientific insights and participant characteristics into a proposed investment strategy).

4.2.2 Main financial risk categories
1. Asset-Liability Correlation risk

Risk description
The risk of a -high negative impact on the funding level due to interest rate and inflation rate changes. As the fund is looking for easing-in with full compensation at zero additional money (an objective deemed balanced and in consideration of all stakeholder's interests, as well as achievable seeing 2023 funding ratio) , the fund has identified a set of target funding ratios ('**TFR**'). The highest TFR the fund tracks against, is strongly influenced by interest rate and inflation rate. This as that end-goal TFR includes financial obligations based on real future values of the liabilities.

Strategic area
Pursue policies of de-risking when appropriate.

Control measures
The interest and inflation rate risks are partially covered by hedges. This is comprised of the interest and inflation swaps, the bonds portfolio and the intrinsic inflation protection coming from the assets (mainly equity). The fund performs ALM studies on a regular basis to assess the appropriate level of 'mismatch risk' and has, after 2023 ALM, adopted a policy to further provide protection to the TFR.

The fund receives weekly funding ratio monitoring and weekly LDI monitoring, including a set of KPI's and stress test limits (leverage, free cash, rate move to max leverage, rate move to exhaust free cash) to verify whether hedge levels do not become a problem on their own.

Developments in 2023
The fund has, based on ALM outcomes, chosen to install a 40% derivates based inflation hedge (bringing total hedge level including intrinsic portfolio inflation protection at about 60%) and a fixed real interest rate hedge of 80% (about 109% nominal (DNB) hedge level, status 15 March'24). The funding position relative to the funding targets remained relatively stable

2. Market risk

Risk description
Asset-Liability Correlation risk: 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 2023
In 2023, the Tail Risk Hedge program has mirrored the full equity exposure across all asset classes (38% including correlation impacts of equity downfalls on non-equity asset classes).

The Tail Risk Hedge program has been reviewed: 2023 was the first year of negative performance vs. benchmark since inception 6.5 years ago. This was mainly due to the non-options strategy, which consists of FX, Equity based and Fixed Income strategies that are expected to have a performance offsetting the costs of the program. Due to the disappointing performance, in Q4 SECOR has reduced the risk (expected tracking error) relative to the benchmark. They are also reconsidering the allocations to the various strategies and the IC have asked SECOR to review the strategic context of the TRH program.

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 2023. KFH RM and Pension Board have actively observed and discussed the sensitivity levels being fairly low through the year due to projected effects of interest and inflation hedging and TRH program. The above TRH performance effects were not anticipated in the model so have added some unforeseen sensitivity impact. Impact effects going forward from 31 December 2023 still look healthy:

SENSITIVITY TABLE EASING IN AMBITION

Shock equity and real estate	Shock interest rates -2.00%	-1.50%	-1.00%	-0.50%	0.00%	0.50%	1.00%	1.50%	2.00%
-25%	128.8%	129.8%	130.8%	132.0%	133.4%	134.9%	136.7%	138.7%	141.1%
-20%	129.5%	130.5%	131.6%	132.8%	134.2%	135.8%	137.6%	139.7%	142.2%
-15%	130.4%	131.5%	132.6%	133.9%	135.4%	137.1%	139.0%	141.2%	143.8%
-10%	131.6%	132.7%	134.0%	135.3%	136.9%	138.7%	140.7%	143.1%	145.8%
-5%	133.3%	134.5%	135.9%	137.4%	139.1%	141.0%	143.2%	145.7%	148.7%
0%	134.6%	135.9%	137.3%	138.9%	140.7%	142.7%	145.1%	147.8%	150.9%
5%	136.8%	138.2%	139.7%	141.5%	143.4%	145.6%	148.2%	151.1%	154.5%
10%	138.9%	140.4%	142.1%	144.0%	146.1%	148.5%	151.2%	154.4%	158.1%
15%	141.0%	142.7%	144.5%	146.5%	148.7%	151.3%	154.3%	157.7%	161.7%
20%	143.2%	145.0%	146.9%	149.0%	151.5%	154.2%	157.4%	161.1%	165.4%
25%	145.5%	147.3%	149.4%	151.7%	154.3%	157.3%	160.6%	164.6%	169.2%

FR<TFR1
TFR1<FR<TFR2
TFR2<FR<TFR2+5%
TFR2+5%<FR<TFR2+15%
TFR2+15%<FR

TFR1 = 121.3%
TFR2 = 128.7%

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 completed in 2023 has indicated that the previous asset mix already was fairly appropriate in the light of the shortened investment horizon towards 1 January 2027. The forementioned increases of hedging have freed up some risk budget to slightly tweak asset exposure (a 5% point reduction of matching swaps, enabling an increase of the credit portfolio (emerging market debt and high yield) by 5% point), effectuated in September. Expected FSV was estimated at about 4.6% (5,4% previous ALM set). All supporting 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 2023 due the increased interest and inflation rate hedges.

A feasibility test (see 3.4) 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.

In June 2023, the annual feasibility test was performed by WTW. The results don't meet the predetermined lower bound set by the pension fund. This is due to the difference between the actual indexation per 1 January 2023 (3.76%) and the high price inflation of 2022 (14.5%).

The pension fund consulted social partners to discuss the outcome of the feasibility test. Whether, and if so, what, measures should be taken.
- Accept that the predetermined lower bound set by the pension fund will not be met
- Re-set (lower) the lower bound for the pension result
- Adjusting the financial policy of the pension fund

Social partners accepted that the predetermined lower bound set by the pension fund will not be met given the transition to the new pension system in the upcoming years and the discussion around the fiancial policy in relation to the new pension system.

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 6.3), 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 2023 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 a representation of ASP Members, the Accountability Council (Verantwoordingsorgaan) and finally with Social Partners. The outcome of these extensive consultations was that all parties/stakeholders were in agreement with the conclusion of the Pension Board.

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

The Pension Fund tests 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).

MPF monitors the expected pension results in the combination of ARP and ASP plan. The results are included in the quarterly risk dashboard updates, showing a stochastic replacement ratio calculation for several strawmen. Results have slightly reduced for all strawmen over 2023, mostly driven by lower interest rates and higher annuity tariffs.

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).

Prior to the 2022-2023 increases of the interest rate hedge level and the installation of the inflation hedge level, the fund had positively confirmed that the 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 depleted after H1 2024 credit due to the high inflation in combination with the negative real return over 2022 and a return less than the CPI+3% ambition over 2023, whilst in both years stillthe full CPI+3% has been allocated to the active ARP population (at cost of the buffer).

With the September 2023 ALM investment policy, and a depleted buffer, there is an increased risk that the new investment strategy, which focusses on interest and inflation matching, cannot consistently deliver an average CPI+3% return to enable crediting that full ambition to the individual ARP portfolios. The Pension Board has commissioned work to assess how it can enable CPI+3% until 2027 transition for an ideal balance of interest between members of both plans. One of the routes is a change of the plan rules, that needs to pass social partners.

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.

A 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. No reasons emerged to assume changes in 2023.

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). The fund, as well as it's providers, have an adequate whistleblower procedure and a compliance officer (and backup/escalation) in place to allow for reporting. 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 paragraph 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 Pension 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 Pension 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 aim of the ALM study, which was completed in 2023, was to develop an investment policy that seeks to manage the funding position of the Plan to protect against declines and potentially grow the pension balances over the period until the point of transition to the new pension system (expected 1 January 2027), mitigating the potential cost of transition to the new system.

The resulting investment policy included an increase to the inflation hedge target from 16% to 40% of the economic liability, which reduces the Plan's expected funded status volatility. In addition to the increase to the inflation hedge target, the strategic allocation to Matching Swaps and Public Equity were reduced by 4.5% and 0.5%, respectively, while the 15% strategic allocation to Total Credit was replaced with a 10% allocation to Emerging Market Debt and a 10% allocation to High Yield.

As part of the investment strategy work, the Pension Board decided in 2023 to maintain the existing overweight to Hedge Funds (9.4% versus the 5% strategic target, on average over the year) and to diversify the Plan's Hedge Fund exposure by adding the Evolution Fund, managed by SECOR Investment Management, as a second investment alongside the Blackstone EFFEM Fund.

	Long Term Investment Policy	31-12-2023 interim policy	End 2023 Asset Allocation	Minimum	Maximum
Public Equities	**17.5%**	**13.9%**	**13.2%**	**7.0%**	**28.0%**
Fixed Income	**57.5%**	**50.6%**	**52.5%**	**27.0%**	**78.0%**
Matching Swaps	37.5%	34.2%	36.1%	27.0%	48.0%
Emerging Market Debt	10.0%	10.0%	10.1%	0.0%	15.0%
High Yield	10.0%	6.4%	6.3%	0.0%	15.0%
Alternatives	**25.0%**	**34.7%**	**34.7%**	**0.0%**	**60.0%**
Property	10.0%	7.9%	7.9%	0.0%	20.0%
Private Equity	10.0%	13.2%	13.2%	0.0%	20.0%
Hedge Funds	5.0%	10.0%	10.0%	0.0%	15.0%
Private Credit	0.0%	3.6%	3.6%	0.0%	5.0%
Cash	**0.0%**	**0.8%**	**-0.4%**	**0.0%**	**5.0%**
Hedges					
Currency	63.2%	63.9%	63.9%	62.1%	95.4%
Interest Rate	80.0%	80.0%	80.0%	75.0%	85.0%
Inflation	40.0%	40.0%	40.0%	35.0%	45.0%
TRH*	38.0%	38.0%	36.8%	33.0%	43.0%

* 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 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 2023.

The interim policy reflects the substitution rules for Cash and Alternatives which can deviate from their Long-Term Investment Policy allocations. The end 2023 Cash allocation also includes the mark-to-market value of the Plan-level overlay accounts, which resulted in a negative allocation. The minimum and maximum limits for the Cash allocation relate only to core cash, which was 0.8%.

The Liability Driven Investing (LDI) programme, i.e., the interest rate and inflation hedge, targets are 80% and 40% of the economic liability, respectively. There is a range of +/- 5% for the interest rate and inflation hedges. The primary goal of the LDI strategy is to reduce the Plan's funded status volatility.

5.2 General financial market developments 2023 and outlook 2024

2023 was a positive year for equity investors. Contrary to predictions of a looming recession due to the central banks interest rate hikes to counter inflation, the economy demonstrated resilience. Inflationary pressures eased, and the central banks refrained from further rate increases later in the year. As a result, US stocks (more than 60% of public equity) showed significant growth, with the S&P 500 gaining 22%. Technology stocks, which suffered in 2022, staged a notable recovery, with the Nasdaq, dominated by technology shares, surging by an impressive 37%. Much of the stock market gains were attributed to a select group of companies, known as the Magnificent 7, led by NVIDIA whose success was fuelled by robust sales of computer chips in the growing field of artificial intelligence.

Falling inflation expectations globally and anticipation of rate cuts by the central banks in 2024 triggered a substantial decline in yields towards the end of the year, leaving euro interest rate swaps up for the year. With expectations of rate cuts in the US, USD depreciated sharply in the fourth quarter, finishing the year 3.5% down versus EUR which impacted performance on private equity and private credit.

The backdrop for 2024 is drastically different from 2023. Investors expect an overall positive economic scenario of inflation falling towards 2% across major economies, central banks lowering interest rates, and the global economy delivering steady, albeit moderate, growth. Our base-case economic scenario is mostly in line with these expectations. At the same time, there are meaningful risks to our base-case scenario. If inflation proves to be stickier than expected, both real and nominal yields can increase materially from the current level and are likely to drag equity markets lower. The global geopolitical environment remains very uncertain. Moreover, geopolitical tensions persist, including conflicts in Ukraine and the Middle East, US-China "decoupling," and uncertainty surrounding US elections, posing tail risks for 2024. On the positive side, acceleration in the adoption of AI may manifest itself in better productivity and faster earnings growth, creating a potential scenario for continuing strong equity performance.

5.3 Return on investments

The investment portfolio of the Pension Fund achieved a net performance of 1.4%, largely due to the positive performance from public markets investments, which rallied strongly in the final quarter of the year. The Fund slightly underperformed its benchmark return of 1.6% over the year. The gross of fees return of the Pension fund is by approximation 2.9% coming from the net performance of 1.4% plus the total investment costs of 1.5% (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[1]:

	Portfolio	PIA Benchmark	Relative Performance
Public Equities	16.8%	18.1%	-1.3%
Matching Swaps	6.0%	6.0%	0.0%
Emerging Market Debt	7.0%	3.5%	3.5%
High Yield	12.0%	4.7%	7.3%
Private Credit	-0.2%	4.7%	-4.9%
Property	-6.0%	-13.4%	7.4%
Private Equities	-0.9%	-1.4%	0.5%
Hedge Funds	6.9%	1.8%	5.1%
Total return mandate investments	**5.2%**	**3.7%**	**1.5%**
Plan Level Currency Hedge	0.0%	0.0%	0.0%
Plan Level TRH	-3.8%	-2.0%	-1.8%
Total return (including overlays)	**1.4%**	**1.6%**	**-0.2%**

Plan and benchmark returns were positive for the year, driven primarily by the strong performance of public markets. Swap rates fell sharply during the last quarter of the year against a backdrop of falling inflation and a better-than-expected economic outlook. Public Equities rallied strongly in the fourth quarter, ending the year with a positive return of 18.1% as measured by MSCI ACWI in EUR terms, and credit asset classes also performed well. These positive impacts were only partially offset by negative returns from Property, which suffered in the higher interest rate environment. However, TRH detracted, as expected

[1] Source: Mellon Performance Report MPF December 2023, SECOR Analytics

during periods when public markets rally strongly, resulting in a negative overall contribution from the Plan's return seeking asset classes.

The active component of the TRH program was the largest detractor from excess returns as the TRH strategy struggled with the sharp market reversals that were experienced in the first and fourth quarters of the year. The strong outperformance of the Plan's EMD and US HY managers was somewhat offset by underperformance from the Plan's Public Equity managers, notably Ardevora which was fully redeemed in the fourth quarter. The Plan's Hedge Fund allocation added to excess returns as Blackstone recorded robust returns against a backdrop of significant market volatility. Private Equity and Property also outperformed over the year, while Private Credit underperformed.

The 2023 average portfolio weight compared to the 2023 average PIA benchmark weights were as follows[2]:

Asset Category	Benchmark	Average Portfolio weight	Average Policy Weight
Public Equities	MSCI ACWI Net TR index	15.6%	13.9%
Matching Swaps*	Custom blend of EUR Swap indices + short Euribor + ESTR + custom basket of inflation swaps	35.9%	37.9%
Emerging Market Debt	Bloomberg Barclays Global Aggregate (USD Hedged) in EUR	7.2%	6.7%
High Yield	Bloomberg Barclays Global Aggregate (EUR Hedged)	6.1%	5.6%
Private Credit	Bloomberg Barclays Global Aggregate (EUR Hedged)	4.0%	4.0%
Property	MV weighted blend of: Actual Portfolio return and 50% NCREIF Fund Index ODCE** / 50% INREV ODCE fund index (EUR Hedged)	7.4%	7.4%
Private Equity	Cambridge FoF Vintage Year Weighted	13.9%	13.9%
Hedge Funds	HFRX Equal Weighted Index (EUR Hedged)	9.4%	9.4%
Cash / Plan Level Overlays	Actual gross return on cash	0.5%	1.2%
Total	**Total Plan Benchmark**	**100.0%**	**100.0%**

* 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.
** Open-end Diversified Core Equity

Longer term, the Pension Fund outperformed relative to the PIA benchmark, please see the table below[3,4]:

Year	Portfolio (Net)	PIA Benchmark (Net)
2023	1.4%	1.6%
2022	-17.5%	-19.4%
2021	10.0%	6.5%
2020	7.0%	7.0%
2019	13.0%	13.6%
2018	0.3%	0.6%
2017	4.5%	5.8%
2016	7.5%	6.5%
2015	7.0%	5.1%
2014	17.2%	15.1%
Average last 5 years	2.1%	1.2%
Average last 10 years	4.6%	3.8%

2 Source: BNY-Mellon Performance Report Stichting Mars Pensioenfonds December 2023, SECOR Analytics

3 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.

4 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.

Measured over a longer period of ten years, the average return for the Pension Fund was 4.6%, 0.8% ahead of the PIA benchmark and 0.2% 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 governance (ESG) factors impact, and can contribute to, the realisation of the objectives of the Pension Fund.

The Pension Board regularly updates and approves the ESG Policy Document when required. Among other things, it contains the ESG Beliefs which underlie the further development and implementation of the ESG Policy.

To comply with the 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.

In September 2023, the Plan’s first UN PRI survey was submitted since becoming eligible as an asset owner signatory in 2021. The PRI reporting framework is a comprehensive report consisting of several modules with wide-ranging mandatory questions covering organizational overview; policy, governance, strategy; manager selection & monitoring; asset class modules; and confidence building measures.

The PRI’s assessment of MPF’s submission resulted in strong findings where the Plan achieved 5 or 4 stars (maximum 5 stars) in four categories of total five categories evaluated. The Plan scored well relative to its peer group of 140 asset owners. The Plan received 3 stars in the Policy Governance & Strategy category recognized as an area for continued improvement ahead of the 2024 reporting.

5.5 Financial position and Investments

As a result of reaching the first two triggers of the temporary LDI policy in Q4 2022, the interest rate and inflation hedge ratios were 79% and 16% of the economic liability, respectively, at the beginning of 2023. The temporary LDI policy was suspended in Q1 2023, meaning there were no further changes to the hedge ratio targets, pending completion of the ALM study which occurred in Q3 2023. From the end of Q3, the inflation hedge ratio was increased to a fixed target of 40% and interest rate hedge ratio adjusted to a fixed target of 80%. The hedge ratio changes reduced the expected funded status volatility (relative to TFR2), enabling a slight increase to return seeking assets (EMD and High Yield) and a slight increase to the overall expected return between 2023 and the point of transition to the new pension system, expected in 2027.

6 PENSIONS

There have been important developments in 2023 in pensions. Below we describe the legal developments that have had consequences for the Pension Fund in 2023 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 came into effect as from 1 July 2023. MPF and the Company have setup a joined project organisation with several WTP workstreams and a WTP steering group to investigate, discuss and prepare for the transition to the new pension system. This includes the impact of easing-in, administration, investments and governance aspects.

Lump sum payment at retirement age

The intended starting date of the lump sum payment at retirement date has been posphoned two times in 2023. The first time from 1 January 2024 to 1 July 2024 and the second time to 1 January 2025. 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 2023: EUR 25,612.76 As from 1 January 2024: EUR 25,666.55
Top-up limit (excedent-grens)	As from 1 January 2023: EUR 62,812.35 As from 1 January 2024: EUR 62,866.14
Maximum pensionable salary	As from 1 January 2023: EUR 128,810 As from 1 January 2024: EUR 137,800
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 2023:	EUR 17,556.35	EUR 17,556.35
As from 1 January 2024:	EUR 17,593.22	EUR 17,593.22
Maximum pensionable salary	1 January 2023: EUR 128,810 1 January 2024: EUR 137,800	1 January 2023: EUR 128,810 1 January 2024: EUR 137,800
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 25,612.76 for 2023) for each year of membership that has been achieved until 1 January 2015 plus 1.16% of the pensionable earnings (excluding offset of EUR 25,612.76 for 2023) 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.

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. This 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 five formal Pension Board meetings and a Strategy Day. The Committees of the Pension Board were involved with 'their' topics during the whole year with several meetings. Besides this, part of the Pension Board participated in the tripartite meeting on behalf of the year-end close. In 2023 there were five so-called Topical Walk-In sessions (internal training sessions for members of the Pension Board, Accountability Council, Supervisory Council and Talent Pool members).

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 2023 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 2023:

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 Mr. P. van Beek
Investment Committee	Investments	Mr. F. Nieuwland Mrs. R. Steenbergen Mr. H. van Heesch
Pension Communication Committee	Pension Communication	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 November 2023, during the Stategy Day, the Pension Board held an internal self-assessment with the aim of strengthening its own functioning and cooperation in light of the WTP. Also the Supervisory Council held an internal self-assessment.

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 and Investment Committee. For this reason, the Pension Board set up a Talent Pool. In 2023 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 2023 the Pension Board has, together with their advisors, worked on updating several governance documents and has agreed on some new policies.

- ABTN 2024
- ABTN Crisis plan
- Charter Pension Board
- Suitability Policy
- Integrity policy incl Code of Conduct

- IRM Policy
- Compliance charter, WoW
- ERB (ORSA)
- Privacy documentations: Data protection Policy, Privacy Statement, Cookie policy
- Regulations appointments members PB and AC active members and Pension Beneficiaries
- IT Policy
- Correction policy
- Complaints and disputes regulations
- Outsourcing policy
- Data Quality policy
- ESG Policy
- SIP

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 2023 an internal audit has been performed on Outsourcing. Internal Audit made five commendations to have MPF fully compliant with the DNB Guidance. Some recommendations have been taken into account with the update of the Outsourcing policy and others will be followed-up in 2024, with the help of Ortec.

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 2023 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 the first half of 2023 MPF has implemented Choice Guidance for the current pension schemes, effective 1 July 2023.

7.3 Communication

Communication plans

In December 2023 the Pension Board approved the new Communication Action plan 2024. The Communication Strategy Plan for the period 2022-2024 is in place.

Digital newsletters and online videos

In 2023 four digital newsletters have been sent. Further a postcard has been sent during the UPO campaign to collect more email addresses. Next to on site training sessions, an online training has been organized in 2023, the recording of the training is available in the private space on the website of MPF.

Risk Preference study

As part of the new pension legislation each Pension Fund is required to perform a Risk Preference study. In Q2 2023 the Risk Preference study has been performed together with Ipsos/WTW. The results will be used as input to determine the risk attitude in the new pension system.

UPO (Uniform Pension Statements)

All UPO's have been sent before the deadline. The UPO's for active members and disabled members were posted in June, and for inactive members and ex-partners in September.

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 2023.

7.4 Legal

Legal advisor MPF
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 2023.

ABTN
The ABTN was updated and approved in the Pension Board meeting in December 2023. Amendments that were made include:
- Update of governance and organization;
- New investment policy;
- Statement of Investment Principles.

Correction Policy
A new policy that was implemented in 2023 is the Correction Policy. MPF used a decision tree for corrections, this decision tree has now been formalized in an official Correction Policy. The Correction Policy has been published on the website of MPF.

Complaints regulations
As from 1 July 2023 the WTP came into effect. A part of the WTP is that the definition of 'complaint' became broader. 'Every expression of displeasure' has to be registered as complaint. MPF updated the Complaints regulations to meet the new law.

Several other legal documents have been updated on the basis of the triennial cyclus that MPF uses to review their legal documents.

7.5 Supervisory authorities

The Pension Fund has received no penalties from DNB or AFM during 2023 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.

In March 2023 DNB visited MPF to discuss the risk profile of MPF and the progression of the actvities related to the new pension legislation by MPF. In November 2023 MPF and DNB held another call to discuss the status of the WTP activities.

In 2023 DNB approved the appointment of Mr. F. Nieuwland as Pension Board member and the appointment of Mrs. R. Steenbergen, Mr. B. Veninga, Mr. F. Nieuwland and Mr. H. Radder as members of the Investment Committee. Further DNB approved the appointment of Mrs. J. Vermeulen as Director of MPF.

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 2023, 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.

With the appointment of Mrs. S. Kleijbeuker on 21 March 2024 one of the members in the Accountability Board is female and 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 not completely 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.

Principle number	Subject	Explanation why the principle is not completely met
		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 has taken place in November 2023.
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.

On 21 November 2023, the Pension Federation published a revised Pension Funds Code. Pension funds must implement the revised Code during 2024. MPF will report in its 2024 annual report on how the revised code has been implemented.

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 2023 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 2023.

External compliance support and the Compliance Officer performed quarterly compliance reviews, as well as have performed the Annual Compliance Review over 2022 (presented to the PB in Q1 2023) as well as the review over 2023 (presented to the PB in Q1 2024). 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 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. Focus topics identified and followed up are NPD, ARP investment return, asset ownership and dynamic allocation key agreement. So far, the compliance function has not found anything during independent assessments of these topics that should not be allowed or that would not fit within a balanced weighing of interests. A full independent assessment of the -to be finalised- dynamic allocation key and subsequent asset ownership will still take place when proposal is completed.

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 or disclose 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. Bronsgeest Deur Advocaten has been the Privacy Counsel during 2023. 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 updated the data processing register 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.

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 Pension Board is not aware of (suspected) incidents of this seriousness that occurred in 2023. The Pension Board is also not aware of (suspected) incidents that have occurred with its outsourcing relations, advisers and / or the independent auditor and certifying actuary.

As from 1 July 2023 the WTP came into effect. A part of the WTP is that the definition of 'complaint' became broader. 'Every expression of displeasure' has to be registered as complaint. MPF updated the Complaints regulations to meet the new law. BSG has registered the complaints based on the new definition since Q3 2023. The number of complaints increased in 2023 due to the broader definition of 'complaint'.

On 1 January 2024 the Disputes Agency Pension Funds ("Geschillen Instantie Pensioenfondsen" or "GIP") has been installed. The GIP is an independent agency that can mediate or settle complaints for members, after appeal with the Pension Board. The procedure in the Complaints regulations has been updated again early 2024.

Complaints	Number	
Complaints pending 1 January 2023		0
Complaints submitted in 2023		29
- of which normally handled by the fund	29	
- of which handeld by the Pension Ombudsman	0	
Completed in 2023		29
Complaints pending 31 December 2023		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

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 updated 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 Mars Investments Team 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

In 2023 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).

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 2023 80 agreements were achieved versus 8 not achieved. The SLA reports for Q2 and Q3 2023 showed an upward trend and since Q3 2023 BSG meets the required level of Service that MPF desires. There are still some agreements that were not achieved, but this is mainly due to the standard of 100% that MPF has set for several agreements. The delay on only 1 file can trigger an agreement as not met. MPF is aware of the high standards in the SLA and accepts that this can result in some agreements that are not met during a quarter.

The Pension Office has frequent contact with BSG to discuss daily business.

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 2023):

- 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.

The recommendations from the audit on MPF Risk Management system and Risk Management function meanwhile all have been incorporated. Internal Audit is of the opinion that MPF complies in both design and operational effectiveness to the relevant DNB norms regarding IRM.

For projects there is also a strong interaction between and involvement of the different lines. A good example is the alignment towards a joint Key Function Holder opinion process and list of subjects.

Finally, the three KFH-ers undertake an annual evaluation which is reviewed by the Pension Board; all three evaluations were approved by the Pension Board.

8 ACTUARIAL SECTION

The actuarial analysis of the 2023 result is shown in the next table:

		2023		2022
Contributions and costs				
Employer contributions	7,066		17,596	
Member contributions*	5,581		4,703	
Accrual of benefits (including surcharge for future costs)	-20,563		-24,157	
Contribution surcharge for costs	-2,230		-2,101	
Available for costs out of provision	1,085		1,020	
Execution and administration costs	-4,477		-4,439	
		-13,538		-7,378
Return and yield curve change				
Return on investments	32,948		-337,722	
Interest addition provision	-45,803		12,707	
Yield curve change	-34,333		371,270	
UFR change	-1,069		-6,744	
		-48,257		39,511
Other results				
Result on benefit transfers	-88		-10	
Result on other actuarial assumptions	-1,042		5,259	
Other income	220		153	
Indexation	-7,657		-32,541	
Change mortality assumptions	-		-11,401	
Change actuarial assumptions	2,246		-822	
Corrections	-		-	
Other costs	-		-	
		-6,321		-39,362
Result		**-68,116**		**-7,229**

* 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	27,368
Smoothed cost covering contribution	24,872
Actual contribution	12,693

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 2023 the CCC equals EUR 27,368.

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 2023 corresponds to a single expected return of approximately 3.82%.

In 2023 the SCCC equals EUR 24,872.

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 2023 add up to 3.9% of total pensionable salary for all pension plan members. The employer contribution in 2023 according to the contribution policy is equal to 8.8%.

In 2023 the actual total contribution to the pension fund equals EUR 12,693.

Based on the contribution policy, the board has decided to reduce the employer's premium for 2023. As a result, the actual contribution is 12.2 million lower than the smoothed cost covering contributrion.

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 2023 equals 140.9%. 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 238,668. The Ongoing Solvency Margin Ratio amounts to 121,3% of the AAL (including a % margin for the ARP/ASP plan). The Ongoing Solvency Margin Ratio has increased compared to last year due to the de-risking step at the end of 2023. The Policy Funding Ratio equals 145.9%. Based on these figures the Pension Fund has a sufficient solvency ratio.

9 LOOKING FORWARD

9.1 Pension Fund Governance

In 2023, we achieved stability in the composition of the main governing bodies of the pension fund, which is crucial given the challenges ahead. Many of these challenges are recurring, as they span multiple years. The preparation for transitioning to a new Pension Plan design is well underway, with several imminent deadlines. Social Partners must agree on a transition plan after consulting with the Accountability Council, the Supervisory Council, the Pension Board, and the Hearing Rights Committee. Following this, the Governance Committees of Mars, Incorporated must approve the Transition Plan, including the New Pension Plan Design. The Transition Plan must be submitted to DNB by the end of 2024. Subsequently, the Pension Board will develop Implementation and Communication Plans, which need to be submitted to DNB by the end of June 2025 to facilitate a proposed transition by 1 January 2027.

These are challenging deadlines and require disciplined project planning and execution, but the parties involved are confident that the deadlines will be met. Additionally, in 2024 the Pension Board will perform a self-assessment exercise and we need to achieve compliance with the new Code Pension Funds. The requirements for the Digital Operational Resilience Act (DORA) as issued by the European Commission are available now and give us a steer as to how become compliant with DORA in January 2025.

Furthermore, we still have to manage two pension plans that each pose their own challenges. In particular, the current investment policies for both plans are different from the expected investment policies post transition. This requires a balance between optimizing current strategies and planning for future ones. As we finalize the new pension plan design, we will gain clarity on the optimal investment policy for the future and devise a blueprint for the transition, which is expected to be ready in the first half of 2025.

Veghel, 27 June 2024

The Pension Board

Mr. F. Nieuwland (Chairman)	Mr. H. van Heesch (Secretary)
Mr. P. van Bree	Mrs. R. Steenbergen
Mr. W. Van de Laar	Mr. P. van Beek

10 REPORT BY THE SUPERVISORY COUNCIL

10.1 Report

As from January 2019, MPF has a Supervisory Council (SC). The SC comprises 3 external, independent members, i.e. P.R.F. de Koning, F.R. Valkenburg and E. Wiertz.

The SC 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 2023. This applied to both its own meetings and meetings with the pension fund. The SC has held quarterly meetings with the Executive Board. During the year, members of the SC were present in a couple of the board and committee meetings. The council met with the Accountability Council (AC), to discuss particularly both roles in the transitioning to the new pension contract. There were also several informal consultations between the chairs of the SC and the PB and between the chairs of the SC and the AC. The SC has annual consultations with the auditor and certifying actuary. Also a separate meeting was held with the three key function holders (actuary, risk management and internal audit).

The SC made recommendations for 2023, all of which were followed up by the board. Based on its observations in 2023 the council has the following findings and recommendations for 2024:

<u>Further developments regarding the new pension contract</u>

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. The SC will pay attention to the trade-offs made and their transparent recording.

Findings

The SC noticed that the preparations regarding the transition to the new pension contract have accelerated after the legislation was approved in the second quarter of 2023. The PB, sponsor and works council have joined forces and set up a project structure that will focus on the implementation of the new pension contract for MPF. The project team is supported by advisors from WTW. As of 2024, there are monthly calls in which also the chairperson of the AC and chairperson of the SC are updated. The project team looks at the consequences of the new pension contract on the current MPF pension schemes and maps the differences. The mandate for decision making and/or negotiations with the sponsor stays at the PB. First, it is up to social partners to agree on the ‘Transition Plan’. The PB supports social partners by delivering technical calculations when needed. The PB discussed also different scenario’s regarding the implementation by BSG, while keeping the interests of the MPF participants top of mind. The process of balanced consideration of interests of the participants is important from a supervision perspective. The SC and the AC had a meeting to discuss the criteria to be used in this consideration from a supervision view. The intended final date of the transition within the sector is 1 January 2028. This seems far away, but with strict deadlines also from external supervision, a lot needs to be done within a limited timeframe.

Recommendations

The council recommends closely monitoring of developments at BSG. Not only must its IT-systems be prepared for the transition, but delays may also arise from other pension funds ahead in the transition timeline, offering valuable lessons. The council also recommends to not only give quantitative calculations when supporting the views of the PB on the balanced consideration of interest, but also a preliminary discussion of qualitative considerations linked to the MPF participants. This is important to prevent goal-oriented reasoning, which also will be judged by the external supervisor. Finally the council asks attention for the (increasing amount of) project costs. Although the council is aware that most of the costs are unavoidable, it could be helpful to evaluate periodically to prevent accumulation and stay focused on the costs the PB can influence.

<u>The decision-making process /Board Room Dynamics</u>

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

In 2023 the new Observe-Assess-Decide approach of the board meetings came into practice. Although it requires more time to have separate meetings, the SC has noticed that there is a nice balance between open discussion on specific topics in the OA-meeting and a smoother progress of the full agenda of the PB meetings. Separate Topical Walk-ins are organized, which are also accessible for AC and SC members. The role of advisors is important for the board members, especially on the technical side, where permanent advisors participate in both board and committee meetings. The SC observes that board members not merely accept advise without scrutiny. They critically engage with the advisors, questioning and challenging their recommendations. The SC notes some shift in board meetings, where board members are taking a more active role in presenting subjects. This development is viewed positively by the SC as it enhances the decision-making process.

Recommendations

The council expects that the current Observe-Asses-Decide approach will be maintained, which contributes to a clear and demonstrable decision-making process. In anticipation of the assessment by the external supervisor, the council recommends that it is helpful to set up a decision-making register, with separate independently readable documents on the main topics. The board might consider to implement a separate register dedicated to all decisions in relation to the transfer to the new pension system.

The Pension Board evaluated the Observe and Assessment meeting introduced in 2023 as very positive as it enables in-depth discussions in the board to come to a good decision-making process and will keep this structure for the future. For the WTP project MPF introduced monthly board meetings to inform and discuss with the Pension Board relevant WTP project updates. The Steering Group of the WTP project is maintaining a decision register including links to relevant documentation of the decisions.

<u>Information security/ IT</u>

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

In 2023 the results of the IT audit performed by BDO gave insight in the degree of control of IT and Cybersecurity risks based on the DNB Good Practice Information Security. The council talked about the findings and recommendations in the IT audit report in the annual meeting with the key function holder Internal Audit. The PB and IT risk advisor came up with a plan to implement the recommendations. The council sees that progress is made and that follow-up on the actions is given in the PB meetings. In 2023 the Digital Operational Resilience Act (DORA) has come to force. Pension Funds have until December 2024 to comply with this regulation.

Recommendations

The council recommends visible action to comply to DORA, in close consultation with the pension administrator as well as the fiduciary manager, who have to provide insight to the extent to which sub-contractors also comply.

<u>ESG</u>

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

The council noticed increased effort on exploring possibilities on the ESG theme, within the boundaries of MPF related to resources and asset size. Coordination has been obtained between the Investment Team and Mars Corporate to confirm best efforts to comply to the fiduciary duty of the pension plan. MPF has in a timely manner complied with SFDR regulation. The PB also put effort into improving the ESG Dashboard.

Recommendations

The council recommends to continuate the progress made. Developments on ESG and ESG-regulation will continue as well. The council recommends to integrate ESG risk factors in the risk management framework, which is also a particular point of supervision by DNB.

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. The code has been adjusted as of November 10th 2023 and the adjusted code has come into effect as of January 1st 2024. Next year is a transitional year regarding the implementation of the new code.

For 2024 the supervisory council foresees the same special monitoring topics: WTP, Board Room Dynamics, IT/Information Security/Cyber and ESG.

10.2 Response Pension Board on report of the Supervisory Council

The Pension Board has reviewed the Supervisory Council's 2023 report. We are very pleased to read that the Supervisory Council (SC) has noted that we have followed up on all recommendations that were made for the year 2023 and we continue to work on the special monitoring topics WTP, Board Room Dynamics, IT/Information Security/Cyber and ESG for 2024. Furthermore, the Pension Board will implement the new Pension Fund Code in the second half of 2024.

The Supervisory Council has identified four focus areas and recommendations for 2023 to the Pension Board. For the year 2024, the Supervisory Council has indicated the same supervisory themes. The Pension Board would like to provide the following response:

<u>1. Further developments regarding the new pension contract</u>

After the legislation was approved, the Pension Board, together with the company, made significant progress through the efforts of the joint project organization. We worked together on the different scenarios for the two contract types and execution options of the future pension benefit design, and on scenarios for a balanced transition to the new pension system. This work enables the decision-making process of the social partners. Additionally, the risk preference survey was conducted in 2023, and its results are being used to determine the risk attitude and investment policy in the new pension scheme in 2024. A balanced consideration of interests is crucial in this process, with the board considering both quantitative and qualitative justifications.

MPF is actively involved in the focus group meetings with BSG, where important elements of the transition for BSG and all its clients are discussed, including the future service provision, transition planning, and costs. The board is also aware of the additional costs associated with the WTP project and strives to make the right trade-offs between costs and the added value for the transition process.

<u>2. The decision-making process /Board Room Dynamics</u>

The Pension Board evaluated the Observe and Assessment meeting introduced in 2023 as very positive as it enables in-depth discussions in the board to come to a good decision-making process and the PB will keep this structure for the future. For the WTP project MPF introduced a monthly board meeting to inform and discuss with the Pension Board relevant WTP project updates. Also, the board introduced monthly meetings with the Chairpersons of the Supervisory Council and the Accountability Council together with the Executive Board, with the objective to inform these governance bodies on relevant WTP developments. This provides them also with the opportunity to act as a sounding board for the WTP project. The Steering Group of the WTP project is maintaining a decision register including links to relevant documentation of the decisions.

3. Information security/ IT

Information security / IT is a focus area within the Pension Board of MPF, with the findings from the IT audit performed in 2023, the board created an IT action plan and is closely monitoring the delivery of the actions. One board member is assigned as lead on the knowledge area Data Policy and Information Technology, as the developments are going very fast in this area, the board worked on a development and back-up plan to ensure sufficient expertise within in the board for the future. Next to the annual IT awareness sessions for the entire board, MPF organized in January 2024 a cybersecurity exercise for the board together with the pension administrator, with the learnings from the exercise MPF has created a Business Continuity Plan. In 2024 MPF with help of an advisor will perform the gap analysis for DORA. Subsequently, a project plan will be written up to implement required changes in governance, policies, contracting, registers, SLA's, monitoring and assurance.

4. ESG

The Pension Board of MPF together with the Investment Committee have designed a roadmap for the ESG journey, and the board considers this as a marathon and not a sprint. This means that ESG will continue to be a focus area for the coming years. Furthermore, the PB will comply with any disclosure requirements that MPF needs to comply with under the Sustainable Finance Disclosure Regulation. ESG progression topics for 2024 include the inclusion of climate related risks in the PB's risk dashboard, the continuous discussion with our investment managers to improve their ESG reporting with the objective to reduce any potential greenwashing as much as possible, and to further investigate the prospect of additional impact investing.

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 Code Pension Funds. 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 (SC or "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;
- The form and structure of the internal supervision (Supervisory Council);
- The profile for members of the SC;
- 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;
- The composition of the actual premium and the amount of the premium components.

The AC has the option to consult an external actuary and pension lawyer to get advice where necessary, to allow the AC 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 2023 until the completion of this report

The AC has had four meetings in 2023. 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, and progress tracking of the AC priorities. Resulting questions have been raised with the Executive Board (EB).

The topical walk-in sessions, organised by the board, are an excellent platform for internal training and an opportunity for discussions.

In September 2023 the AC had a productive working session with the EB which focused on the "Wet Toekomst Pensioenen" (WTP) transition, the role of the AC and balancing the interests of all stakeholders. Also in September 2023, the AC had a useful session with the SC, focusing on balancing the interests of all stakeholders. The SC shared extensive insights on the process ("the how") and the AC on the content ("the what").

In the PB-AC-SC consultation meeting in December 2023, a presentation was shared by the AC about their self-evaluation over 2023 and their priorities for 2024.

In April 2024 the AC had a working session with the EB to gather input for preparing this annual report. Topics included a review of last year and the 2024 priorities for MPF, with a focus on the WTP and how the AC can pro-actively support this. As of this year the AC has the right of opinion on administration and execution costs which therefore have been discussed during this session.

Also in April 2024, the chairman and secretary of the AC and the chairman of 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.

Composition of the AC:
- Joris Janssen decided to step down as a member of the AC representing the active members in order to avoid any potential conflict of interest in relation to his new role, in which he is reporting into Fred Nieuwland.
- Sandra Kleijbeuker, HR manager based in Oud-Beijerland, has been found willing to fill in the vacancy, representing the employer in the AC. We're pleased to have found someone from Oud-Beijerland to join the AC, who at the same time enhances the diversity of the team.
- In August 2023 talent pool member Dennis Kaijser started his SPO Suitability-A training in anticipation of a future AC role. Dennis is nominated to become AC member in 2024, representing the active members (ARP/ASP).

Pension Board requests for AC advice during 2023

The AC has provided the following advice to the Pension Board:

Advice request topic	Date PB advice request	Date AC advice	AC advice
Correction policy	03/03/2023	10/03/2023	positive
updated Integrity policy and Code of Conduct	13/03/2023	23/03/2023	positive
updated complaints regulations	18/09/2023	21/09/2023	positive
Contribution 2024 & contribution method	14/11/2023	21/11/2023	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 2023 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 2023 in last year's report:

• Funding and indexation: the AC recognises that balancing the interest of all stakeholders remains a priority in the decision making of the PB.

• WTP:
- 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 is a key PB responsibility.
- the AC welcomes the involvement of the PB in the extensive, joint project team with the sponsor. The development of the so-called Dynamic Allocation Key and several Target Funding Ratios should result in the best possible transition: balanced and explainable.

• Succession planning & talent pool: we see a continued focus in this important area with personal development plans in place for all talent pool members, and a continued search for new members.

• Administration and Execution costs: this is an area of concern for the AC. It is the AC's opinion that this cost level is not sustainable in the long term.

• 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, and is able to maintain its independent, objective position. We are very pleased with this.

AC recommendations for 2024

The AC would appreciate if the PB could include the following four areas in their 2024 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 project team, as well as being kept up to date with all WTP developments relevant to MPF. The recently initiated monthly chairs meetings (with PB, SC and AC) have proven to be ideal for this purpose, hence the AC's desire to continue these meetings. We see this as a perfect example of applying the 5 Principles.

• Integral financial policy: the AC ask that the indexation-, contribution- and investment policy established in 2022 will be continued and consolidated in 2024 and beyond, until a successful WTP transition has been realised.

• MPF administration and execution costs: the AC asks the PB to review the current control measures. The PB should be able to explain what the actual running costs are vs. WTP project costs. In order to enhance readability and transparency it might be good to add a line with the WTP project costs in the first table under 3.6.1. It would be desirable if the PB could provide forward visibility on all costs towards the WTP transition. Furthermore, the AC would like to understand what the PB is aiming for in terms of admin cost after the transition.

• 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 from all Mars locations in the Netherlands. We will continue our support for internal training and "training on the job" where 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 2023 and are pleased that we are aligned.

For the year 2024 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 proactive 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 is committed to this and therefore has introduced the monthly meetings with the Chairs of the AC and SC to provide the governance bodies of the fund the relevant updates of the WTP developments on a regular basis and to allow the AC and SC to act as a sounding board for the PB and the WTP Steering Group. Relevant WTP developments will also be reviewed with the AC in topical walk-in sessions.

2. Integral financial policy – The AC asks that the interplay between contribution, indexation and investment policy should be continued in 2024 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 2024 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 2024 as they were in 2022 and 2023.

3. MPF administration and execution costs: the AC asks the PB to review the current control measures – The PB ensures the execution and administration of Mars Pension Fund are monitored on a regular basis by the Pension Board of MPF, both the current running cost as well as the project cost. Additional cost due to the transition cannot be avoided, but the Pension Board remains conscious about cost. The specific WTP project cost is also reported separate in the annual report.

The implementation plan that needs to be submitted to DNB by 1 July 2025 at the latest, will include the cost structure due to the transition and the expected cost structure of the execution of the new pension scheme after transition.

4. Continuity / Talent Pool – The PB is 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. Now that the PB, the SC, and the AC are fully staffed, we will keep on focussing to develop the right number of succession options for all sorts of roles in the main governance bodies, with the support of the Company. The PB will also start new initiatives to attract new talent for our Talent Pool.

ANNUAL ACCOUNTS

12 FINANCIAL STATEMENTS

12.1 Balance Sheet as at 31 December 2023

(after appropriation of result, in EUR 1,000)

ASSETS			31-12-2023		31-12-2022
Investments for risk pension fund	1				
Real estate		117,170		100,163	
Equity		396,994		509,709	
Fixed income		606,363		575,867	
Derivatives		112,373		60,028	
Hedge funds		147,857		140,773	
Other financial investments		86,635		218,498	
			1,467,392		1,605,038
Investments for risk members	2		151,715		122,515
Investments in subsidiaries	3		-		-
Receivables and prepayments					
Other receivables	4		1,960		1,523
Other assets					
Cash	5		4,084		6,487
			1,625,151		**1,735,563**

LIABILITIES			31-12-2023		31-12-2022
Foundation capital and reserves					
Foundation capital	6		0		0
General reserves	7		458,711		526,827
Technical provision for risk pension fund					
Actuarial accrued liabilities	8	969,548		929,413	
Provision for future disability	9	1,516		1,458	
			971,064		930,871
Pension provision for risk members	10		151,715		122,515
Current liabilities	11		43,661		155,350
			1,625,151		**1,735,563**

Due to rounding their might be some differences in the summation of figures.

12.2 statement of income and expenditure for the year ended 31 December 2023

(in EUR 1,000)

INCOME			2023		2022
Contributions from employer and employees	12		-458		10,877
Contributions for account and risk members	13		13,151		11,487
Investment results for risk pension fund	14	16,927		-331,090	
Investment results for risk members	15	16,021		-6,541	
			32,948		-337,631
Other income			225		142
Total INCOME			**45,866**		**-315,125**

EXPENDITURE			2023		2022
Benefits payment	16		-39,937		-38,450
Execution- and administration costs	17		-4,477		-4,439
Change pension provision:					
· Accrual of benefits		-7,240		-12,529	
· Indexation		-9,887		-34,642	
· Addition of interest		-29,782		6,166	
· Withdrawal for payments of pension benefits and pension execution costs		41,471		39,229	
· Yield curve change		-35,402		364,526	
· Change of mortality assumptions		-		-11,401	
· Withdrawal for other actuarial- and technical assumptions (retirement)		2,244		-878	
· Changes as a result of transfer of rights		97		-	
· Other changes pension provision		-1,636		5,448	
Change provision pension liabilities for risk pension fund	18		-40,135		355,919
Change provision for future disability	19		-58		43
Change provision for risk members	20		-29,200		-6,007
Reinsurance	21		-46		-65
Transfer of pension rights for risk pension fund	22		-		-
Transfer of pension rights for risk members	23		-123		900
Other expenses	24		-5		-5
Total EXPENSES			**-113,982**		**307,896**
NET RESULT			**-68,116**		**-7,229**

12.3 Statement of cash flows for the year ended 31 December 2023

			2023		2022
Cash flow from pension activities					
Contributions received		13,103		22,738	
Net cash flow from transfers of rights		-1,244		1,821	
Pension benefits paid		-39,937		-39,254	
Paid execution- and administration costs		-4,650		-4,558	
Paid contribution reinsurance		-46		-74	
Total cash flow from pension activities			-32,775		-19,327
Cash flow from investment activities					
Sale and redemption of investments		8,605,829		10,673,416	
Received direct investment returns		19,205		20,377	
Purchase investments		-8,788,786		-10,617,315	
Paid costs asset management		-5,486		-11,757	
Total cash flow from investment activities			-169,238		64,721
CHANGE CASH			-202,013		45,394
Movements in cash and cash equivalents can be broken down as follows:					
Cash available for investments			10,801		210,411
Cash pension fund	5		4,084		6,487
Balance per 31 December			14,885		216,898
Balance per 1 January			216,898		171,504
CHANGE CASH			-202,013		45,394

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 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'.

Income and expenditure 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.

As per the financial year 2023, MPF no longer prepares consolidated financial statements. MPF owned 100% of the shares of REI Nederland B.V. (REI) until 4 August 2022, when the shares in de company were sold. The sale of the shares ended the existence of a group of companies and therefore the obligation to prepare consolidated financial statements.

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. There have been no revised changes for 2023.

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

Transactions, receivables and liabilities

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

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

Investments for risk pension fund

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

Real estate investments are direct investments in property. Real estate investments are initially valued at historical cost; 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 of the real estate investments.

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

Fixed income is valued at fair value including the accrued interest at balance date. Fixed income securities funds are valued at the closing price as advised by the Investment Manager. The investment funds are valued at latest available quoted market price per balance sheet date. This is the unit value of the investment funds per balance sheet date.

Derivatives: At year end interest rate swaps and currency swaps, which are traded publicly, are based upon models using observable inputs. 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.

Investments in subsidiaries

This is a 100% participating interest in REI Nederland B.V. (REI) in Amsterdam. The investment was sold in the financial year 2022. Participating interests are carried at net asset value, determined in accordance with the accounting policies used for the consolidated financial statements.

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 fair 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 liabilities

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 (2022: AG Projection Table 2022).
- The mortality rates for experience rating are adjusted with fund specific correction factors based on the WTW 2022 experience rates model (2022: WTW 2022 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 (2022: 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% (2022: 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
Most of the current liabilities are related to derviatives. For the accounting policies of derivatives see page 64. The other current liabilities are stated at fair 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 employer and employees
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.

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 2023.

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.

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.

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 and the investment accounts of the Pension Fund.

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	Derivatives	Hedge Funds	Other financial investments	2023 Total
Value per 1 January 2023	100,163	509,709	575,867	-91,050	140,773	282,940	1,518,402
Purchases	27,711	30,815	1,926,370	611,514	37,843	6,154,534	8,788,787
Sales	-3,810	-173,877	-1,873,286	-408,189	-37,408	-6,109,259	-8,605,829
Valuation changes	-6,894	30,886	7,743	-40,800	6,649	34,941	32,525
Other	-	-539	-30,331	-1,013	-	-199,875	-231,758
Subtotal	**117,170**	**396,994**	**606,363**	**70,462**	**147,857**	**163,281**	**1,502,126**
Derivatives credit							41,911
Deducted: investments for risk members (ARP)							-76,646
Value per 31 December 2023							**1,467,391**

Asset Category	Real Estate	Equity	Fixed Income	Derivatives	Hedge Funds	Other financial investments	2022 Total
Value per 1 January 2022	108,192	807,497	624,439	24,712	122,224	190,006	1,877,070
Purchases	7,818	95,771	3,202,196	668,754	-	6,649,965	10,624,504
Sales	-28,284	-334,280	-3,227,950	-533,461	-	-6,563,863	-10,687,838
Valuation changes	12,437	-59,371	-9,155	-250,994	18,549	-44,752	-333,286
Other	-	92	-13,663	-61	-	51,584	37,952
Subtotal	**100,163**	**509,709**	**575,867**	**-91,050**	**140,773**	**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**

The value per 31 December 2023 is including the credit position of derivatives (EUR 41,911) and a deduction of EUR 76,646 presented as investments for risk of members (ARP).

Included in the investment-category ‘Other financial investments’ are collaterals EUR 152,508 (2022: EUR 50,992) and short term funds EUR 0 (2022: EUR 11,516). 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.

				2023
Asset Category	**Level 1**	**Level 2**	**Level 3**	**Total**
Real estate	-	-	117,170	117,170
Equity	197,991	306	198,697	396,994
Fixed income	165,572	223,483	217,308	606,363
Derivatives	-419	70,881	-	70,462
Hedge funds	-	-	147,857	147,857
Other financial investments	10,801	152,480	-	163,281
Total	**373,945**	**447,150**	**681,032**	**1,502,127**

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

				2022
Asset Category	**Level 1**	**Level 2**	**Level 3**	**Total**
Real estate	3,882	-	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	-	-91,050
Hedge funds	-	-	140,773	140,773
Other financial investments	221,927	61,013	-	282,940
Total	**530,189**	**411,105**	**577,108**	**1,518,402**

Positions more than 5% per investment-category:

Real Estate	**2023**		**2022**	
	EUR	**%**	**EUR**	**%**
Global Value Property Fund	117,170	100%	96,281	96%

Equity	**2023**		**2022**	
	EUR	**%**	**EUR**	**%**
Pem - Effem Fund	134,927	34%	157,707	31%
LGT Liberty PE Fund	33,526	8%	-	0%
GCM Generation PE Fund	29,520	7%	-	0%

Fixed Income	**2023**		**2022**	
	EUR	**%**	**EUR**	**%**
BLACKROCK	99,131	16%	65,595	11%
BLUEBAY-EMERGING MKT BD-IUSD	79,154	13%	-	0%
Effem Private Credit Feeder	49,226	8%	65,959	11%

Hedge Fund	**2023**		**2022**	
	EUR	**%**	**EUR**	**%**
Blackstone	111,404	75%	140,773	100%
Mars Evolution Fund	36,453	25%	-	-

Fair value hierarchy

The following tables summarize the valuation of investments by level within fair value hierarchy as of 31 December 2023 and 2022. 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.

2 Investments for risk members

	2023
Real estate	10,549
Equity	84,137
Fixed income	45,367
Derivatives	11,029
Hedge funds	8,207
Other financial investments	-7,574
Balance per 31 December	**151,715**

The investments for risk members consist of:

	2023	2022
Investments concerning ASP plan	75,069	58,073
Investments concerning ARP plan	76,646	64,442
Balance per 31 December	**151,715**	**122,515**

In 2023 the investments developed as follows:

	ASP	ARP
Balance per 1 January	58,073	64,442
Contributions	5,581	7,570
Transfers	518	706
Investments result	11,345	4,676
Other changes	-448	-748
Balance per 31 December	**75,069**	**76,646**

Other changes concern cases of deceased members.

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
Investments result	-11,670	5,129
Other changes	-187	-85
Balance per 31 December	**58,073**	**64,442**

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 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.

4 Other receivables

	2023	2022
Contributions	1,960	1,218
Other receivables	-	305
Balance per 31 December	**1,960**	**1,523**

Contributions concern the final contributions from the Dutch Mars Companies for 2023.

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.

5 Cash

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

	2023	2022
Cash at Rabobank	4,084	6,487
Balance per 31 December	**4,084**	**6,487**

6 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.

7 General reserves

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

	2023	2022
Balance per 1 January	526,827	534,056
Result for the year	-68,116	-7,229
Balance per 31 December	**458,711**	**526,827**

The minimum regulatory own funds, 3.7% of the actuarial accrued liabilities (including risk of the pension fund and risk of the members), equals EUR 41,0 million. Legally required own funds amount to EUR 238,7 million and are equal to 21.3% of the actuarial accrued liabilities at the risk of the pension fund. The present own funds are higher than the required funds.

The Real Policy Funding Ratio gives an indication of the extent to which supplements can be granted. The Real Policy Funding Ratio in accordance with the FTK definition is equal to the Policy Funding Ratio divided by the Policy Funding Ratio required for full indexation based on price inflation. The Real Policy Funding Ratio at year-end 2023 was 112.7% (2022: 118.0%).

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

	2023	2022
Funding Ratio	140.9%	150.0%
Minimum required solvency ratio	103.7%	103.7%
Policy Funding Ratio	145.9%	150.7%
Ongoing solvency margin ratio	121.3%	120.5%

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 2023 is 145.9% (31 December 2022: 150.7%).

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 2023 with an amount of 68,116 from the general reserves. This proposal has already been incorporated in the balance sheet.

8 Actuarial accrued liabilities

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

	2023	2022
Provision for pension liabilities, balance at 1 January	**929,413**	**1,285,332**
Accrual of benefits (including surcharge for future costs)	7,240	12,529
Indexation to the account of the pension fund	9,887	34,642
Addition of interest	29,782	-6,166
Benefit payments (incl. commutation and costs)	-41,471	-39,229
Yield curve change	35,402	-364,526
Change in mortality assumptions	-	11,401
Other actuarial and technical assumptions	-2,244	878
Individual value transfer (outgoing)	-97	-
Other changes pension liabilities (results on mortality and disability, corrections)	1,636	-5,448

	2023	2022
Total change	**40,135**	**-355,919**
Provisions for pension liabilities, balance at 31 December	**969,548**	**929,413**

Yield curve change

The interest rates decreased in 2023 resulting in a loss of 34,333 (change of AAL). In 2023 the change in UFR methodology resulted in a loss of 1,069. The interest addition to the AAL was 29,782 (loss) and the gain on direct and indirect returns on investments was 21,246. The costs for investment managers are a loss of 4,319. The total result on return and yield curve change was a loss of 48,257.

The effect of the UFR methodology is calculated per year end 2023 and therefore more negative than the estimated effect last year, which was calculated on year end 2022 interest rate. Due to a decrease of the interest rate from year end 2022 to year end 2023, the effect of the net UFR has increased.

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 1 January 2024, the AAL increased by an amount of 7,657.

Addition of interest

The pension liabilities have accrued interest at 3.264% (2022: -0.533%), 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 decreased with 2,244 due to changes in the technical assumptions (change in assumed retirement age of the Final Pay plan and adjustments in software for determining the provision).

Other changes pension liabilities (results on mortality and disability, corrections)

This result consists of an increase of the AAL of 1,842 due to mortality, an increase of 842 due to disability, a decrease of 3,831 because of retirement and other effects (-489).

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.

	31-12-2023	31-12-2023	31-12-2022	31-12-2022
	Members	AAL	Members	AAL
Active members	367	242,704	409	249,936
Deferred members	696	177,351	719	176,279
Retirees	1,370	551,009	1,345	504,656
Total	**2,433**	**971,064**	**2,473**	**930,871**

9 Provision for future disability

	2023	2022
Balance per 1 January	1,458	1,501
Regular change	58	-43
Balance per 31 December	**1,516**	**1,458**

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

10 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:

	2023	2022
Investments concerning ASP plan	75,069	58,073
Investments concerning ARP plan	76,646	64,442
Balance per 31 December	**151,715**	**122,515**

In 2023 the provisions developed as follows:

	ASP	ARP
Balance per 1 January	58,073	64,442
Contributions	5,581	7,570
Transfers	518	706
Investments result	11,345	4,676
Other changes	-448	-748
Balance per 31 December	**75,069**	**76,646**

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
Investments result	-11,670	5,129
Other changes	-187	-85
Balance per 31 December	**58,073**	**64,442**

11 Current liabilities

	2023	2022
Derivatives	41,911	151,079
Accrued expenses and other liabilities	655	3,236
Wage tax and premiums social security	1,095	1,035
Balance per 31 December	**43,661**	**155,350**

Negative derivative positions are classified as current liabilities and positive derivative positions are classified under investments for risk pension fund. 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.

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 110.3 million (2022: 151.6 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 pension provider as of 1-1-2022. The annual fee for the regular services of BSG amounts EUR 1.6 million. This amount is indexed on a yearly basis.

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		**31-12-2023**		**31-12-2022**
	EUR	**%**	**EUR**	**%**
S1 Interest rate risk	12,125	1.1	19,411	1.8
S2 Market risk on equities and property	178,091	15.9	167,694	16.0
S3 Currency risk	80,715	7.2	68,602	6.5
S4 Commodity risk	-	0.0	-	0.0
S5 Credit risk	67,524	6.0	51,860	4.9
S6 Technical insurance risk	31,040	2.8	30,223	2.9
S10 Active risk	17,715	1.6	23,890	2.3
Diversification-effect	-150,059	-13.4	-147,029	-14.0
Adjustment for risks for members	1,517	0.1	1,225	0.1
Required own funds	**238,668**	**21.3**	**215,876**	**18.2**

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.

	2023 in years	**2022 in years**
Fixed income duration (excluding derivatives)	2.92	2.79
Fixed income duration (including derivatives)	17.40	8.58
Duration of the (nominal) pension liabilities	14.60	15.10

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 2023 the funding ratio was 140,9%, 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 2023, 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	2023		2022	
	EUR	%	EUR	%
Government Bonds	179,562	28.7	234,540	41.0
Index Linked Bonds	11,918	1.9	15,252	3.0
Mortgages and Mortgage backed securities	65,922	10.6	62,510	11.0
Credits	250,365	40.1	260,209	45.0
Cash and cash-like instruments	116,897	18.7	18,516	-
Total	**624,664**	**100.0**	**591,027**	**100.0**

Cash and cash-like instruments concern short term claims and interest.

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.

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

Equity – sector categories	2023		2022	
	EUR	%	EUR	%
Consumers	35,449	9.0	57,488	11.0
Energy	5,673	1.0	10,392	2.0
Real Estate	440	0.0	0	0.0
Financials	230,124	59.0	256,297	50.0
Health care	33,580	8.0	48,488	10.0
Industrials	25,403	6.0	37,427	7.0
Communication services	10,972	3.0	13,222	12.0
Information Technology	48,914	12.0	61,915	4.0
Materials	3,577	1.0	18,802	3.0
Utilities	395	0.0	1,662	0.0
Other	2,219	1.0	1,296	1.0
Total	**396,746**	**100.0**	**506,989**	**100.0**

12.8.3 Currency risk (S3)

At the end of 2023 about 67% (2022: 65%) 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 33% at the end of 2023 (36% at the end of 2022). The total net market value of the outstanding currency forward contracts at the end of the year was 8,036 (2022: 8,283).

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

Currency			2023	2022
	Before Hedging	Currency Derivatives	Net position after hedging	Net position after hedging
Euro	604,545	463,354	1,067,899	1,074,709
British pound	41,326	-38,109	3,217	43,924
Japanese yen	27,648	-27,343	305	5,700
US Dollar	812,376	-365,473	446,903	405,260
Other	-	-38,167	-38,167	-11,191
Total	**1,485,895**	**-5,738**	**1,480,157**	**1,518,402**

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	2023	2022
Mature markets	371,840	480,975
Emerging Markets	24,906	27,947
Total	**396,746**	**508,922**

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

Fixed Income – Regions	2023	2022
Mature markets	523,727	521,943
Emerging Markets	103,666	71,497
Total	**627,393**	**593,440**

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	2023		2022	
	EUR	%	EUR	%
AAA	114,486	18.3	114,974	19.0
AA	33,636	5.4	166,348	28.0
A	59,767	9.6	32,743	6.0
BBB	62,025	9.9	51,750	9.0
Lower than BBB	159,517	25.5	121,113	20.0
No rating	195,233	31.3	104,100	18.0
Total	**624,664**	**100.0**	**591,028**	**100.0**

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. 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 5% of the total assets.

Positions more than 5% of the total assets:

		2023		2022
	EUR	**%**	**EUR**	**%**
PEM EFFEM FUND	134,927	9.2%	93,378	6.3%
GLOBAL VALUE PROPERTY FUND	117,170	8.0%	96,281	6.5%
BLACKSTONE FOF STICHTING DUTCH	111,404	7.6%	140,773	9.5%
BLACKROCK	98,799	6.7%	65,959	4.5%
BLUEBAY-EMERGING MKT BD-IUSD	79,154	5.4%	0	0.0%
	541,454	**36.9%**	**396,391**	**26.8%**

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 2023:

Type of contract	Expiry Date	Notional Values	Market Value assets	Market Value liabilities
Futures	Various	63,318	2,054	-3,259
Currency Forward contracts	Various	-	8,564	-529
Options	Various	26,989	8,285	-1,794
Interest Rate Swaps	Various	746,955	91,917	-31,370
Total return swaps	Various	9,966	1,206	-4,959
Total		**847,228**	**112,026**	**-41,911**

The table below shows the derivatives positions 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**

12.9 Notes to the statement of income and expenses

12 Contributions from employers and employees

The total employer contribution amounts 24.0% (2022: 21.6%) of thetotal capped pesionable salaries for all pension plan members. Since the Pension Board decided to grant the technical conditions in the contribution policy were met to grant a contribution reduction for 2023. The resulting employer contribution for 2023 must be at least equal to the age-dependent cointributionds in the ARP/ASP Plann, which equals an employer contribution of 8.8% of the total capped pensionable salaries for all pension plan members. Therefore, a premium diuscount of 15.2% was granted.

As mentioned above, the employer contribution percentage includes the contribution with respect to the ARP plan (EUR 7,570) and a contribution with respect to the ASP-plan (EUR 1,673). This is resulting in an employer’s contribution with respect to the

Final Pay Plan of EUR -458. The members also contribute to the ASP-plan for a total of EUR 3,908. The total actual contribution is EUR 12,693.

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

	2023	2022
Cost covering contribution	27,368	31,823
Smoothened contribution	24,872	22,685
Actual contribution	12,693	22,364

The cost covering contribution is based on the actuarial assumptions applicable as per 31 December 2023, 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 single expected return of approximately 3.82%. 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:

		2023		2022
	CCC	**SCCC**	**CCC**	**SCCC**
Unconditional accrual	22,620	20,616	26,231	18,879
Solvency surcharge	2,452	1,960	3,570	1,775
Surcharge for administration costs	2,296	2,296	2,031	2,031
Total	**27,368**	**24,872**	**31,832**	**22,685**

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

13 Contributions for account and risk members

	2023	2022
ARP contribution	7,570	6,784
ASP contribution	5,581	4,703
Total contribution	**13,151**	**11,487**

The ASP contribution consist of EUR 3.9 milion of contribution paid by members and EUR 1.7 milion paid by the employer.

14 Investment results for risk pension fund

	Direct investment results	Indirect investment results	Investment related costs	Total 2023	Total 2022
Real Estate	-	-6,919	152	-7,071	-2,115
Equity	1,296	32,374	256	33,414	-51,951
Fixed Income	12,479	-18,822	902	-7,245	188
Derivatives and hedge funds	2,061	-33,372	-	-31,310	-231,103
Other financial investments	3,458	33,366	3,009	33,816	-40,979
Investment results	**19,294**	**6,628**	**4,319**	**21,603**	**-325,961**
Allocated to ARP				-4,676	-5,129
Net Investment result				**16,927**	**-331,090**

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 4.3 million (2022: 5.3 million).

	2023	2022
Management fee external asset managers	2,134	2,803
Investment advice	1,559	1,722
Custody fee	316	396
Operating costs real estate	-	5,258
Other costs	307	608
Value added tax on costs foreign asset managers and other	3	84
Total	**4,319**	**10,871**

The investment related costs represent only the direct costs outside the investment funds.

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.

15 Investment results for risk members

	2023	2022
Investment results ARP (after deduction of transfers ARP)	4,676	5,129
Investment results ASP	11,345	-11,670
Total	**16,021**	**-6,541**

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 2023 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 2023	Total 2022
Equity	-	11,345	-	11,345	-11,670
Fixed Income	-	-	-	-	-
Net Investment result	**-**	**11,345**	**-**	**11,345**	**-11,670**

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

16 Benefits payment

	2023	2022
Retirement pension	35,031	33,448
Partner pension	4,316	4,456
Disability pension	473	451
Commutation of small pensions	85	56
Orphan pension	32	39
Total	**39,937**	**38,450**

17 Execution- and administration costs

	2023	2022
Administration costs	1,558	1,945
Benefits Professional (support Pension Office)	159	105
Employee costs	462	524
Governance costs (Pension Board, Supervisory Council, Accountability Council)	119	180
Audit and advisory services	2,039	1,543
Membership contributions	133	103
Other costs (mostly transition fees)	7	39
Total	**4,477**	**4,439**

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 two employees (2022: three 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 2023 the Pension Office was supported by a Benefits Professional. During 2023 their is one seconded employee for who the costs are also presented as employee costs.

The total remuneration paid to members of the Pension Board and Supervisory Council for their membership in the Board is EUR 67 (2022: EUR 137).

Members of the Accountability Council receive a compensation of EUR 3 per year (2022: EUR 3).

Board members not employed at Mars Nederland B.V. received a total remuneration of EUR 67 (2022: EUR 137).

Independent audit and advisory services

	2023	2022
Audit of the financial statements and regulatory returns to the Dutch Central Bank	93	90
Total	**93**	**90**

Audit services are provided by PricewaterhouseCoopers Accountants N.V.

18 Change provision pension liabilities for risk pension fund

	2023	2022
Change provision	40,135	-355,919

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

19 Change provision for future disability

	2023	2022
Provision change for future disability	58	-43

For more details we refer to the notes under reference number 9.

20 Change provision for risk members

	2023	2022
Provision change for the account and risk of members	29,200	6,007

For more details we refer to the notes under reference number 10

21 Reinsurance

	2023	2022
Premium	46	65

The Pension Fund has a reinsurance contract for the death-in-service and disability-in-service risks with Zwitserleven until 31 December 2023. 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 2023 no claims were made.

22 Transfers of pension rights for risk pension fund

	2023	2022
Incoming transfer values	-	-
Outgoing transfer values	97	-
Total	**97**	**-**

23 Transfers of pension rights for risk members

	2023	2022
Incoming transfer values	-1,406	-1,878
Outgoing transfer values	1,530	978
Total	**124**	**-900**

24 Other expenses

	2023	2022
Contribution AO for ASP members	-	-
Credit interest bank	5	5
Total	**5**	**5**

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

The balance of income and expense (loss) for the year 2023 of 68,116 is deducted from 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 no effect on the funding ratio of the pension fund as of 1 January 2024.

Veghel, 27 June 2024

The Pension Board

Mr. F. Nieuwland (Chairman)	Mr. H. van Heesch (Secretary)
Mr. P. van Bree	Mrs. R. Steenbergen
Mr. W. Van de Laar	Mr. P. van Beek

The Supervisory Council

Mr. P de Koning (Chairman)

Mr. F. Valkenburg

Mrs. E Wiertz

OTHER INFORMATION

13 OTHER INFORMATION

13.1 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 2023 is included in the statement of income and expenses.

13.2 Actuarial Statement

Assigment

The assignment to issue an Actuarial Statement, as referred to in the Pension Act in respect of the financial year 2023, was issued to Towers Watson Netherlands B.V. by Stichting Mars Pensioenfonds, established in Veghel.

Independence

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

Data

The data on which my audit was based were provided by and were compiled under the responsibility of the board of the pension fund.

In testing the assets of the pension fund and in assessing its financial position, I have based my assessment on the financial data on which the annual accounts are based.

Agreement external auditor

Based on the mutual ‘Handreiking’ that applies for both the external auditor and me, there has been agreement about the activities and expectations concerning this year’s assessment. For the assessment of the technical provisions and the financial position as a whole

I have determined the materiality to be equal to € 7,200,000. With the external auditor I have agreed to report any observed discrepancies above a level of € 480,000. These agreements have been recorded and the results of my assessments have been discussed with the external auditor.

In addition, I have used the basic data that has been subject to the assessment of the external auditor within the context of his review of the annual accounts. The external auditor has informed me on his findings regarding the reliability (material accuracy and completeness) of the basic data and other principles that are important for my judgement.

Activities

In carrying out the assignment, in accordance with my legal responsibility as stipulated in Section 147 of the Pension Act, I have examined whether the pension fund complies with Section 126 up to and including Section 140 of the Pension Act. On the basis of transitional law, the aforementioned articles apply as they read until the entry into force of the Future Pensions Act (WTP).

The basic data provided by the pension fund are such that I have accepted these data as the point of departure for my assessment activities.

As part of the work for the assignment I have, for instance, assessed whether:
- The technical provisions, the minimum required net assets and the required net assets have been determined adequately;
- The cost covering contribution has been determined in compliance with the legal requirements;
- The investment policy is in accordance with the prudent person rule.

In addition, I have formed an opinion about the financial position of the pension fund. This opinion is based on the liabilities of the pension fund incurred up to and including the balance sheet date and the available assets on that date, also taking into account the financial policy of the pension fund.

My audit was carried out in such a way that it may be ascertained with a reasonable degree of certainty that the results do not contain any inaccuracies of material importance.

The activities described and the implementation thereof are in accordance with the applicable standards and common practice of the Royal Dutch Actuarial Association and, in my view, provide a sound basis for my opinion.

Opinion

The technical provisions have been determined adequately. The net assets of the pension fund on the balance sheet date were higher than the statutory required net assets.

Taking into account the above, I have satisfied myself that, viewed as a whole, the pension fund has complied with Section 126 up to and including Section 140 of the Pension Act. I would like to note that, on the basis of transitional law, Articles 126 to 140 of the Pension Act apply, as they read until the entry into force of the Future Pensions 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.

Rotterdam, 27 June 2024

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

Affiliated with Towers Watson Netherlands B.V.

13.3 Independent auditor's report

Report on the audit of the financial statements 2023

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 as at 31 December 2023, 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 2023 of Stichting Mars Pensioenfonds, Meierijstad.

The financial statements comprise:

• the balance sheet as at 31 December 2023;
• the statement of income and expenditure for the year ended 31 December 2023; 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, 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 risk and performed the following specific procedures:

Identified fraud risk	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 pay special attention to tendencies following possible personal interests of board members.	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 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 ISAE 3402 reports (or international equivalents) of relevant service organizations. 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 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. 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 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, including 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 7 ('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;
- 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 accounts

The annual accounts contains other information. This includes all information in the annual accounts 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.

In preparing 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, and is not a guarantee that an audit conducted in accordance with the Dutch Standards on Auditing will always detect a material misstatement when it exists. 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 2024

PricewaterhouseCoopers Accountants N.V.

Original has been signed by drs. H.C. van der Rijst RA

Appendix to our auditor's report on the financial statements 2023 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.

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.

13.4 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
BSG	Blue Sky Group
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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