Stichting Pensioenfonds voor de Architectentenbureaus

Annual report 2023

This annual report is a publication of Stichting Pensioenfonds voor de Architectenbureaus

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date
18 June 2024

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I. MANAGEMENT REPORT

Foreword from the Board

This is the 2023 annual report of Stichting Pensioenfonds voor de Architectenbureaus (hereinafter referred to as the Fund). In this annual report, we render account for the policy pursued, the results achieved and the appropriate risk management. We explain how our financial situation has developed. In this report, you will also read how we have dealt with developments in the world, the pension file and the architectural industry.

Our financial position was good enough to increase the accrued pensions on 1 January 2023 by 7.33% and by 6.85% on 1 January 2024. In granting the increase, we did not just consider price inflation, we also looked at what an increase means for our financial situation now *and* in the future, taking into account the interests of both the currently working people and the pensioners. After all, the pension capital should be distributed evenly. Currently, we have sufficient assets to pay out the accrued pensions.

As a fund, we want to give our participants a realistic perspective of the future and help them make conscious choices for the present time and the future. We therefore explain the review of the second pillar of the pension system in this annual report. The Future of Pensions Act (*Wet toekomst pensioenen* - Wtp) took effect on 1 July 2023. Abolishing the average contribution system and allowing pensions to move with economic developments are the most important changes in this respect. The result on investments determines the final level of the pensions. On 1 January 2027, we will switch to the new legislation and transfer all the accrued pension rights to the new solidarity contribution scheme.

The social partners consider the solidarity contribution scheme the best fit with the rank and file. We set out with the social partners on providing a good and real prospect for our participants of all generations. For this reason, and to hear our rank and file’s views and concerns, we held several meetings, both live and digitally. We expect to hear the final decision of the social partners on the new scheme in the second quarter of 2024, after which we can start working on the required documents and communication.

The total return on investments in 2023 is 10.38%. However, the current funding ratio fell from 120.8% at the end of 2022 to 117.8% at the end of December 2023. The reason for this is that the indexation of 6.85% from 1 January 2024 is already included. At 125.6%, the policy funding ratio is above the recovery plan level and has remained almost unchanged in comparison to the previous year. We have launched a study on the possible protection of the funding ratio and whether it is desirable.

We have completed the in-depth survey of our participants on socially responsible investing in 2023. A large proportion of the respondents indicated that the Fund should increase its socially responsible investments, even if this reduces the pension. Preventing climate change was identified by respondents as one of the most important issues. To this end, we set out with impact investing.

We also spent a lot of time in 2023 on the ‘IT in control’ programme to increase our digital resilience.

Key figures

(Amounts x €1,000)

	2023	2022	2021	2020	2019
Agencies, participants and pension beneficiaries					
Affiliated agencies with staff	1,266	1,299	1,340	1,314	1,380
Participants	9,895	10,313	10,050	9,349	9,142
Former participants	23,029	25,392	25,185	25,334	25,772
Pension beneficiaries	13,975	13,872	13,715	13,508	13,289
Premium and benefits					
Premium contributions from employers and employees	78,190	74,280	64,792	60,246	56,633
Pension benefits, including commutation	130,040	118,512	114,236	111,849	107,770
Investments					
Invested assets	4,610,442	4,235,727	5,673,562	5,508,006	4,972,410
Investment results risk pension fund	435,747	-1,377,406	212,610	601,966	802,183
Realised investment return	10.38%	-23.91%	3.70%	12.20%	18.89%
Balance of income and expenditure	-35,776	-336,369	470,367	89,041	160,246
Fictitious interest rate year-end DNB RTS	2.30%	2.53%	0.58%	0.22%	0.76%
Provisions and reserves					
Equity capital present	699,139	734,915	1,071,284	600,917	511,876
Equity capital requirement	731,232	701,930	845,887	893,082	832,271
Technical provision	3,923,448	3,519,301	4,616,283	4,927,192	4,470,985
Funding ratio					
Current funding ratio	117.8%	120.9%	123.2%	112.2%	111.4%
Policy funding ratio	125.6%	125.0%	118.8%	105.1%	109.0%
Costs					
Costs of asset management excluding transaction costs*	11,303	10,405	14,946	11,690	13,469
Transaction costs *	1,096	5,004	5,932	5,969	4,332
Costs of asset management including transaction costs	12,399	15,409	20,878	17,659	17,801
Costs of asset management excluding transaction costs as a percentage of the AIA **	0.26	0.22	0.27	0.23	0.30
Transaction costs as a percentage of the AIA**	0.03	0.11	0.11	0.12	0.09
Costs of asset management as a percentage of the AIA**	0.29	0.33	0.38	0.35	0.39
Administrative pension administration costs *	5,450	4,464	3,947	3,602	3,567
Administrative pension administration costs per participant or pension beneficiary in euros *	228	185	166	158	159
Pension administration costs excluding transaction costs as a percentage of the AIA **	0.38	0.32	0.34	0.30	0.37

* Mandatory statement according to Dutch Pensions Act;
** AIA: average invested assets in the reference year.

Dashboard

The key issues at a glance. There are more detailed explanatory notes in the various chapters.

Financial position: as at 31 December 2023, our current funding ratio decreased to 117.8%. Our policy funding ratio remained roughly unchanged at 125.6% in 2023. We do not have a recovery plan.

Result: we achieved a positive investment result of 10.38% in 2023.

Supplement: the financial situation of the Fund allowed us to increase the pensions of pension beneficiaries and the entitlements of participants by 7.33% on 1 January 2023. This is approximately 50% of the inflation rate in the reference period. We based the debate on both qualitative and quantitative arguments. We were able to grant a 6.85% supplement on 1 January 2024. The combination of our financial situation *and* the relaxed rules made it possible to increase the pensions by more than the price inflation.

Premium funding ratio: at the end of 2023, the premium funding ratio was well above 100%, namely at 121%. In the new pension system, there can no longer be a low or high premium funding ratio, as participants will then add their contributed pension premiums to their own pension capital.

Premium: for 2023, the parties to the collective labour agreement agreed to maintain the pension at 24.5% of the pension base. This is lower than the minimum premium to be received based on the accrual rate of 1.50%. Therefore, the accrual rate for 2023 has been reduced to 1.44% from 1.50% in 2022. Because of Dutch central bank DNB's alternative minimum projection path (*ingroeipad*), a maximum accrual rate of 1.44% is possible, instead of an accrual rate of 1.30% as per the regular policy. DNB's alternative minimum projection path is more in line with the Fund's objectives of a stable premium and stable accrual rate.

Accrual rates: retirement pension accrual decreased from 1.50% in 2022 to 1.44% in 2023. This is lower than our ambition which is the maximum permissible rate from a tax point of view. We tested the accrual rate in conjunction with the premium rate against regulations and calculation rules of DNB. In the decision-making process, based on the solidarity and collectivity that characterises a pension fund, we considered all stakeholders: active participants, former participants, pension beneficiaries and the affiliated employers. We have concluded that the set of agreements meets the interests of participants and pension beneficiaries in a balanced way. In doing so, we looked at the overall package of arrangements and not just the individual components. We did not change the accrual rates of partner’s pension and orphan’s pensions. These rates remained at 1.3125% and 0.2625%, respectively. From 1 January 2024, the accrual rate is 1.738%.

Responsible investing: we are not just concerned with achieving investment returns. Also from our social role, we wish to contribute to a liveable, sustainable and social living environment. Therefore, we have included two priority areas from the United Nations Sustainable Development Goals (SDG) in our responsible investment policy. This autumn, we issued a digital participant survey on ESG (environment, social & governance), specifically focusing on the SDGs and impact investing. We then organised a debate session. You can read more about responsible investing in the Asset Management section. There, you can also read how we comply with regulations.

Innovation in the architectural industry: as a fund, we are working with the social partners to make pensions a contemporary and more appropriate employment condition. In the future, we want to provide the participants with more flexibility and options in financial provisions and encourage self-employed people to join the scheme. We want to ensure that our participants retire happy and stay happy.

Future of Pensions Bill: the Wtp entered into force on 1 July 2023. The aim of the Wtp is a more sustainable pension system that sooner offers the prospect of a purchasing power pension. The change in the design of the system will make pensions more transparent and more personalised. The level of pension premium will be the guiding principle and pensions will respond to a higher extent with the economy. As a pension fund, we can maintain smaller buffers. The social partners have expressed their preference for the solidarity contribution scheme and the intention to integrate accrued rights (*invaren*). Integrating accrued rights means that already accrued pensions go into a personal pension pot. We will endeavour to minimise shocks to pension benefits in payment for pension beneficiaries.

1 Policy

In 2023, we spent a lot of time as a fund on various work related to the Wtp, adapting the pension scheme to what is common and desired, data quality and socially responsible investing. We also completed most of the transition of the PGGM investment funds. In our communication with our rank and file, we have placed more emphasis on 'contact and together'. In addition, we made several house style adjustments and modernised the website. We have been preparing to meet the new requirements for choice guidance and duty of care to participants imposed by legislation.

There were many different issues on our agenda in 2023. Often these topics were related to the Wtp, data quality or ESG. For Wtp, we worked in a tried and tested project structure already established in 2022. Given the importance of IT and ESG to the Fund and to achieve a balanced distribution of workload among Board members, we have appointed portfolio managers for these files.

In this chapter, we render account for the policy choices we made in 2023.

1.1 Topics in 2023

Future of Pensions Act
In cooperation with the social partners, we have started work on the Wtp as early as 2021. This is a complex and lengthy process, involving multiple stakeholders to shape the new pension scheme. Under the new scheme, premiums paid and returns realised are administered at a personal level. This return can be either positive or negative. The act took effect from 1 July 2023 and we have until 1 January 2028 to adapt the scheme to the new legal framework. In consultation with APG, the social partners decided to transfer all the pensions to the new scheme and administrative system on 1 January 2027. Previously, 1 January 2026 was the target. However, we will need an extra year to execute the transition in a controlled and careful manner.

Our existing governance structure - with various board committees and the Protocol Committee in which cooperation with the social partners is placed - has been used to shape the new scheme first by using working assumptions. Based on five defined work streams, the committees started working on these. We distinguish the following work streams:
- pension commitment and funding;
- pension administration and data quality;
- asset management
- communication;
- risk management

The Executive Office is in charge of actually managing the programme. The social partners asked the Board for content-oriented support with regard to the Wtp. The social partners have made a proposed choice of the solidarity contribution scheme. This choice was made on the basis of qualitative building blocks. Solidarity was the decisive factor here: the downward negative outliers are manageable and the requirement is the least affected.

After the social partners have made the final choices on the content of the solidarity contribution scheme, we as a fund still need to decide on acceptance of the mandate. The guiding principle is to transition to the new pension scheme on 1 January 2027 and transfer all the accrued entitlements.

We have also held strategic sessions in which we have already looked at the impact of the Wtp on the future governance model and how we perceive our own role in this.

APG has partnered with Danish fintech company Festina Finance for a new policy and capital administrative system under the new pension scheme. We closely monitor the agreements reached between the parties and the progress thereof.

Pension scheme

As a fund, together with the social partners, we aim for an adequate and customary pension scheme with as few exceptions as possible. That contributes to comprehensibility and keeps pension administration costs as low as possible. The social partners determine the pension scheme and the Fund is responsible for administering it. This means we are responsible for all activities of the Fund, including administration, communication, risk management and management of pension capital.

In cooperation with the social partners, we are exploring options for the future of the scheme so that we can even better ensure that participants retire happy and that this remains the same during the payment phase.

The accrual rate is no longer fixed and fluctuates due to the pension premium cap at approximately 24.5%. For instance, the accrual rate was 1.50% per annum in 2022, in 2023 it was 1.44% and in 2024 1.738%. From 1 January 2024, the accrual rate equals the maximum accrual rate allowed for tax purposes in an average pay scheme with a retirement age of 67. We use a retirement age of 67, as this most closely reflects what we consider the retirement date in practice. From 1 January 2024, the minimum entry age will disappear and young people under 21 will automatically start accruing a pension.

Non-contributory continuation in case of occupational disability

If participants receive benefits under the Dutch Work and Income (Ability to Work) Act (WIA - *Wet werk en inkomen naar arbeidsvermogen*), the pension fund usually contributes to the pension premium. In line with the recommendation of the pensions ombudsman, participants do not have to do anything for this themselves. We receive this data from the Dutch Employee Insurance Schemes Implementing Body (UWV - *Uitvoeringsinstelling Werknemersverzekeringen*) and we have not set a deadline for the application time for non-contributory continuation.

Restating the interest rate term structure

In 2023, the minister offered the one-off opportunity to restate the RTS (interest rate term structure) as part of the expected return. We took up this offer and restated the RTS as at 30 September 2023. We also reset the inflation curve as at 30 September 2023 and then tied it up for the same period as the RTS.

ALM study

We performed a new ALM study in 2023. The results of the ALM study were discussed at several meetings, including the Financial Assessment Framework (FTK) for the transition and possible funding ratio protection. The calculations were carried out using the Triple A parameter set from the point of view of consistency, as well as the DNB parameter set because of the optimisation calculations aimed at the new regime. We also used a number of deterministic scenarios, including a climate scenario, in addition to stochastic scenarios. We concluded that the current policy meets the Fund's objectives and there is no need to adjust the current strategic investment policy.

Collection process

Regarding the collection process, we try to be as highly reactive as possible. All invoices and payments for employers can be found in the Selfservice Employers Portal. We have made the decision to allow employers to pay the premium via iDEAL as well to increase the ease of payment.

Enforcement activities

We must grant pension entitlements to all employees of an architectural firm subject to the compulsory affiliation, even if no contribution has been paid (entitlement but no premium). We run a legal and financial risk if there are firms that are unjustly not affiliated or if firms that are declared insolvent do not or do no longer pay the pension premium. Running risks in the fields of behaviour, integrity and culture does not contribute to the Fund's objectives.

For 2023, we have included enforcement activities such as scope testing as a regular part of APG's structural services.

Data quality

We are responsible for the thorough administration of the pension scheme and we ensure a controlled and sound pension administration. This helps increasing the confidence of our participants and affiliated architectural firms. The quality of the data used in the pension administration plays a pivotal part and it is the foundation for providing a proper and realistic future prospect. The data should be appropriate, complete and accurate. As administrator of the pension scheme, we are responsible for the complete and correct administration and determination of pension rights and entitlements.

In view of the transition to the new system, it is essential that we mitigate the risk of errors as much as possible. After all, in the transition to the new pension system, current pension assets will be converted to individual pension assets. Errors have a direct effect on the pensions of participants, former participants and pension beneficiaries. We have therefore drawn up a data quality policy that specifically addresses data quality checks and monitoring. We have taken DNB's Good Practice Robust Pension Administration and the Dutch Federation of Pension Funds' Data Quality Framework into account in our policy. We also pay attention to complexity reduction and data cleaning. We depend largely on APG for this. We monitor progress in these activities through dashboard reporting.

IT policy

Following our self-assessment for 2021 on information security, DNB informed us with a mitigation letter that not all the IT control measures are yet at the desired level. In 2022, we embarked on the 'IT in control' programme to improve and maintain the control measures that did not yet meet the desired maturity level. For instance, we updated IT policies and created a business continuity plan and IT risk management plans. After going through two reporting cycles, we were able to demonstrate the operation of the IT controls in 2023. We did this based on our regular reporting cycle through the first line, with the key risk management function holder (second line) providing a risk opinion. The operation was assessed by the key role holder Internal Audit (third line). IT controls are at the desired level.

In its guidance and good practices, DNB highlights properly securing an IT focus on the Board. We have decided to appoint an IT portfolio manager. This is a Board member functioning from the first line with a focus on IT. The portfolio manager also manages the fund-wide IT policy and is responsible for the roll-out of DORA, among other things.

The National Cyber Security Centre advised organisations to prepare for a major cyber attack. That is why we prepared for a ransomware attack. During one of our study days, we organised an awareness session on cybersecurity.

General Data Protection Regulation

We attach great importance to the lawful, proper, secure, transparent and high-quality processing of personal data and thus the protection of those whose personal data is processed by the Fund. In doing so, we aim to demonstrably comply with privacy laws and regulations, in particular the General Data Protection Regulation (in Dutch: AVG - *Algemene Verordening Gegevensbescherming*), updated on 1 January 2023, as well as the Dutch Federation of Pension Funds' Code of Conduct on Processing Personal Data for Pension Funds (Code of Conduct), which is derived from it for the pension sector. The Fund is able to state that it has complied with the Code of Conduct this reporting year. APG has issued a compliance statement to this effect.

In our privacy policy, we set out the principles we deem important when processing personal data and how we organise the processing of personal data. We have revised and established our privacy policy accordingly.

1.2 Proper pension fund governance

Code of the Dutch Pension Funds 2018

As a fund, we believe it is very important to treat pension assets with due care. We comply with the standards of the Code of the Dutch Pension Funds 2018, hereinafter referred to as the Code, for this purpose. In 2023, we complied with all provisions in the Code, save for one. Namely, there are no members under 40 years of age in the Accountability Body.

In accordance with Standard 64 of the Code, we report in this annual report on compliance with the standards under the 'comply or explain' principle and below specifically on prescribed standards 5, 31, 33, 47, 58, 62, 64 and 65. Below you will find the location in the annual report of the specific standards prescribed by the Federation of Pension Funds.

Reporting standard	Do we meet the standard?	Location
Standard 5 The board renders account for the policies it pursues, the realised outcomes of these policies and any policy choices it may make for the future. In doing so, the board weighs the various interests of the groups involved in the pension fund. The board also provides insight in the stakeholders' short-term and long-term risks, related to the agreed level of ambition.	Yes	At least three times a year, the Board renders account to the Accountability Body for the policy pursued, outcomes, choices and risks. The Board's policies, choices and trade-offs are explained there, including on the basis of the opinion prepared by the Accountability Body. In addition, the annual report renders account for the balance of interests, understanding of risks and implementation of the policy.
Standard 31 The composition of fund bodies in terms of suitability, complementarity, diversity, reflection of stakeholders and continuity has been laid down in policy. A check takes place both at the start of a term and mid-term at the time of self-assessment.	Yes	The Articles of Association set out the distribution of seats. From 2014, a seat on behalf of pension beneficiaries is also part of the Board. The profile and composition of the bodies and committees take into account the young/old and male/female distribution. The Board is also mindful of Board members' character traits. These are indicated through the Profile Dynamics score.
Standard 33 Both the board and the accountability body or stakeholder body comprise at least one female and one male. It includes people both above and below 40. The board draws up a roadmap to promote diversity on the board. .	No	There are two females on the Board, three on the Accountability Body and one on the Supervisory Board. One board member is under 40 years of age. All the Accountability Body members are over 40 years old.
Standard 47 The internal supervision uses this Code in the performance of its duties.	Yes	The Supervisory Board's report of findings reports on the standards of the Code at a general level.
Standard 58 The board provides public insight into mission, vision and strategy.	Yes	The Board describes the Fund's mission, vision and strategy in the annual report. In it, the Board describes the extent to which the Fund has achieved the objectives set. This is also covered in the board letter sent twice a year and on the website.
Standard 62 The board records its responsible investing considerations and ensures they are available to stakeholders.	Yes	The Fund has adopted and recorded a responsible investing policy. This policy relates to how the Fund takes the environment and climate, human rights, and social relationships into account. An explanation of this has been made public on the website.
Standard 64 In the annual report, the board reports on compliance with the internal code of conduct, as referred to in standards 15 and 16, and this Code, as well as on the evaluation of the board's performance.	Yes	The annual report and in particular in the management report contain general reporting on the standards of the Code and compliance with the internal code of conduct. The annual report contains the eight reporting standards that always presuppose an explanation.
Standard 65 The board ensures an adequate complaints and disputes procedure that is easy to access for stakeholders. In the annual report, the board reports on the handling of complaints and the changes in schemes or processes resulting from them.	Yes	The Fund has a complaints and dispute settlement scheme in place. It can be found on the website. The members of the Complaints and Dispute Settlement Committee are independent experts. In addition to the internal procedure, there is the option to refer the decision taken to the pensions ombudsman. The annual report will report on the numbers and resolution of complaints where applicable. Amendments took place in 2023 to comply with laws and regulations and affiliation to the Dispute Resolution Body for Pension Funds, and the regulations were converted into complaint regulations.

From 1 January 2024, the revised Pension Funds Code is in effect. In the 2024 management report, we will report what we have done to meet the new or tightened standards.

Code of Conduct

We attach great importance to conducting our business with integrity. To ensure this, we have made compliance with the code of conduct mandatory for all the affiliated persons, i.e. members of the Board, the Supervisory Board and the Accountability Body, employees of the Executive Office, external members of committees and several other persons appointed by the Board. The code of conduct provides rules and guidelines for the acceptance of gifts and invitations and has guidelines to prevent conflicts of interests, and abuse and improper use of confidential information. All the affiliated persons have signed the code of conduct.

The code of conduct is available to everyone on our Fund's website. Our compliance officer monitors its compliance. The compliance officer reports once a year on compliance with the code of conduct.

Complying with proper pension governance rules is a firmly placed item on our governance agenda. It is designed to allow Board members to report compliance issues and indicate which invitations they received. Board members also indicate which seminars, webinars and trainings they have taken, whether they have new ancillary positions and whether they have insider information. This helps raise awareness. In addition, at every Board meeting the Board members are asked whether they are or have been in possession of price-sensitive information within the context of the insider scheme. We have a zero-tolerance policy on integrity risk.

In addition to a compliance officer who monitors compliance with our code of conduct, we have an external confidential advisor. The confidential advisor has a role within the framework of the regulation on reporting (suspected) irregularities, integrity incidents or wrongdoings. This allows members of the Board, the Accountability Body, the Supervisory Board and the Executive Office to report on irregularities within the Fund without risk to their own position. We also have a policy on inappropriate behaviour in place.

Suitability

The Board, as well as the Supervisory Board and the Accountability Body, should meet knowledge, skills and behaviour requirements as a collective and as individual members. We have a suitability plan to promote suitability and budget is earmarked for attending training or courses. In 2023, we participated in seminars, webinars and study meetings on a regular basis. We have an evaluation cycle in place, which means the chairs hold annual evaluation interviews with individual Board members and assess whether training is advisable in certain areas. We thus ensure the required suitability both in terms of pension content and competences.

Self-assessment

We conduct an annual self-assessment. This involves the performance of the Board as a whole and the performance of individual Board members. The purpose of self-evaluation is to maintain the quality of governance and promote cooperation. During the session, we responded interactively to several propositions. Among other things, we have concluded that in 2023 many complex issues were dealt with, the workload was high, we were able to mandate more matters to the Executive Office, countervailing could be increased on certain files and there was a good relationship, both internally within the Board and from the Board with the various bodies. The follow-up of areas for improvement is monitored. Once every three years, we involve an external organisation in the self-evaluation. This external organisation also supervises the self-evaluation of the Supervisory Board and the Accountability Body.

Evaluation of external consultants

Annually, in line with our outsourcing policy, we hold evaluation interviews with our external advisers using a uniform template. Here, we look at the mutual communication, the quality delivered, the level of knowledge, attitude and behaviour, the continuity and adaptive capability of the pension administrator, and the cost level. The Accountability Body and the Supervisory Board are informed of the outcome of these interviews.

Prudent person

The Fund conducts an investment policy that is in accordance with the prudent person rule. This means we invest in the interests of all the participants and pension beneficiaries. Our certifying actuary annually reviews our risk attitude, governance, investment portfolio and guidelines, derivatives, and risk management. Our investment policy is designed to balance risks with quality, liquidity and return of the portfolio as a whole. We have set up our organisation in such a way that there are proper procedures and monitoring mechanisms, policies for managing risks and that we ensure the implementation of these policies. The key issue here is that external pension administrators comply with applicable legislation and regulations.

1.3 Communication

1.3.1 Guiding principles and priorities

The guiding principle for the activities in 2023 was the Communications Policy Plan 2022 - 2024, through which we are building more engaged, meaningful relationships with our participants and the affiliated employers. We do this by making the value of the pension (scheme) and the Fund tangible, but also by connecting with participants and employers in a real and meaningful way and bringing the themes of sustainability and responsibility closer. An important prerequisite is that we provide helpful service and communication, as well as good and realistic insight into the personal pension. All our activities are aimed at this, including those in 2023, always setting concrete targets.

Priorities

We have focused on six priorities in 2023, matching the themes in the policy plan:

- Working on building trust and base of support by demonstrating the value of the pension scheme (also in the new system) from both reason and emotion, as well as by engaging in dialogue with our members on location throughout the country and online.
- Positioning the Fund more strongly on sustainable investing in our communications, given the importance attached to it by our participants.
- Providing choice guidance and action perspective to give participants a good and realistic future perspective and appropriate choices. MijnArchitectenpensioen on the website plays an important role here.
- Focussing on specific target groups, where we mainly looked at the youth target group in 2023. Over 45% of our participants are under 35 years old. How do we trigger this target group?
- Optimal digital support by increasing e-mail scope, but also by improving our digital channels, such as the website.
- A modern, recognisable look, consistent with the architectural industry. To that end, the house style was brushed up in 2022 and implemented further in 2023.

1.3.2 Concrete activities

A key activity in 2023 was the implementation of the legal obligations for choice guidance (duty of care) under the Wtp. In addition, ambitions around choice counselling were discussed within the Board, which initially opted for the role of pension counsellor. This involves pointing out to participants the possibilities of insight into pension amounts, the options available and the pros and cons of choices in their own pension scheme. For broader insights, people are referred to other sources. This is also in line with PFAB's vision and mission: to provide helping service. For the period after the transition to the new pension system, ambitions are higher. These will be fleshed out in the coming years.

The new pension rules have received a lot of attention in our communications. We want to include our participants in the changes at an early stage. Pending the decision of the social partners, communication took place in broad terms, to be communicated in more and more detail about new pension scheme in the coming years, with eventually the personal pension amounts. We used our website, i.e. dedicated theme pages, and digital newsletters for this purpose, but also made video tutorials and a flyer on the right to be heard.

We also conducted a quantitative and qualitative survey among our participants. Not only into customer satisfaction, but also into opinions on sustainable investing. Our younger participants in particular like to see their pension money invested in a socially responsible way. The input will be used to further tailor the SRI policy to our participants' wants and needs, as well as our communication on the subject. In 2023, we released a digital special and a video on SRI. We also updated the information on the website. In doing so, we highlighted property projects in which the Fund invests, among others, in order to connect with our participants' perceptions.

The website has also been revamped, making it even easier for visitors to find their way. And a more contemporary look and feel of the website was chosen. Due to the Dutch Digital Government Act (*Wet digitale overheid*) coming into force on 1 July 2023, we have adjusted the reliability level of the DigiD login for Mijnarchitectenpensioen from 'Medium' to 'Substantial'. This means that an ID check of passport, driving licence or identity card must take place in the DigiD app before logging in. This is an important step in preventing misuse of the personal data found there.

Finally, the focus included communication around indexation and changes to the pension scheme from 1 January 2024, campaigns to activate participants, the use of Instagram to reach young people, optimisation of customer journeys, the organisation of three pensioners' meetings in the country and two webinars on pension choices.

1.4 External regulatory bodies

DNB and AFM conduct the supervision of pension funds. DNB assesses the financial aspects and AFM monitors behaviour and communication. Based on Article 96 of the Pensions Act, we report that, in 2023 in the Fund:
- no incremental penalty payments and fines were imposed by the regulatory body;
- no designation as referred to in Article 171 of the Pensions Act applied;
- no administrator was appointed by the regulatory body as referred to in Article 173 of the Pensions Act;
- there was no termination of the situation referred to in Article 172 of the Pensions Act, in which the exercise of powers of all or certain bodies of a pension fund is subject to approval of the regulatory body.

However, AFM did point out to us that we had removed communication about the indexation decision from our website. AFM expects the information on the surcharge decision - in particular the generational effects shown - to remain available as the supplement decision is linked to the intention to integrate accrued rights into the new pension scheme. We immediately updated the website after AFM's notification. The AFM's letter has no further implications for the Fund.

We have an open attitude towards the regulatory bodies. In 2023, we met our new regulator, Ms K. el Malki. We also had a meeting with DNB about our progress regarding the Wtp process and two meetings on the self-assessment on Information Security. We have reported several cloud (sub)outsourcings to DNB.

1.5 Looking ahead to 2024

The most important issue on our agendas in 2024 and beyond is the Wtp, especially the implementation of the programme plan and the preparation of the implementation plan and communication plan. We need to make final calculations. The Communications Committee also devotes a lot of time to Wtp-related issues. General substantive communication on the Wtp will be intensified.

Regarding IT, in 2024 we will pay a lot of attention to the Digital Operations Resilience Act (DORA).This European regulation has been in force since 16 January 2023, with the aim of making financial organisations better manage their IT risks and thus become more resilient to any threats that could cause serious disruptions in business processes, such as cyber threats. In the coming period, the regulation will be further developed into so-called regulatory technical standards (RTS) and implementing technical standards (ITS). DORA must be implemented by 16 January 2025.

To give impetus to the Fund-wide treatment of the ESG topic, we chose to also vest responsibility for this area of focus in one Board member and designate this Board member as ESG portfolio manager. The ESG portfolio manager bears explicit responsibility for bringing ESG as a whole to the attention of the Board and Board committees, detects developments in society and brings them to the attention of the Board. The portfolio manager approaches ESG from a holistic perspective, with the ambition, on the one hand, to make ESG stronger within our organisation and, on the other hand, to bring sustainability closer to the participant. In doing so, we are working directly on trust and restoring trust, and strengthening the participant's bond with the Fund. In 2024, the division of roles of portfolio managers, the extent and manner of assistance and the distribution of tasks and responsibilities will be fleshed out.

Regarding our strategic calendar, we want to work towards a common picture at our future ambition in 2024, divided into a base scenario focused on implementation of the Wtp and an ambition scenario focused on the overarching ambition thereafter, with target date 2030. The guiding theme here is 'working on trust'. In this discussion, we include the target operating model and the current equal representation governance model.

We remain attentive to global developments. In doing so, we do not only pay attention to developments in financial markets, but also look, for instance, at interest rate movements, inflation and geopolitical developments.

2 Results

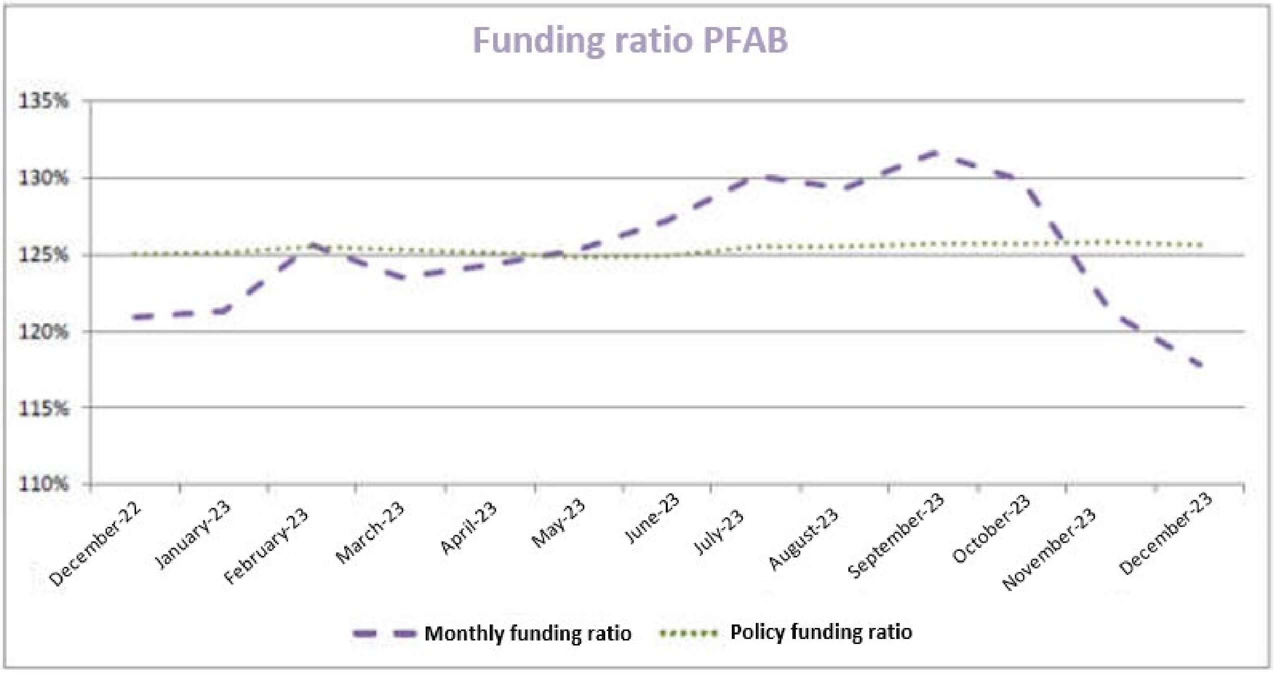
We wish to meet the objectives in our Articles of Association now and in the future. Therefore, it is pivotal that there are always sufficient funds to pay current and future benefits. Our financial policy is set out in the Actuarial and Business Memorandum in accordance with Article 145.1 of the Pensions Act.

2.1 Developments financial position

Development of funding ratios

Despite the 10.38% return, the Fund's current funding ratio fell from 120.9% at the end of last year to 117.8% at the end of December 2023. The reason for this is that the supplement of 6.85% on 1 January 2024 has already been included. At 125.6%, the policy funding ratio is above the recovery plan level and has remained almost unchanged in comparison to the previous year.

The movements in the current funding ratio over the past year are shown in the following chart, as well as the development of the policy funding ratio. The actual funding ratio for 2023 is: 87.5%.



Premium

As of 2015, we opted for smoothing the cost-covering premium on the basis of an expected actual return, making the premium less volatile and less dependent on interest rates. Both the social partners and we seek stability in the premium with a desired range of 18% to 26% of the pension base. The social partners agreed to keep the pension contribution at 24.5%. This premium however is lower than the minimum premium to be received based on the accrual rate of 1.50%. The annual accrual rate follows from the agreements on setting the cost-covering premium and the legal requirements on cost cover. As of 1 January 2023, the accrual rate was therefore 1.44%.

As a fund, we are legally obliged to set a cost-covering premium. The following shows the composition of the factual premium, the pure cost-covering premium and the smoothed cost-covering premium.

Premium

Description (amounts * €1,000)	2023	2022	2021	2020	2019
Available					
Average wage premium	78,256	74,278	64,795	60,300	56,570
Surcharge for non-contributory participation	-1,893	-3,039	-2,843	-2,644	-1,982
Surcharge for costs	-2,820	-2,673	-2,482	-3,851	-3,617
Required					
Required for purchase (including risk premium)	61,191	98,253	91,922	85,499	64,087
Result on premium	**12,352**	**-29,687**	**-32,452**	**-31,694**	**-13,116**
Pension scheme premium	24.5%	24.5%	23.0%	23.0%	23.0%

Pure cost-covering premium (in % of pension base)	2023	2022	2021	2020	2019
Purchase and risk premium	19.2	32.4	32.6	32.6	26.1
Non-contributory participation occupational disability	0.6	1.0	1.0	1.0	0.8
Solvency (equity capital requirement)	3.9	6.1	6.1	6.3	5.1
Cost surcharge	0.5	0.4	0.2	0.3	0.4
Total	**24.2**	**39.9**	**39.9**	**40.2**	**32.4**
Factual premium	**24.5**	**24.5**	**23.0**	**23.0**	**23.0**
Surplus (+) or deficit (-)	**0.3**	**-15.4**	**-16.9**	**-17.2**	**-9.4**
Premium funding ratio (ex post)	121%	72%	68%	67%	84%

Smoothed cost-covering premium (in % of pension base)	2023	2022	2021	2020	2019
Purchase and risk premium	12.0	12.2	11.5	9.4	9.3
Non-contributory participation occupational disability	0.4	0.4	0.4	0.3	0.3
Solvency (equity capital requirement)	2.4	2.3	2.1	1.8	1.9
Cost surcharge	0.5	0.4	0.2	0.3	0.4
Surcharge conditional supplements	8.9	8.6	7.9	6.1	5.8
Total	**24.2**	**23.9**	**22.1**	**17.9**	**17.7**
Factual premium	**24.5**	**24.5**	**23.0**	**23.0**	**23.0**
Surplus (+) or deficit (-)	**0.3**	**0.6**	**0.9**	**5.1**	**5.3**

Evaluation of premium policy

For the year 2023, we set the premium unchanged at 24.5%, but had to reduce the accrual rate from 1.50% to 1.44% to get the premium cost-covering. This was necessary mainly because of higher expected inflation that had to be factored into the smoothed cost-covering premium rate for 2023.

If we had not used DNB's alternative minimum projection path, a maximum accrual rate of 1.3% would have been possible in line with regular policy. DNB's alternative minimum projection path is more in line with our objective of a stable premium and accrual rate. Not using DNB's alternative minimum projection path would mean it would be assessed as unbalanced. If the social partners had wanted to keep the accrual for 2023 equal (1.50%), the premium rate should have been 25.27%.

Balance of premium policy

As in previous years, in pursuing the premium policy based on the solidarity and collectivity that characterises a pension fund, we considered the balancing of interests. We represent the interests of all the stakeholders as evenly as possible. We assessed the balance of our premium policy using the initial feasibility test and a mathematical exercise with current data and assumptions. Based on the results, we concluded that the premium policy is balanced for all the participants in all age cohorts. After all, the time between the time of premium payment and receiving a benefit is generally sufficient for the returns achieved to fund the cost of accrual.

For the premium calculation, we used the maximum returns of the Parameters Committee. These are also used in the recovery plan to determine whether the recovery is sufficient to avoid having to make cuts. If the returns taken into account are not achieved, there will ultimately not be enough assets to fund all the pensions including supplements. This risk is spread over all participants of the Fund, as, in that case, all the pensions are cut. Actual returns have been higher in recent years.

Premium funding ratio

Because we calculate the premium with an expected return, movements in interest rates are not directly reflected in the premium. The current interest rate determines the provision we need to maintain on the balance sheet for the new pension accrual. At the beginning of 2023, that current interest rate is higher than the expected return net of inflation, so the increase in the technical provision due to pension accrual is lower than the increase in assets due to incoming premiums. At a premium funding ratio of 100%, the growth of the technical provision is funded exactly. With a premium funding ratio below 100%, part of the pension accrual is funded from equity capital and is only expected to be made up by returns over time. The premium funding ratio in 2023 amounted to 121%.

Negative result

In the 2023 financial year, the Fund incurred a negative result of nearly €36 million. This result is largely due to the interest addition, the market interest movement and the supplement on 1 January 2024. The latter supplement is included in the 2023 result because we had already completed the decision-making process in 2023.

Interest rate term structure

We calculate the provision for pension liabilities based on the expected future benefits that follow from current accrued pension entitlements. These benefits are discounted at the interest rate term structure as determined and published by DNB. The average interest rate for calculating the pension liability provision, known as the replacement rate, decreased from 2.53% to 2.30% in 2023. As a result, the pension liability provision increased by around 3.2% in total and the result on the movement in the interest rate term structure was negative. This 3.2% increase in the pension liability provision consists of a 0.5% increase due to the UFR change as of 1 January 2023 and a 2.7% increase due to the regular amendment of the interest rate term structure.

Granting of supplements

Thanks to the general administrative order on extension of the indexation until 31 December 2023, a supplement of 6.85% could be granted to all the participants, former participants and to pension beneficiaries as of 1 January 2024. The supplements increase the provision, resulting in a negative result.

For completeness' sake, we note that this conditional supplement does not apply to pensions in payment for occupational disability: these pensions are increased unconditionally by 2% per annum.

Positive investment results and interest
The result is positive. The return on investments (10.38% positive) is higher than last year (23.9% negative) and is also higher than the average return achieved over the years 2019 to 2022 inclusive. One reason is that reduced interest rates have led to positive returns on fixed-income securities. A positive return was also incurred on marketable securities. Furthermore, the required interest rate is positive (3.264%, based on the 1-year interest rate from the interest rate term structure at the end of 2022) in contrast to recent previous years, when the required interest rate was negative. For 2024, the required interest rate is positive again: 3.439% based on the interest rate term structure at the end of 2023.

Feasibility test
With the introduction of the Dutch Financial Assessment Framework (FTK - *Financieel Toetsingskader*), we conducted an initial feasibility test for the first time in 2015. The purpose of the feasibility test is to provide insight into the Fund's financial position and the pension outcome that participants can be expected to achieve, based on a stochastic calculation of the current Fund policy over a 60-year horizon, using a prescribed scenario set. With the feasibility test, together with the social partners we assess whether the policy still matches ambition and risk attitude. We are required to conduct this test annually. The test demonstrated that the financial design and expected pension outcome match the Fund's risk attitude. The test against the lower limits set by the social partners is summarised in the following table:

Type of limit	Results 2023	Limit
Lower limit expected pension result	97.5%	74.0%
Maximum deviation in a negative scenario	35.0%	45.0%

Based on the 2023 feasibility test, we have come to the conclusion that the policy is appropriate. The outcomes fit within the set standards of our long-term risk attitude. Should the annual feasibility test show that the set limits are exceeded, we will consult with the social partners on the potential effects and whether adjustment of the scheme or policy is necessary.

2.2 Recovery plan

As there is no deficit situation, we did not need to submit a recovery plan in 2023.

2.3 Supplement

Each year, we determine whether, and to what extent, our financial position allows for supplements on accrued entitlements and pension benefits. We do not reserve money for this. Supplements are funded from investment returns. Therefore, in setting the premium, funding for supplements from returns is also taken into account. The yardstick for granting supplements for participants, former participants and pension beneficiaries is the increase in the consumer price index of Statistics Netherlands (CBS) (CPI (consumer price index) all households with reference period October to October) for all the stakeholders.

We apply the following supplement policy:

- If the Fund's policy funding ratio is below 110%, no supplement is granted.
- If the policy funding ratio is between 110% and the level at which a full future-proof supplement can be granted, a future-proof partial supplement is granted.

- If the policy funding ratio exceeds the level at which a full future-proof supplement can be granted, i.e. approx. 125%, the full supplement is granted. This may include any restoration of reductions in nominal pensions or past supplements not fully granted.

A future-proof supplement means that the amount of the supplement for a year is calculated in such a way that, based on a prescribed future increase in investments, the same level of supplement can be granted relative to price inflation in any future year. We reserve the right to deviate from the above policy in special cases. In all cases, we adhere to the requirements set out in the Pensions Act and subordinate regulations regarding the maximum level of supplements to be granted.

From 1 January 2023, pensions have been increased by 7.33%. The debate was conducted on both qualitative and quantitative arguments. We chose not to use the general administrative order in this increase, which would have allowed us to grant 14.53%. We felt that granting the maximum supplement was an undue claim on the funding ratio, knowing that buffers are needed to transfer accrued pension entitlements in a balanced way to the new pension system. An arbitrarily chosen supplement rate somewhere in the middle between 14.53% and 7.33% lacked an objective basis. Therefore, we upheld our own policy and in determining the increases, we took the interests of both older and younger participants into account. However, granting a higher supplement than 7.33% led to significant differences in the pension outcome between young and old, namely: young people -2% and older people +2%.

We were also mindful of the decisions made by other pension funds and public opinion. For supplements, we deployed additional communication.

We have decided to deviate from the regular supplement policy on a one-off basis due to the special circumstance that Statistics Netherlands changed the method of determining the consumer price index in June 2023. This allowed us to grant a supplement of 6.85% on 1 January 2024. We took both the quantitative and qualitative arguments into consideration in the decision-making process and provided prior insight into generational effects beforehand. Differences in pension outcomes for younger, middle-aged or older participants and pension beneficiaries are at least 0.5% and tolerable.

The cumulative indexation gap as at 31 December 2023 (after supplementation on 1 January 2024) is 20.40% for active participants and 21.94% for inactive participants and pension beneficiaries.

Increase in pension entitlements over the past five years:

Reference date	pension increase	price increase
1 January 2024	6.85%	0.21%
1 January 2023	7.33%	14.53%
1 September 2022	1.48%	-
1 January 2022	1.20%	2.70%
1 January 2021	none	0.96%
1 July 2020	none	1.40%

2.4 Costs

The Fund incurs various costs for the administration of the pension scheme. Broadly speaking, these costs can be divided into pension scheme administration costs and asset management costs. In 2019, we decided to allocate all explicitly attributable overheads to pension management or asset management costs. Overheads that cannot be attributed on a one-to-one basis are then allocated 50% to pension management costs and 50% to asset management costs. This makes the costs per participant more comparable with other pension funds.

During the reading of the Wtp, an amendment was adopted on the role of the accountability body in the assessment of pension administration costs. For several years now, we have informed the Accountability Body during the year about the Fund's costs, budget and the full use of the budget. The Accountability Body included a passage on implementation costs in the 2023 opinion and the Accountability Body's annual plan for 2024 includes pension administration costs as a focal point.

Pension management costs

Below is an overview of the costs of the pension scheme administration. This includes comparative figures relative to 2023. The costs are presented taking the Federation of Dutch Pension Funds' recommendations and AFM's guidelines into account.

For the cost target, our point of reference is the average cost level of the past two years and the inflation. For 2023, the cost target was €188 per participant, i.e. participants and pension beneficiaries, excluding project costs for Wtp work. For 2023, we have budgeted a cost target of €30 per participant for Wtp work. Thus, in total, the cost target for 2023 was €218 per participant.

From this year, costs have also been included in the annual report according to a new benchmark. This cost benchmark is based on the costs of pension management plus the costs of asset management, excluding transaction costs, divided by the average invested assets.[1] For 2023, this comes to 0.38% (2022: 0.32%).

The costs of pension management for 2023 are €5,450,000, including VAT (2022: €4,464,000). Converted, this is €228 per participant (2022: €185) per participant. Broken down into regular costs and project costs for Wtp work, this amounts to €193 and €35, respectively. Therefore, the Fund exceeded the cost target for both regular pension management costs and project costs.

Amounts in thousands of euros	2023	2022
Governance, advice and monitoring:		
Governance costs	643	718
Costs of Executive Office	737	766
Costs of Accountability Body	80	63
Supervisory Board	54	49
Consultancy fees Wtp	568	-
Consultancy fees regular	104	223
Actuary fees	233	264
Accountant costs	102	80
De Nederlandsche Bank	341	251
Dutch Authority for Financial Markets	32	23
Federation of Dutch Pension Funds	30	29
Other costs	50	42
Total	**2,974**	**2,508**
Of which allocated to asset management costs	-1,375	-1,130
Administrative costs	**3,851**	**3,086**
Total pension managements costs	**5,450**	**4,464**

1 2023: ((€ 5,450 + € 11,303) / € 4,363,000)

	2023	2022
Active participants	9,895	10,313
Pensioners	13,975	13,872
Total	**23,870**	**24,185**
Pension management costs in euros per participant	**228**	**185**

Pension management costs for 2023 have increased relative to 2022. This is largely due to project costs incurred for the Wtp. Other prominent differences can be seen in the costs of governance, consultancy costs (regular) and costs of supervision by De Nederlandsche Bank.

The lower management costs are mainly due to lower training costs, accommodation costs, communication costs and recruitment and selection costs.

The lower consultancy costs (regular) are due to the focus on the Wtp. The increase in the costs of De Nederlandsche Bank is due to the implemented rate increase.

As a fund, together with the social partners, we strive for an adequate and common pension scheme with as few exceptions as possible. That contributes to comprehensibility and keeps pension administration costs as low as possible. This aim also translates to the service level of pension administration, where the Fund seeks alignment with common administrative and communicative service concepts and solutions.

Costs are important to us. Therefore, in our mission statement, we have included that we administer the pension scheme at acceptable costs. That this is not without obligation is reflected by the fact that we have a task-setting budget. The costs of €218 per participant are the guiding principle herein. The costs for 2023 have increased compared to those for 2022. This is mainly due to the costs of developing the new pension scheme under the Wtp. With this development with significant impact, the requirements from legislation and regulations, and the increased amount of work as a result, we believe the costs are justified and appropriate for a fund of our size. The fact that, on average, we as a fund incur lower costs than comparable pension funds reinforces this belief.

We participate in an external cost benchmark survey every year. Its purpose is to test our Fund's costs against those of comparable pension funds. Our pension management costs during 2020-2022 were lower than the average at comparable pension funds, namely €170 versus €200 per participant. Taking only the year 2022 into account, our pension management costs are also lower than the pension management costs at comparable pension funds, i.e. €185 against €201 per participant. Here, we have assumed explicit allocation of overheads to pension management or asset management costs. The Fund's costs are significantly lower than those of comparable pension funds, but also significantly higher than the average of all pension funds (including ABP and PFZW) in the Netherlands. Our administrative costs are a large part of the costs.

The Fund is also participating in the cost benchmark survey for 2023. The results will be included in the next annual report.

Asset management costs

We adhere to the Federation of Dutch Pension Funds' Pension Administration Cost Recommendations in presenting the costs of asset management. All amounts below are X €1,000.

	2023	2022
Average managed assets *	**4,363,344**	**4,717,894**
Management costs including performance-related costs	11,303	10,405
Transaction costs	1,096	5,004
% of average invested assets		
Management costs including performance-related costs	0.26%	0.22%
Transaction costs	0.03%	0.11%
Total	**0.29%**	**0.33%**

* The average managed assets are the average invested assets in the year under review

Explanatory notes on asset management costs

Based on the average invested assets of €4,363 million, the reported cost of asset management (excluding transaction costs) increased by 0.04 percentage points from 0.22% for 2022 to 0.26% for 2023. Costs in absolute terms have fallen. The increase in these costs in percentage points is a consequence of the decrease in assets, which makes fixed costs a relatively heavy burden. Over 2023, performance-related costs were also paid from the Infrastructure Fund. This fund has been sold by 31 December 2023. The total of transaction costs and buying and selling costs decreased from to €5.0 million in 2022 to €1.1 million in 2023. These transaction costs are partly based on a proxy of bid and offer prices. This decrease in transaction costs is attributable to the transition largely implemented in 2022, which resulted in one-off transaction costs.

The total costs reported in this overview amount to €12.4 million for 2023 (€19.8 million in 2022). With regard to the costs over 2022 in the table above, the allowance for buying and selling costs within the transitions carried out has been incorporated. Without this correction, these costs amounted to €15.4 million. Per participant/pension beneficiary, the costs are €519 (€818 in 2022). It should be noted here that we take passive management as our guiding principle wherever possible. This is actually only possible with the liquid investments. The relative investment risk of these liquid investments is very low, as the aim is to track the relevant benchmark as closely as possible. The returns achieved are therefore very close to those of the relevant benchmarks, with the differences being caused mainly by the management and transaction costs of these investments while the benchmark does not have those. In particular, the costs of passive management are, therefore, relatively low. This partly explains the relatively low total costs of asset management against comparable pension funds.

In the external cost benchmark survey we participate in every year, our Fund's asset management costs are benchmarked against those of comparable pension funds. Our asset management costs, calculated as a percentage of the average invested assets, were lower than the average asset management costs of comparable pension funds in the period 2020-2022, namely 0.33% against 0.44%. Here, we have assumed explicit allocation of overheads to pension management or asset management costs. The Fund is also participating in the cost benchmark survey for the 2023 costs. The results will be included in the next annual report.

Management fee asset managers

Two more transitions were made at the beginning of the year from investment funds held with PGGM. These related to investments in Emerging Country equities. Due to PGGM's allowances for to the buying and selling costs, the transitions were carried out in a virtually cost-neutral manner. Because the costs for own mandates are lower than the costs within PGGM's investment funds, the management costs of the total investment portfolio have decreased.

Transaction costs
Transaction costs are a separate cost type, where costs are determined by type and size of the transactions taking place within the investment portfolio. We partly invested in investment funds in 2023. The cost statement is based on full transparency, i.e. look through, of transaction costs in these funds. A distinction is made between entry and exit fees and actual transaction costs. Furthermore, we invested in several so-called discretionary portfolios in 2023. These are "own" portfolios in which only funds of the pension fund itself are held and therefore not investments of other investors as well. The costs within these portfolios are completely transparent.

Entry and exit fees are levied when units in the investment funds are bought or sold. These are fixed rates based on the expected actual transaction costs to be incurred as a result of the entry or exit. The total fees from all the unit holders received by an investment fund are allocated as revenue to the unit holders in proportion to each one's interest in the fund. This is also how we get revenue allocated. The more entries or exits unit holders make, the higher this revenue. The entry and exit fees paid by the Fund are thus netted. This balance is included under 'Transaction costs'.

If the fees paid by us are lower than the allocated revenue, a negative cost item arises in the cost statement. Actual transaction costs are incurred as a result of the abovementioned entries and exits and for the transactions for the regular management of the investment funds. These are also allocated in proportion to the interest in the investment fund.

Buying and selling costs on direct investments in investment securities such as government bonds, interest rate derivatives and currency derivatives, but also with regard to the discretionary portfolios, consist of brokerage and transaction costs that are part of the spread between bid and offer prices.

Assessment costs of asset management
Our asset management costs, as a percentage of the average invested assets, were higher in 2023 than in 2022. In absolute terms, the costs in 2023 were €3 million, rounded, lower than in 2022. We are of the opinion that the level of asset management and transaction costs is justified and appropriate to the investment policy and the way it is pursued.

The evaluation of asset management costs is purest if it includes the targeted return, risk diversification, size of the invested assets and returns achieved. Our investment principles form the foundation of our approach. We deliberately chose a passive investment style. We invest in both investment funds and own mandates, and aim for benchmark-compliant returns. This investment style offers the best opportunity to achieve our target return on the most favourable terms possible. This approach entails lower costs than, for instance, an active investment style that seeks a return higher than the benchmark return.

For completeness’ sake, we additionally present a breakdown of costs by investment class below.

2023	Management costs	Performance-related costs	Transaction costs: Transaction costs excluding buying and selling costs	Transaction costs: Buying and selling costs	Total
Costs per investment class					
Property	1,855	-	10	-29	1,836
Equities	334	-	246	0	580
Alternative investments	1,313	368	202	-38	1,845
Fixed-interest securities	1,805	-	253	18	2,076
Other investments	-	-	-	-	-
Total costs attributable to classes excluding overlay	5,307	368	711	-49	6,337
Costs of overlay investments	1,420	-	434	-	1,854
Total costs to be allocated to classes including overlay	**6,727**	**368**	**1,145**	**-49**	**8,191**
Other asset management costs					
Asset management costs pension fund and Executive Office	1,375				1,375
Costs of fiduciary management	1,320				1,320
Custody fees	220				220
Asset management advisory fees	336				336
Other costs	957				957
Total other asset management costs	**4,208**				**4,208**
Total costs of asset management	**10,935**				**12,399**

2022	Management costs	Performance-related costs	Transaction costs: Transaction costs excluding buying and selling costs	Transaction costs: Buying and selling costs	Total
Costs per investment class					
Property	2,104		10	2,539	4,653
Equities	1,148	-6	1	1,162	2,305
Alternative investments	1,683	-1,183	364	258	1,122
Fixed-interest securities	2,338		1,007	3,429	6,774
Other investments					-
Total costs attributable to classes excluding overlay	7,273	-1,189	1,382	7,388	14,854
Costs of overlay investments	1,388		685		2,073
Total costs to be allocated to classes including overlay	**8,661**	**-1,189**	**2,067**	**7,388**	**16,927**
Other asset management costs					
Asset management costs pension fund and Executive Office	1,130				1,130
Costs of fiduciary management	1,244				1,244
Custody fees	33				33
Asset management advisory fees	720				720
Other costs	-195				-195
Total other asset management costs	**2,932**				**2,932**
	11,593				**19,859**
PGGM transaction costs receivable					-4,450
Total costs of asset management	**11,593**				**15,409**

3 Asset management

Vision on asset management

The pension fund Board has set up asset management according to a number of principles, called investment beliefs. These investment beliefs, alongside the pension fund's mission and objectives in general, form the framework in which asset management is set up. These investment beliefs are as follows:

- Investments match the pension fund's liabilities and ambitions. The choice of strategic investment policy here is the most important decision in the investment process.
- Investments are made only in investment classes for which it is expected that an appropriate risk premium in proportion to risk, relative to liabilities, will be received.
- Diversification across and within investment classes and risk premiums improve the portfolio's risk and return profile.
- Risk analysis and risk management are necessary for a controlled formulation and implementation of the investment policy.
- Responsible investing contributes to responsible, stable and good investment performance and also expresses the social commitment of the Fund.
- The pension fund believes interest rate and currency movements cannot be predicted. Due to the importance attached to risk management, these risks are hedged strategically, the degree of hedging depending on the specific characteristics of the risk with respect to liabilities and funding ratio and the options to hedge in an efficient and controlled manner.
- Financial markets are highly efficient and thus passive investing is the guiding principle, unless markets can be described as inefficient or if passive management is not possible. After all, efficient financial markets do not allow for additional returns through active investment choices.
- As a long-term investor, the Fund can invest part of its assets in products that cannot be sold directly, but therefore provide additional returns.
- The pension fund invests in products it understands and can explain itself.
- Individual investment classes must be of sufficient size to make a material contribution to the portfolio and to account for the increase in portfolio complexity.
- Cost awareness is crucial when setting up an investment portfolio. Expected returns are uncertain, but costs mostly are not.

We believe that responsible investing contributes to responsible, stable and good investment performance and we herewith also express our social commitment. To this end, the investment policy takes environmental, social and governance factors into account. This involves integrating these factors into investment decisions, engaging with companies to bring about behavioural change, excluding investments that do not meet the requirements and being able to hold investments specifically targeting these factors. Implementation takes place within the administering organisation and within the funds in which investments are made. The consequences are visible in the set-up of our portfolio and are monitored by us. The section Socially Responsible Investing contains a more detailed explanation of the policy development and results regarding socially responsible investing.

We have a preference for physical investments. Derivatives are used if they contribute to mitigating risks for the Fund or if the use of derivatives is inevitable for efficient portfolio management.

In order to arrive at an optimal strategic investment mix in line with our liabilities, an ALM study is carried out periodically. This study produces an ALM base mix. This ALM base mix consists of several components.

Marketable securities include investments the long-term return of which is expected to outperform the movements in liabilities. These investments are relatively risky, both in themselves and relative to liabilities. Fixed-income securities contain relatively safe investments that hedge part of the interest rate risk of the liabilities.

An investment year driven by inflation and geopolitical tensions

2023 began with some growth optimism, boosted by the strong labour market in the US, falling gas prices in Europe and the reopening of the economy in China. However, that optimism was tempered at the end of the first quarter by problems in the banking sector, including the insolvency of SVB and the downturn of Credit Suisse. In subsequent quarters, economic momentum decreased slightly. In particular, published macro figures in the eurozone and China disappointed against the expectations, while US figures continued to beat consensus on average. Moreover, the state of the economy remained uncertain with both positive signs, i.e. strong labour market, recovering consumer confidence, and negative forces, i.e. high interest rates, housing market and deteriorating public finances.

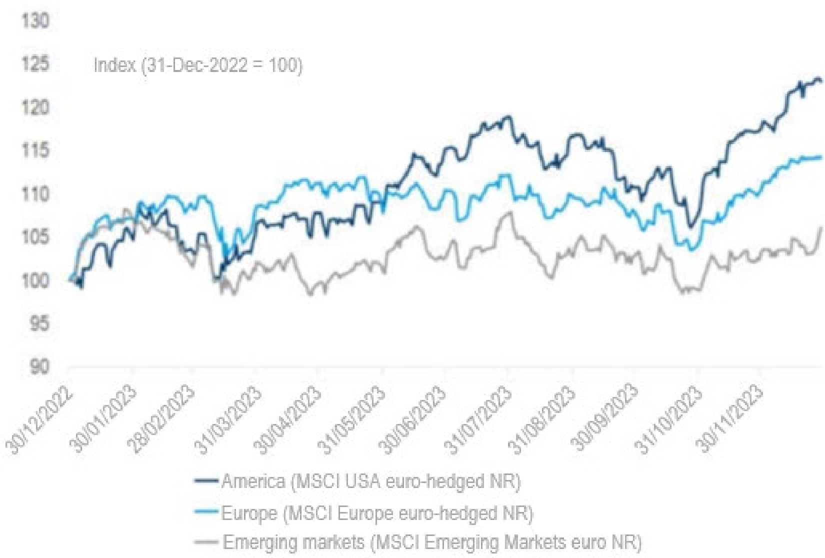
After peaking in 2022, inflation fell significantly in 2023, both in the eurozone and the US. Eurozone headline inflation on an annual basis fell from 9.2% in December 2022 to 2.9% in December 2023. The inflation in the US decreased from 6.5% in 2022 to 3.1% in 2023. This was mainly due to lower energy prices. Core inflation also fell in both the eurozone and the US, but to a lesser extent to 3.4% and 4.0%, respectively. The risk of second-order inflationary effects via higher rents and wages, is still present.

Both the Fed and ECB (European Central Bank) initially continued to raise interest rates in 2023. However, over the course of the year, the pace and size of increases slowed down and in the third quarter, both central banks reached the end of the tightening cycle. Fed interest rates are 5.25%-5.50% (1%-point higher than at the beginning of the year) and ECB rates are 4.5% (2%-point higher than at the beginning of the year). In the remainder of 2023, the debate covered how much interest rates will be cut again in 2024. This was fuelled by falling inflation, pessimism about growth and dovish statements from central bankers.

Financial markets

Despite monetary tightening, temporary turmoil in March 2023 due to several banks collapsing, problems with the US debt ceiling, an ongoing war in Ukraine, the war in Gaza/Israel, and geopolitical tensions, stock prices recorded an impressive rally on balance in 2023, especially in developed markets. The main explanations are the stronger-than-expected fall in inflation, a changed view of future monetary policy and optimism about artificial intelligence (AI). The MSCI World Index rose as much as 21% in local terms. MSCI information technology was the best-performing industry. The MSCI Emerging Markets Index rose 7% in local terms.

Equity markets in 2023



Source: Columbia Threadneedle, Bloomberg

For most of the year, interest rates showed a rise, driven by tighter monetary policy. This trend came to a halt in the last few months, when lower inflation and dovish statements from ECB and Fed members caused markets to start incorporating a much more accommodative monetary policy for 2024.

As a result, the 2023 30-year euro swap rate ended lower (2.34%) than at the beginning of the year (2.53%).
The nominal 30-year swap rate is composed of a 30-year real swap rate component (-0.10%) and a 30-year inflation swap rate component (2.44%).

Interest rate development 2023

Source: Columbia Threadneedle, Bloomberg

The total investment portfolio achieved a return of 10.38%. This was driven by a 13.8% return in the return portfolio and a 6.5% return in the matching portfolio. The Fund's assets at the end of December 2022 amounted to €4.6 billion.

On balance, the policy funding ratio rose from 125.0% to 125.6% in 2023. The current funding ratio fell from 120.9% to 117.8%. The main factor behind the rise in the current funding ratio was the stock market, which rose on balance.

Policy pursued

We have recorded the Fund's investment policy pursued in 2023 in the investment plan and investment guidelines. The investment beliefs have been an important guide in creating the strategic investment policy based on the ALM study in 2023. The strategic investment policy is shown below:

Marketable securities	45%
Fixed-income securities	55%

Fixed-income securities include the relatively safe classes of government bonds, mortgages and corporate bonds, and riskier high interest bonds in the emerging market debt class and high yield bonds. Marketable securities include equities, property and infrastructure. We sold the last investments in the private equity class at the end of 2022. This was the result of our earlier decision to phase out this class, due to its relatively high cost and high level of complexity. This sale was completed during the year 2023.

We hedged 55.8% (market basis) of the interest rate risk in 2023 in line with our strategic investment policy.

A division in match and return portfolios was used for portfolio classification. This includes relatively safe fixed-income securities in the match portfolio. High-yield fixed-income securities and marketable securities are classified in the return portfolio. The purpose of all the investments is to meet liabilities.

The aim of the match portfolio in doing so is to mitigate the interest rate risk and the aim of the return portfolio is to generate additional returns for recovery, indexation and keeping the scheme affordable.

The returns achieved

The total return amounted to 10.38%. The benchmark result was 11.4%. This was comprised as follows:

	portfolio	benchmark	difference
Return portfolio (including currency hedging)	**13.6%**	**14.3%**	**-0.6%**
Equities	23.7%	23.3%	0.3%
High-yield bonds	9.9%	7.8%	1.9%
Emerging market bonds	9.1%	8.9%	0.2%
Property SAREF	-6.8%	-4.4%	-2.5%
Property Bouwinvest	-6.7%	-5.9%	-0.9%
Infrastructure	-3.8%	4.1%	-7.6%
Venture capital	-2.3%	3.4%	-5.5%
Matching portfolio (including interest rate hedging)	**6.5%**	**7.7%**	**-1.1%**
Government bonds, liquid assets and swaps	7.6%	7.6%	0.0%
Corporate bonds	7.8%	8.2%	-0.3%
Private mortgages	2.3%	7.5%	-4.9%
Total	**10.4%**	**11.4%**	**-1.0%**

Investment portfolio review

As described above, 2023 was a challenging year for the investment portfolio. Both the return portfolio and the yield portfolio showed positive results. The return portfolio yielded 13.6%. Within the return portfolio, equities performed best. These showed returns of almost 24%. Due to increased interest rates, property performed less, with a return of -6.7%.

High interest bonds (high yield and emerging market debt) performed well with returns of 9.9% and 9.1%, respectively.

The primary goal of the matching portfolio is to partly hedge the interest rate risk of the pension fund. In the matching portfolio, returns on government bonds, corporate bonds and mortgages were positive due to decreased interest rates.

The performance of the asset managers is assessed against the benchmark, based on the average market return. The portfolio is predominantly invested passively and therefore its performance is similar to the benchmark. In particular, the mortgage and infrastructure classes lagged behind their benchmark. These two classes have short-term interest rates as their benchmark and these rose sharply during 2023. Government bonds, liquid assets and swaps are used together to partially match the interest rate risk against the technical provision. Since there is no policy to achieve a return higher than the return on the technical provision, to be regarded as the percentage change in value due to movements in interest rates, the benchmark return is set equal here to the realised return. Of course, the effectiveness of the interest rate hedge is measured and reported.

Z-score

The Z-score is a yardstick indicating the degree to which the actual return of a pension fund differs from the return of the standard portfolio. Linked to this is a performance test. This is an averaging of the Z-score over 5 years. If the performance test shows a value lower than -1.28, the pension fund's compulsory affiliation will expire. Over 2023, the performance test equalled 0.17. Thus, the performance test was well above the minimum standard.

The Z-score was somewhat lower at 0.63 than in previous years because the allowance of transaction costs from migration from the investment funds at PGGM could not be reflected in the performance of the investments which were therefore somewhat underestimated. This effect will subside in the coming years, due to the continued commitment to passive management and structurally lower investment management costs.

Responsible investing

We believe that responsible investing contributes to responsible, stable and good investment performance and herewith also expresses our social commitment. In 2023, we conducted a participant survey on preferences regarding socially responsible investing. The study consisted of a survey of all our participants and a sounding board session in which a select number of registered participants participated. During this sounding board session, the preferences of our participants versus the current policy were discussed in more detail. The survey and the sounding board session revealed that our participants think it is important for the pension fund to consider ESG factors. It also showed good agreement between the themes we had already included in the socially responsible investment policy and the results of the participant survey. The survey thus showed that the Board positions in this area correspond to what our participants prefer: a preference for engagement, excluding companies that do not meet the requirements from legislation and regulations or fall under our exclusion conditions, and excluding when engagement has no or insufficient effect. Finally, the Board will also increase its focus on impact investing, a desire that also stems from the participant survey.

We are convinced that responsible investing contributes to a good pension, as it helps to achieve good returns and reduces financial risks in the long term. We also see it as our social responsibility to contribute to a liveable world and a sustainable future.

Retrospect

Understanding ESG factors is more essential than ever for risk assessments and risk management. Consider for instance climate change: scientists have confirmed that 2023 was the warmest year on record globally. Extreme heat waves, deadly forest fires and devastating floods reminded us that it is increasingly sensible to factor physical climate risks and opportunities into investment decisions. Fortunately, there are also positive developments. In almost all countries in the northern hemisphere, greenhouse gas emissions per capita fell, including in China, where emissions are likely to fall further in 2024 due to huge investments in low-carbon energy. The US are also on a downward path, with key factors being the sharp decline in coal-fired power generation and improvements in energy efficiency.

Meanwhile, nature is the foundation of the global economy, but it is rapidly deteriorating due to deforestation and pollution. Both companies and investors need to better understand their dependence and impact on nature and learn how best to account for nature-related risks and opportunities, e.g. water. Growing demand, climate change and pollution are increasing the pressure on water resources, posing risks to businesses and society.

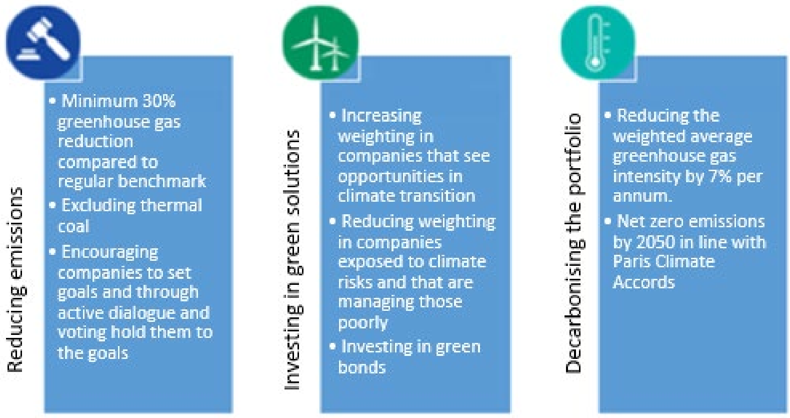
On the social front, human rights in the supply chain remain important. We will continue to focus on promoting a more systematic approach to identifying and managing risks by companies. Human capital is an important business asset, which must be handled with care.

Last but not least, corporate governance remains fundamental to well-run companies and effective risk oversight.

Our sustainability performance in 2023

We report in a transparent manner on both sustainability factors affecting our investments, i.e. financial materiality, and on how our investments affect society and the environment, i.e. external materiality/impact.

Through our diversified portfolio, we invest globally, both directly and indirectly, in almost all business sectors, through a range of different asset classes and using various investment strategies. We invest in companies through the so-called MSCI climate change benchmarks. We do this not only for our equity portfolios, but also for our corporate bond portfolio. These benchmarks take into account both opportunities and risks associated with the transition to a low-carbon economy, with the aim of reducing exposure to fossil fuels, mitigating transition and physical risks, seizing opportunities and aligning them with the objectives of the Paris Climate Accords.



Besides sustainability, we believe it is important for companies and governments to respect human rights, as laid down by in the globally accepted United Nations Guiding Principles on Business and Human Rights. Very serious violators of these principles do not belong in the Fund's portfolio and are therefore excluded. Even when active share ownership through engagement/voting does not lead to the desired behavioural change, we will proceed with exclusion.

At the end of 2023, the carbon intensity of the portfolio was 36% lower than the benchmark. The carbon intensity of the portfolio was 81.5 tonnes of CO_2 per $ million of sales. In terms of sectors, we see that the largest contribution comes from materials, i.e. mining, and utilities, i.e. energy companies. Incidentally, these sectors also have the largest relative gains compared to the benchmark.

Engagement, voting, exclusions in 2023

The engagement programme plays an important role in detailing our commitment to long-term value creation by encouraging companies to make improvements in policy, monitoring and practice in situations where sustainability problems have been identified. It is a key tool shaping ESG due diligence: identification, assessment and mitigation of sustainability risks of the portfolio on society and environment as well as sustainability risks that may have a material impact on the investment portfolio.

Identification and assessment of material actual and potential negative impacts is the starting point of the engagement programme through which CTI (Columbia Threadneedle Investment) implements the mitigation process on our behalf. Mitigation takes place within four work flows of the engagement programme:

Priority companies

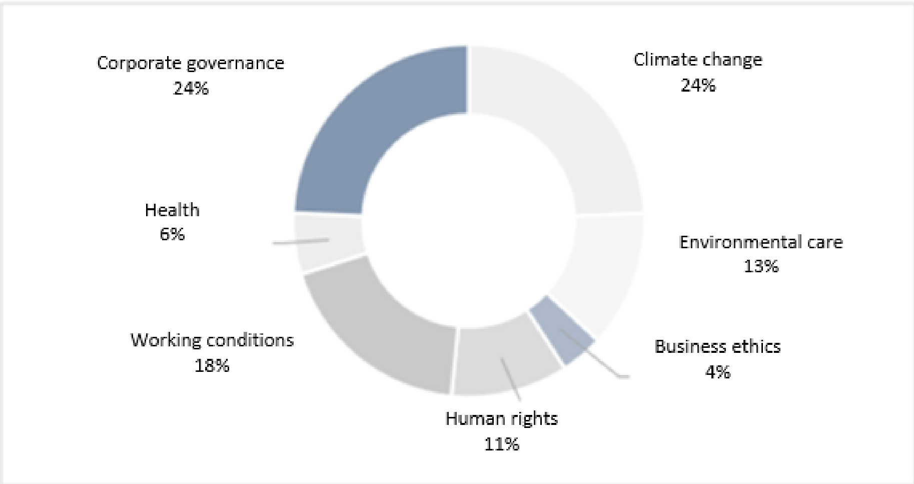
The priority companies programme focuses on potential negative impact and strategic ESG risks. Companies assessed as risky and having a high weighting in the portfolio are selected annually. Starting point is an assessment of companies' performance on key sustainability themes such as carbon emissions, working conditions and corruption. In addition, the analysis focuses on core issues of corporate governance, such as board independence and minority shareholder interests. Next, it assesses companies' performance and strategy in terms of quality, based in part on past engagement experience. In doing so, it assesses whether engagement can be successful and whether engagement is the right mitigation strategy. Intensive dialogue is conducted with the selected companies at a strategic level.

Thematic engagement

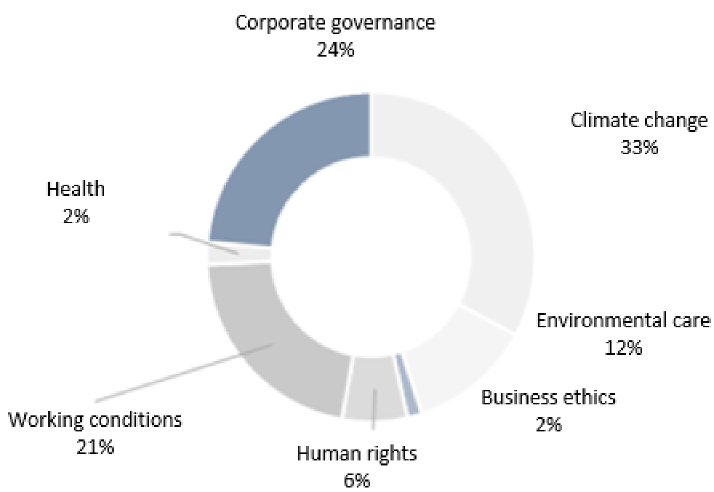
Besides ESG risks at company level, each year ESG themes, trends and risks are identified that affect groups of companies, for instance within sectors or regions. These themes are developed into projects. In 2023, 10 engagement projects were carried out, divided into five main themes: climate change, environmental care, working conditions, human rights and corporate governance.

Engagement in figures

In 2023, 466 companies in 36 countries were called to account for the following topics:



Engagement has delivered 140 demonstrable results by 2023 on the following topics:



We also assess engagement activities and results by contribution to the United Nations' SDGs. In 2023, the largest contributions were achieved on SDG 5 gender equality (11%), SDG 8 decent work and economic growth (14%), SDG 12 responsible consumption and production (21%) and SDG 13 climate action (23%).

Exclusion of investments

In addition to the statutory exclusions, we do not invest in a number of product groups that do not suit us, namely:

- controversial weapons;
- tobacco;
- mining of thermal coal & bituminous sands.

Under the OECD guidelines, there are also minimum requirements when it comes to the behaviour of the underlying companies. Very serious violators of OECD guidelines have no place in our portfolio and are excluded by the asset managers. Even when active share ownership through engagement/voting does not lead to the desired behavioural change, we will consult with the managers to move to exclusion. The companies excluded are listed on our website.

Outlook for 2024

Combating climate change and protecting biodiversity remain priorities in 2024. Besides these important environmental issues, the focus will be on human rights issues and board diversity.

Climate & biodiversity

In 2024, we focus mainly on the quality of transition strategies. As a result of shared commitment and stricter government policies, we see that while many companies have set targets, implementation is often lacking. We insist on concrete plans with firm intermediate targets and a clear strategy with investment plans, which contribute to the goal of becoming climate neutral.

In 2024, we also address the pressure that the electrification of transport and many industrial processes will put on the electricity sector and battery supply chains. Under a scenario in line with a future 'well below 2 degrees', demand for critical minerals could quadruple. This is one of many potential bottlenecks that we will explore further.

Besides the more obvious risks of flooding or drought, we also see that companies increasingly have to adapt their processes to ensure the safety of workers, e.g. due to extreme heat. In addition, companies face more uncertainties in their supply chain due to unpredictable weather conditions.

In 2024, CTI, being our engagement manager, will also focus on water risk management as a major cause of climate risk. For instance, CTI will engage with businesses in the agriculture and mining industries to better understand how they assess and mitigate current and future water risks.

Engagement on food systems will focus on social and environmental risks in the chain. We insist on tackling plastic pollution and greenhouse gas emissions, controlling water stress, soil depletion, ensuring working conditions and eliminating deforestation when sourcing raw materials.

Last but not least, we maintain a focus on corporate governance, paying special attention to independent evaluation of the functioning of the board of directors of portfolio companies.

4 Integrated risk management

4.1 Structure of risk policy

To us, risk management is a major part of the decision-making and execution process. It contributes to the achievement of the Fund's objectives, sound and controlled operations and compliance with legislation and regulations. It allows us to render account for our risk control. We aim to continuously improve our integrated risk management as part of the strategic and operational processes.

Risk governance

We have set up risk management along the three lines of defence. Risk governance is anchored in the regulations of the Board and committees, charters of key roles and, among other things, in the integrated risk management policy. With the day-to-day management, the Investment Advisory Committee, the Communications Committee and the Pension Committee, the Board forms the first line. As a board, we collectively bear ultimate responsibility for risk management. The day-to-day management, the Investment Advisory Committee, the Communications Committee and the Pension Committee have executive and monitoring responsibilities for risk management within the scope of the committees. From this role, the committees also oversee risk management at our service providers. IT and ESG portfolio managers were appointed in 2022. Both portfolio managers prepare an annual plan, which is adopted by the Board.

The key roles Risk Management and Actuarial and the compliance officer form the second line. Holding the key roles Risk Management and Actuarial and the compliance role are vested in the same Board member. This is the key function holder RAC. The performance of these roles has been placed with Sprenkels B.V.

The RAC key role has an advisory, challenging and reviewing role towards the first line. From this part, the RAC key role monitors the day-to-day management, the Investment Advisory Committee, the Communications Committee and the Pension Committee, the RAC key role holder reviews opinions from the committees against the risk management policy and the RAC key role holder provides the Board with solicited and unsolicited advice on risk management. The RAC key role holder additionally manages the integrated risk management policy. The RAC key role holder is supported in his task by the Risk Committee.

The third line is formed by the key role Internal Audit. The key role Internal Audit reviews the first and second lines. Since June 2020, the key role has been filled by an external specialist. With effect from 1 January 2023, we have appointed Mr J. van Beek in this role. DNB has approved this appointment.

The fulfilment of the Internal Audit role has been vested in an external audit firm. The key role holders produced an annual report for accountability. The Supervisory Board oversees risk management and compliance policies, organisation and processes and provides an annual review thereof.

Risk management strategy

The mission, vision, strategic objectives and the Fund's risk attitude are the guiding principles for the extent to which we wish to run financial and non-financial risks. This has been formulated as the framework risk appetite. As a whole, the Board's risk attitude that is broken down into four risk areas, can be described as having a critical eye.

Risk processes

We employ a comprehensive risk management methodology embedded in the strategic and operational management of the Fund. As a result, well-considered choices are made regarding the desired set of management measures that contribute to being in control.

The structural and uniform mapping of risks and the effectiveness of the control measures in place provides insight into the extent to which we control our organisation. We make decisions based on this framework.

Risk identification
We use a dynamic risk management framework for the strategic and operational risks. Potential risks and scenarios, applicable control measures and outstanding actions are identified periodically.

Making the risk assessments
Risks are qualitatively assessed based on the likelihood of the event occurring and its impact on achieving the strategic objectives. Here, we distinguish between gross risk, net risk and desired risk.

Gross risk is the risk without taking into account any control measures we take to reduce the likelihood and/or impact. Gross risk depends on the context in which the Fund operates and on its objectives. The net risk is the risk remaining after taking action on the gross risk. If the net risk is not or not yet acceptable based on the risk appetite, additional actions are defined where possible to achieve the desired risk. Risk assessments, control measures and actions may change in response to internal and external developments, but also due to new insights. Therefore, integrated risk management is a continuous process of risk analysis, design, implementation, reporting and adjustment. We therefore integrate this into our various annual plans.

Risk awareness
Integrated risk management can only be effective if it is supported by the behaviour of Board members, employees and stakeholders. We strive for a culture in which transparency and a constructively critical attitude towards each other and integrity are self-evident. We are aware of our exemplary role and shape it among other things by including an explicit risk consideration with a review by one of the committees in proposed decisions. We ensure effective role assignment among committees and include risk management in Board and committee self-assessments.

Compliance and integrity
We have policies in place to mitigate and manage compliance and integrity risks. These policies apply to our organisation and our affiliated persons. Policy frameworks include the integrity policy, whistleblower scheme, code of conduct and scheme for granting powers of attorney. We aim to promote operational management and culture with integrity in which all affiliated persons at all levels act in accordance with applicable societal standards and statutory and internal rules.

We have established our risk appetite with regard to integrity, including fraud, in the various domains. Risk appetite helps determine the choice of the extent to which risks are managed. Analysing integrity risks, including the risk of fraud, is part of the operational risk management cycle that is completed periodically. In addition, this analysis is part of the annual systematic integrity risk analysis, or SIRA, we conduct.

4.2 Effectiveness and efficiency of risk management

In terms of the effectiveness and efficiency of risk management, we have the ambition to at least achieve maturity level 3, i.e. ‘sufficient’ - structured and formalised. We have achieved this ambition.

Part of the ambition is to achieve a fully integrated second-line RAC role, which, from an independent position, contributes in a constructive and proactive way to the quality of decision-making and sound and controlled operational management. In doing so, we ask ourselves the following questions regarding effectiveness and efficiency, and economy, of risk management:

- Are we doing the right things?
- Are we doing things right?

The overall effectiveness and efficiency of our risk management are evaluated annually from different perspectives. Assessing the effectiveness and efficiency of risk management is part of the self-evaluation of the committees and the Board. In addition, the RAC role evaluates effectiveness and efficiency independently of the Board's self-assessment. In 2023, the key role Internal Audit also conducted an internal audit on the design and operation of IT risk management and an internal audit on the SIRA. In addition, the key role Internal Audit also monitored the adequate follow-up of the findings from the previous internal audit on integral risk management.

We had a structural focus on both strategic risk management and operational risk management in 2023. In doing so, we strengthened the strategic cycle. The strategic objectives, partly under the Wtp, are made concrete by way of a strategic calendar. In 2023, we considered the following topics: the new Target Operating Model, IT in control, data quality, ESG, and Wtp.

Operational risks are monitored structurally by the committees. With regard to the financial risks, we achieved further strengthening last year through, among other things, the accountability reporting of the Investment Advisory Committee and by sharing the evaluation on components of the investment policy with the Board. The cooperation between the actuarial functions (executive actuary, consulting actuary, actuarial function and certifying actuary) is aimed at allowing the Board to be optimally in control with regard to actuarial risks. The way the second line is organised and the cooperation with the first line mean that we can rely on sufficient internal expertise and countervailing power in all areas for our decision-making. This allows us to fully rely on our own governance, with additional positive impact on the quality of our decision-making.

In 2023, the development continued to move towards a fully integrated second-line RAC role with the ambition to particularly further strengthen strategic risk management within the Fund at board level. The developments due to the Wtp also lead to the need to review the appropriateness of our risk management.

4.3 Developments 2023

Discussing risks has been a regular item on the agenda of every Board meeting. This agenda item allowed everyone to raise issues that may pose a risk. Topics discussed included the new pension system, financial market movements, ESG risks, integrity risks, IT and cybersecurity risks, and data quality. In the context of the Wtp, strategic sessions were held in which we looked at the impact of the Wtp on the Fund's governance model, the target operating model and the Fund’s raison d'être. We also paid great attention to evaluating and ensuring the continuity, strategic or otherwise, of the outsourcing chain.

Assessment of key risks

Due to developments in financial markets, we have identified interest rate risk and market risk as the Fund's highest financial risks. These risk categories are continuously monitored by the Investment Advisory Committee. It constantly assesses whether the risks are still managed properly. Risks are also considered and assessed as a whole based on the investment and risk management policies.

Financial risks

Implementation of interest rate risk management policy

When interest rates change, the value of our liabilities changes with them. If interest rates fall by 1%, liabilities increase in value by about 18.5%. This 18.5 is also known as duration or interest rate sensitivity. Interest rate sensitivity is a major risk for the pension fund and we therefore hedge part of this risk. The policy was set on the basis of an ALM study reviewed in 2023. Based on the results of the 2023 ALM study, we decided to maintain a hedge rate of 55.8% of the interest rate sensitivity of the liabilities based on market interest rates, corresponding to 70% on UFR basis. The factual hedge based on market interest rates at the end of 2023 equalled 56.1%. There is a range around the target rate within which the factual hedging rate should be. This range has been set at approximately 4%. As at year-end, therefore, there was an undershoot of the range set around the standard hedge. This was a result of the indexation granted, which increased the liabilities. The interest rate hedge was subsequently adjusted to the standard, in line with established investment guidelines and the rebalancing policy.

The interest rate hedge is structured on the basis of five maturity buckets in order to achieve high hedge effectiveness, regardless for which interest rate maturities the changes in the yield curve occur. This includes a range per maturity bucket for timely adjustment. This policy has been laid down in the investment guidelines.

The implementation of interest rate policy has been outsourced to CTI on the basis of the investment guidelines. CTI reports on the implementation in the asset management reports received monthly and quarterly. In addition, a quarterly risk report is received in which CTI elaborates on interest rate positions and sensitivities. We conducted interest rate risk management in 2023 in line with the policy within the set risk limits and range.

Implementation of market risk management policy

The strategic allocation between fixed-income (matching portfolio) and marketable securities (return portfolio) was set at 53.5% versus 46.5% for 2023. The assets invested in the matching portfolio consist of high-quality European government bonds, interest rate swaps, Dutch mortgages and high-quality corporate bonds issued in euros. The assets invested in the return portfolio consist of marketable and high fixed-income securities. The actual size of the two sub-portfolios varies due to market developments, but should be between 43.5% and 49.5% for the matching portfolio and between 50.5% and 56.5% for the return portfolio. If the size of these portfolios is outside the range, this should be restored within three months. This has been set out in our investment guidelines. Implementation has been outsourced to CTI.

In the asset management reports received on a monthly and quarterly basis, CTI reports on the size and returns of the matching and return portfolios. The custodian also reports on this quarterly in the performance reporting.

In the coming years, under the Wtp, we will have to make some far-reaching choices about the pension scheme, its implementation and the mode of survival of the Fund. This has implications for the design requirements of the asset management.

Continuity risk

We define continuity risk as the risk that the continuity of process execution and/or recovery from disruptions is insufficiently secured in the IT and other operations at our outsourcing parties, possibly resulting in business operations and/or information provision being disrupted, leading to financial and/or reputational damage to the Fund. The most important continuity risks we have identified relate to outsourced processes, specifically IT. The continuity risk is evaluated periodically and control measures are tightened if necessary. The risk reports of the pension administration organisations report on the degree of management of the continuity risk.

In 2023, with regard to the continuity risk and in consultation with APG, we paid close attention to managing risks that may arise within the framework of cybersecurity.

4.4 Key uncertainties and 2024 outlook

We closely monitor developments taking place in and around the pension landscape, within the sector and within the Fund and discuss them on a regular basis at Board meetings. These developments may offer opportunities, but may also confront us with uncertainties. In 2024, we have unabated focus on developments regarding the new pension system, strategic framework, ESG and, as a new topic, DORA (Digital Operational Resilience Act).

Future of Pensions Act
The impending changes to the pension system involve many uncertainties. The transition to the new pension system is considered to be a very invasive, time-consuming and complex process, with great demands on the adaptive capability of pension funds and their pension administrators. The consequences of the choices following the new regime have a potentially major impact on the Fund's participants and organisation.

The Wtp has received a lot of attention over the past year. For instance, there have been several discussions with both the pension administrator and the asset manager regarding the Wtp. We have decided to integrate accrued pensions on 1 January 2027. Until then, this issue will have our unabated attention.

The complexity of the new scheme and the expectations participants and employers may have will put pressure on our communications. Lack of proper communication on the new scheme could adversely affect the base of support for the new contract. The effectiveness of governance and decision-making may also come under pressure due to, among other things, the complexity of decisions on the pension agreement to be administered due to changing roles of various stakeholders. We are entering a complex transition process in the coming years, while it is business as usual for regular governance and pension administration. We have chosen trust as the overarching theme in our strategic calendar. Many issues relating to the Wtp affect the gaining, regaining or loss of the participant's trust.

We manage the risks in the new pension system by setting up five different workflows and by the establishment of a structured transition process. Risks concerning social partner decision-making, administration of the new scheme and outsourcing are high. We perceive specific outsourcing risks among which:
- the implementation of Festina Finance's at APG;
- the bundling function between asset management, pension administration and the custodian ;
- the safeguarding of data quality within all the processes and the integration of accrued rights;
- the availability and competences of people throughout the chain;
- the dependency in transition planning on the planning and progress at other APG clients.

Continuity statement
The Fund assumes the continuity principle when preparing the annual accounts. The sectoral pension administration agreement is applicable for an indefinite period until changes to the pension scheme are made by collective labour agreement parties. There is no reason to expect the social partners to adopt a new pension scheme that will take effect in 2024. The policy funding ratio and the current funding ratio at the end of 2023 are sufficient to assume continuity. Moreover, the Board has formulated policies to manage the liquidity risk and this is monitored in the Investment Advisory Committee based on regular investment reporting. The Fund's potential liquidity needs and liquidity risks are determined periodically through quantitative analyses performed by the fiduciary manager. Pension administration at APG is safeguarded until the new regime. The agreements with the asset managers have a minimum term of one year. This ensures the continuity of the Fund under normal circumstances.

5 Organisation

5.1 About the Fund

5.1.1 Name and registered office

Our Fund was founded on 26 June 1958 and has its office under the Articles of Association in Harderwijk. We are registered under number 41199584 with the Dutch Chamber of Commerce (KVK). The Articles of Association were last amended in January 2022.

5.1.2 Compulsory affiliation

The Dutch Ministry of Social Affairs and Employment has made our scheme compulsory for firms primarily engaged in architectural work. The pension scheme applies to all employers and employees covered by the scope. This is the case if mainly architectural work is carried out. This means that 50% or more of the hours to be spent involve architectural work. Based on SBI codes, expressing the main activity of a company, and KVK registrations, we continuously check whether there are firms that have mistakenly not affiliated with us. 88 agencies newly joined the Fund in 2023.

There are a number of reasons why the compulsory affiliation system was created and why we believe compulsory affiliation serves the interests of the participants:

- Shared costs: we administer the same scheme for a large group. This way, costs are shared between several firms. Arranging pensions and investing together is cheaper.
- Shared risks: we invest part of the premium. Investing is necessary to keep the pensions affordable. Risks are distributed in solidarity across a large group, over a longer period and across the generations. We also share the occupational disability risks and mortality risks with each other.
- Being a responsible employer: because we arrange for the pension scheme in the same way for all the firms in the architectural sector, it does not affect the mutual competitive position of firms.
- Joint participation: both firms and participants contribute to the premium. Both interests are equally represented and promoted in the Board and the Accountability Body.

5.1.3 Our objective

Our Fund aims to protect all the stakeholders from the monetary consequences of old age, occupational disability and death.

5.1.4 Our mission

To guide decisions, we drew up a mission statement a few years ago. The Fund's participant takes centre stage. We administer the pension scheme for participants, former participants, pension beneficiaries and employers in the architectural sector at the request of the social partners and on the basis of the risk profile determined by them. We do so in a sustainable manner, with helpful service, clear communication and at a stable and acceptable premium, acceptable costs and explainable risks. We wish to give participants, former participants, pension beneficiaries and employers of all generations a good and realistic future perspective and help them invest well in their future. Our guiding principle in doing so is that participants retire happy and remain happy afterwards.

5.1.5 Our vision

We have observed that pensions have become uncertain, that absolute security is no longer a given and that pensions do not just automatically rise any more. We see that complexity, governance and compliance with legislation and regulations are important in considerations concerning the independence of our Fund. Funds are increasingly becoming a form of administrative solidarity. We deliberately assume the principle of solidarity. We see that the benefit from our Fund is just one of the things people receive after their working life. We believe that attention is needed to give people insight and action perspective on the quality of their future. We wish to tap into those opportunities.

We see that the architectural sector is in great flux. The changing market requires us to change in a more rapid pace. More flexibility is expected from us. More and more, labour is provided by self-employed workers. In time, the size of the sector may no longer relate to the costs that need to be incurred to administer the pension scheme optimally. Base of support within the sector and recognisability for participants should be factored into the discussion of the future.

5.1.6 Size of the Fund

Participants, former participants and pension beneficiaries
We are one of the 50 largest pension funds in the Netherlands. The number of participants actively accruing pension with our Fund revealed an upward trend since 2014. By the end of 2023, there were 9,895 active participants. The increase reversed to a decline of about 5% by 2023, caused by the deteriorating economic climate and the prospects of architectural firms. More than half of active participants (54%) are under 37 years old.

Also, there is a decrease in the number of former participants due to the automatic value transfers of small pensions created before 2018. The number of pension beneficiaries rose to from 13,872 to 13,975. There are 23,029 former participants who left our sector before their pension entitlements became payable. They have not transferred their pension entitlements to any new pension provider either. Due to the high number of former participants, pension accrual in relation to costs is suboptimal. The male-female ratio is about 2 to 1.

Affiliated firms
The number of affiliated firms employing staff fell from 1,299 to 1,295 last year. Firms with a large number of participants (more than 70) and small firms (up to 6 employees) in niche markets are dominant. A number of agencies (66) participate in the Fund on a voluntary basis.

Invested assets
In 2023, the invested assets increased as compared to 2022 to an amount to over €4.6 billion.

5.1.7 Composition of Board committees and bodies
All the stakeholders can count on us to act with expertise and integrity and to balance the interests of all the stakeholders. The Board is composed with equal representation and each Board member has voting rights. We have a rotation schedule in place to ensure continuity. With each mutation, we check whether suitability is still sufficiently present. There were no changes in the governance model. The Articles of Association define how Board members can be appointed, reappointed, suspended or dismissed. A regular term of office has a duration of four years, with possibly two reappointments according to the Articles of Association. Below you can view the composition of the Board as at 31 December 2023:

Members employers	Appointed until	Nominating organisation
Mr G. T. J. Meulenbroek, chair (1968)	1 January 2025	BNA
Ms M. M. E. P. Groenen (1967)	1 July 2025	BNA
Mr R. G. Nagtegaal (1954)	1 July 2025, resigns 1 October 2024	BNA
Members employees		
Ms J. G. E. van Leeuwen (1986)	1 January 2027	FNV
Mr H. W. T. de Vaan, vice-chair (1974)	1 September 2026	CNV
Members pension beneficiaries		
Mr I. Slikkerveer (1963) (elected after elections)	1 July 2026	De Unie
Members independent		
Mr P. de Groot (1958)	1 June 2026	Not applicable
Mr A. Soederhuizen (1965)	1 June 2026	Not applicable

The position of chair is held alternately for two years by a Board member from the employees' side and the position of vice-chair by a Board member from the employers' side and vice versa. From 1 January 2024, Mr de Vaan was appointed as chair and Mr Meulenbroek as vice-chair. From 1 January 2023, Ms van Leeuwen was appointed for a second term of four years. DNB approved these appointments.

With a view to Mr Nagtegaal's succession from 1 October 2024, we have extensively assessed which knowledge on the Board we are about to lose with his upcoming resignation. For the nominating organisation, with a view to positioning asset management in the new regime, we set additional professional requirements on top of the profile.

In 2023, we said goodbye to Mr Spoelstra. We had appointed him as a trainee from Pensioenlab. Mr Spoelstra conducted research on how to reach young people with communication on pensions. We strongly support Pensioenlab and wish to contribute to its goals of continuing to give young people a voice in pension issues and promoting diversity in pension fund bodies. Due to our strict interpretation of our Articles of Association, we are unable to sponsor Pensioenlab with a monetary contribution but do so in an immaterial way by actively mentoring trainees on the basis of a specific assignment. The trainee is compensated for this. As of 1 December 2023, we appointed Mr Schut as a trainee from Pensioenlab. He is exploring how the Fund can unlock the pension fund's available data and use it to get closer to its participants.

Diversity

We highly value diversity and look beyond visible personal characteristics. This contributes to balanced consideration of interests and effective management. However, our requirement of suitability prevails over diversity. A prospective Board member must meet the objective criterion of suitability at all times. During the year under review, two women and six men served on our Board. One Board member is under 40 years old, the other seven Board members are over 40 years old. We thus comply with the diversity requirements of the Code. As we deem the opinions of young people important in our considerations, when we form our perceptions, we explicitly ask Pension Lab trainees about their views, despite not having the right to vote.

Research has shown that the alignment of various personal values of a group of people largely influences cooperation. At value level, we strive for as much homogeneity as possible, as this enhances cooperation and mutual commitment. Our team values scan showed that integrity, sustainability and decisiveness were identified as the most important values by all the Board members.

Meetings
We generally meet once a month to consult and take decisions with each other. Due to the volume of tasks, we have set up a number of administrative committees. These committees do preparatory and executive work. They can delve deeper into the background, balance and implications of policy decisions in the preparation phase. To have more time as a Board for strategic and policy issues, we have mandated various topics to committees. Our main rule is that policy issues are a Board matter and executive issues are the responsibility of the committees. The powers of a committee are set out in committee regulations. The committee is accountable to the full Board for the performance of its duties through annual plans, progress reports, committee self-assessment, committee meeting minutes and memoranda. The following committees were in place in 2023.

Day-to-day management
The day-to-day management consists of the chair and vice-chair of our Fund. They represent the Fund at law or otherwise. The day-to-day management takes everyday decisions within the formulated policy. In addition, the day-to-day management advises on the topics not already covered by other committees or working groups, and monitors progress. It also handles applications for voluntary affiliation, voluntary continuation and voluntary insurance. Furthermore, the day-to-day management may or may not authorise the collection of premiums under threat of an insolvency procedure and the filing of an insolvency petition. The day-to-day management is also in charge of the direction function on the Wtp programme and the day-to-day management maintains contacts with the Royal Society for the Advancement of Architecture Association of Dutch Architects (BNA).

Investment Advisory Committee
We have delegated the preparation of the investment policy to the Investment Advisory Committee. This committee deals with the entire investment policy of the Fund and, from the first line, the risk policy regarding the asset management activities. The Investment Advisory Committee oversees the asset managers, including by monitoring and reviewing reports.

Communications Committee
The Communications Committee has an advisory role and a supervisory role in communications. The committee is responsible for spotting, identifying and providing appropriate and timely advice on the management of financial and non-financial risks to communication and accountability thereon.

Pension Committee
The Pension Committee advises on and monitors pension management as regards first-line outsourcing, IT, legal, actuarial and underwriting risks.

Risk Committee
The Risk Committee represents the second line within the so-called three-lines-of-defence model and has an advisory, challenging and reviewing role towards the first line. From this role, the committee oversees the Board, the Investment Advisory Committee, the Communications Committee and the Pension Committee, the day-to-day management and the Executive Office. The committee reviews the opinions of proposed decisions against the risk frameworks and provides the Board with solicited and unsolicited advice on risk management and outsourcing policies.

Internal audit
The Internal Audit function implements the third line in the three-lines-of-defence model. The internal audit function evaluates the adequacy and effectiveness of procedures and measures to ensure the integrity and control of business operations. The Internal Audit function reports its findings to the Board and the Supervisory Board.

With effect from 1 January 2023, we appointed Mr van Beek as Internal Audit key role holder. He succeeded Mr van der Veen.

Annual report working group

We have an annual report working group in place. This working group coordinates work on the annual report and annual accounts.

Complaints Committee

We have set up a Complaints Committee. The Complaints Committee consists of three independent members: Ms Berrich (chair), Mr Bodewes and Mr Prins. The regulations can be found on the website. The Complaints Committee advises the Board on complaints between participants, former participants and pension beneficiaries and the Fund. A decision of the Complaints Committee is non-binding. The Complaints Committee is not authorised to advise on disputes regarding exemption decisions. We did not receive any complaints in 2023.

Should the complainant disagree with the decision, the complainant may refer this dispute to the *Geschilleninstantie Pensioenfondsen* (Dutch disputes authority for pension funds) as of 1 January 2024. This will be communicated to the complainant when issuing the decision of the Complaints Committee. The Dutch Minister for Poverty, Participation and Pensions has designated the *Geschilleninstantie Pensioenfondsen* as a recognised dispute resolution body for pension funds. Pension funds were required to join it.

There is also the option of taking the complaint to the national pensions ombudsman or to the civil courts. The Code of Conduct of the Federation of Dutch Pension Funds on the proper handling of complaints adopted as of 11 September 2023 prompted us to amend the regulations. The Accountability Body gave a positive opinion for this. APG has adapted the internal process to the new timelines.

Due to reaching the maximum term of office, we appointed Ms E. Vijverberg to succeed Ms Berrich with effect from 1 January 2024.

The Supervisory Board

The Supervisory Board is our internal regulator. This body oversees the policies and general affairs of our Fund alongside DNB. In addition, the Supervisory Board provides us with advice. The independent members always act in the interest of the objectives of our Fund, without any specific mandate and independently of any other interest. In exercising supervision, the Supervisory Board follows the Code of Dutch Pension Funds and the VITP standards framework. In doing so, the Supervisory Board pays specific attention to the concepts of due care and balanced consideration of interests. A term of office has a duration of four years, with one possible reappointment.

The composition of the Supervisory Board as of 31 December 2023 is as follows:

Members	Appointed until
Ms H. G. I. M Peters (1959), chair	1 July 2025
Mr P. G. E. van Gent (1963)	1 July 2025
Mr F. R. Valkenburg (1960)	1 July 2026

The Accountability Body

Through the Accountability Body, we render account to stakeholders for the policy, how the policy has been pursued and compliance with the Code. The Accountability Body is authorised to give an opinion on our actions, the policy pursued and on the policy choices for the future. It does so on the basis of the annual report, defined policy choices and the findings of the Supervisory Board on the policies pursued, among other things. The Accountability Body must establish the extent to which the Board has taken the interests of all stakeholders in the Fund in a balanced manner when making its decisions into account.

As of 31 December 2023, the Accountability Body is composed as follows:

Members employers	Appointed by	Appointed until
Ms E. Borgert (1981), chair	BNA	1 January 2026
Ms W. E. Vester (1962)	BNA	1 July 2026
Members pension beneficiaries		
Mr M. Kuijt (1955)	Elections	1 January 2026
Mr H. Oonk (1960)	ANBO	1 November 2027
Members active participants		
Ms D. Verweij (1982)	CNV	1 November 2025
Mr S. Vink (1979)	FNV	1 January 2027

Members of the Accountability Body are appointed by the Board in accordance with the Code. A term of office has a duration of four years, with one possible reappointment. We are pleased that ANBO nominated Mr Oonk and that we were able to appoint him with effect from 1 November 2023. He contributes both previously accrued pension knowledge and knowledge of the architectural industry. With this composition of the Accountability Body, continuity is secure. Mr Vink discontinued his membership in January 2024 for private reasons.

We have made funds available for the members of the Accountability Body to take the SPO Governance A course to ensure they have the desired level of knowledge. We also make funds available to attend additional training courses that are within the Accountability Body members' area of interest. In doing so, we strengthen the countervailing power within the bodies and towards us.

Also, to increase countervailing power, we agreed to the request from the Accountability Body and the Supervisory Board to appoint an independent advisor on the Wtp for a second opinion. For the Supervisory Board, the main focus is on processes and recording. For the Accountability Body, the focus is on the balance in decision-making regarding integrating accrued pensions, the solidarity reserve and compensation. After a thorough selection process, Mr Linders of Deloitte was appointed for this purpose.

5.2 Remuneration policy Fund bodies

We have established a controlled and sustainable remuneration policy that is in line with our Fund's objectives and appropriate within our sector. The remunerations are proportionate to the responsibility, job requirements and time spent. We believe it is important to do justice to the expertise, professionalism and time spent of the members of our Fund's bodies. We based the remuneration for the Board, the Supervisory Board and the Accountability Body on a fixed annual amount. As a result, costs are manageable and predictable and can be explained. No VAT is charged on the amounts.

We believe it is important that the Accountability Body is a solid discussion partner and has sufficient pension knowledge. In deviation from the other bodies, members of the Accountability Body therefore receive an allowance of €400 per study day for attending SPO modules for Governance A level.

Reimbursement of travel expenses for all the members is €0.40 per kilometre driven. In the following overview, we indicate how this has been specified for each individual member. We pay the trainee we appointed from Pensioenlab €410 per month as remuneration.

In 2022, we commissioned Montae to conduct an independent study whether our remuneration policy is in line with the market. As of 1 January 2023, we have revised our remuneration policy. We have adjusted the basic standard time commitment from 0.14 to 0.2 fte (one day per week) and we index the remunerations in line with the Dutch Standards for the Public and Semi-Public Sector Senior Officials (Standard Remuneration) Act, in Dutch WNT (*Wet normering topinkomens*). As of 1 January 2023, the WNT standard amount is €223,000. In 2022, this was €216,000. This represents an increase of 3.24%. We therefore increased all the remunerations by this rate of 3.24% with effect from 1 January 2023. The Accountability Body has issued a positive advice for this and the Supervisory Board approved the decision.

We have also clarified some aspects of the remuneration policy. Under the Wtp, additional work by Board members and Supervisory Board members will not be financially remunerated.

From 1 January 2024, all the remunerations were increased by 4.48%, in line with the WNT. The Board decided to temporarily reward the Accountability Body members 25% more for the additional work and responsibilities they perform under the Wtp.

Annual fee per position (in euros, excluding VAT)	Period	fte DNB	Annual fee 2023	Annual fee 2022	Hourly rate
Board					
G. T. J. Meulenbroek, chair	01/01 to 31/12	0.3	47,566	46,080	80
R. G. Nagtegaal, deputy chair	01/01 to 31/12	0.2	31,710	30,720	80
H. W. T. de Vaan, vice-chair	01/01 to 31/12	0.3	47,566	46,080	80
J. G. E. van Leeuwen, deputy vice-chair	01/01 to 31/12	0.2	31,710	30,720	80
M. M. E. P. Groenen	01/01 to 31/12	0.2	31,710	30,720	80
P. de Groot	01/01 to 31/12	0.2	39,638	38,600	100
I. Slikkerveer	01/01 to 31/12	0.2	31,710	30,720	80
A. Soederhuizen	01/01 to 31/12	0.2	39,638	38,600	100
Supervisory Board					
H. G. I. M. Peters, chair	01/01 to 31/12	0.2	23,229	22,500	80
P. G. E. van Gent	01/01 to 31/12	0.1	15,486	15,000	80
F. R. Valkenburg	01/01 to 31/12	0.1	15,486	15,000	80
Accountability Body					
E. Borgert, chair	01/01 to 31/12	N/A	18,003	13,950	50
B. van den Bos *	01/01 to 31/10	N/A	12,001	9,300	50
M. Kuijt	01/01 to 31/12	N/A	12,001	9,300	50
H. Oonk **	01/06 to 31/12	N/A	12,001	9,300	50
D. Verweij	01/01 to 31/12	N/A	12,001	9,300	50
W. E. Vester	01/01 to 31/12	N/A	12,001	9,300	50
S. Vink	01/01 to 31/12	N/A	12,001	9,300	50

* Due to his resignation on 1 November 2023, Mr van den Bos received €11,000 and not the full annual amount.

** Due to Mr Oonk's onboarding process, he received a remuneration from 1 June 2023 and not the full annual amount. The remuneration was €7,001.

5.3 Executive Office

We have an independent Executive Office in place. However, as Board, we always remain in charge ourselves as the body ultimately responsible. The Executive Office plays a central role in policy preparation, monitoring and support. Furthermore, the Executive Office keeps us informed of social developments and legislative and regulatory developments. The Executive Office is responsible for preparing and implementing Board decisions. The Executive Office also assists the Supervisory Board and the Accountability Body in the performance of their duties, and the Executive Office performs the Fund's secretarial services.

From 2023, the director of the Executive Office is the line manager of the Wtp programme. The Executive Office’s capacity has been expanded in view of the increased work.

5.4 Outsourcing

We have an outsourcing agreement with APG DWS & Fondsenbedrijf N.V. for pension administration. After escalation to the management board due to the long lead time, we made arrangements with APG for the new pricing model. We have an outsourcing agreement with Amundi Asset Management, Bouwinvest Real Estate Investment Management B.V., Columbia Threadneedle Netherlands B.V., Fidelity (FIL(LUXEMBOURG)S.A.), PGGM Vermogensbeheer B.V., State Street Global Advisors Europe Limited, Syntrus Achmea Real Estate & Finance B.V. and UBS Fund Management (Luxembourg) S.A. as regards asset management.

6 Supervisory Board

In accordance with Article 15 of its Articles of Association, Stichting Pensioenfonds voor de Architectenbureaus has had a Supervisory Board in place since 1 July 2014. In 2023, the Supervisory Board consisted of Mr P. G. E. van Gent (Asset Management), Ms H. G. I. M. Peters (Governance and Communications) and Mr F. R. Valkenburg (Actuarial and Risk).

The Supervisory Board has the task of supervising the policy conducted by the Board and the general course of events within the Fund. Important components are the monitoring of adequate risk management, balanced consideration of interests and clear and unambiguous recording of decisions by the Board. The Supervisory Board also forms an opinion on the Board's performance.

The Supervisory Board considers its task to contribute to the quality and effectiveness of the Fund's governance, management and operations with integrity. Therefore, in addition to supervision, the Supervisory Board also provides the Board with solicited and unsolicited advice.

Based on its statutory and regulatory duties, and its duties under the Articles of Association, the Supervisory Board paid particular attention to the following policy supervision topics in 2023, as recorded in the 2023 annual plan:

- Wtp:
  - balanced consideration of interests:
    - integration of accrued pensions;
    - solidarity reserve;
  - outsourcing relationships:
    - collaboration between APG, Columbia Threadneedle Investment and CACEIS;
    - APG's outsourcing to Festina Finance;
  - communication;
  - investment policy;
    - including translation of risk preference research into practice;
- Approval of remuneration policy 2023;
- Settlement of the PGGM transition;
- Succession of the current Board in relation to a possibly different profile regarding the Wtp;
- Benchmarking of asset management mandates;
- ESG

The scope of supervision by the Supervisory Board covers the entire governance spectrum with the following topics for which the Supervisory Board also made recommendations:

- General policy and Board performance;
- Governance;
- Financial set-up;
- Investment policy and asset management;
- Outsourcing and IT;
- Communication and transparency;
- Risk management and compliance;
- Internal audit;
- Given the complicated process keep an eye on the people in the organisation.

The Supervisory Board gave the following regulatory approvals in 2023:

- The Board's proposed resolution to adopt the annual accounts and annual report for the year 2022. The Supervisory Board believes the Board provides adequate insight into governance issues in the management report.
- The proposed decision to appoint Mr H. W. T. de Vaan as chair for two years with effect from 1 January 2024.
- The proposed decision to appoint Mr H. Oonk to the Accountability Body with effect from 1 November 2023.
- The proposed decision to update the profile in connection with the appointment of portfolio managers.
- The proposed decision to appoint H. W. T. de Vaan as portfolio manager IT and Ms J. G. E. van Leeuwen as portfolio manager ESG.
- The proposed decision to adopt the amended remuneration policy from 1 January 2023 and to link both the remuneration and the hourly rate for projects to the WNT standard.

The Supervisory Board's conclusion is that the Board has adequately discharged its duties and responsibilities in which it considered the interests of the various stakeholders in order to achieve a balanced consideration of interests, business integrity and adequate risk management.

The Supervisory Board acknowledges the efforts of the Board, the Accountability Body, the staff of the Executive Office and all the other stakeholders and for the open dialogue and pleasant cooperation in 2023.

Culemborg, 13 March 2024

Mr *ir.* P. G. E. van Gent
Ms *mr.* H. G. I. M. Peters *RBA*, (chair)
Mr F. R. Valkenburg *AAG, RBA*

Board response

We thank the Supervisory Board for its valuable cooperation and the dedicated commitment its members show the Fund. We highly value the recommendations from the Supervisory Board. We appreciate the constructive and engaged way in which the Supervisory Board monitors and assesses our activities.

Therefore, we challenge the Supervisory Board to act even more as a stimulating sparring partner, especially regarding issues such as the Wtp and strategic choices. We look forward to further cooperating pleasantly in the coming years.

7 Accountability Body

In accordance with Article 14 of the Fund's Articles of Association, the Accountability Body was established on 1 July 2014 to replace the participants' council. In doing so, the Accountability Body was given additional tasks and powers.

In the first ten months of 2023, the Accountability Body consisted of Ms E. Borgert (chair), Ms D. Verweij, Ms W. Vester, Mr B. van den Bos, Mr M. Kuijt and Mr S. Vink. Due to the expiry of his second term, Mr van den Bos was succeeded by Mr H. Oonk with effect from 1 November 2023.

A delegation from the Accountability Body, together with a delegation from the Supervisory Board, went through a selection process in 2023 to fill the position of external adviser Wtp.

In 2023, the Accountability Body met eleven times, including three times with the Board. Three meetings were held with the Supervisory Board and three were held by the chairs of the bodies. There were three seminars for the Accountability Body in 2023, together with the Board and the Supervisory Board. The Accountability Body also met once with the Annual report working group and two meetings were organised regarding Wtp, together with Board and Supervisory Board. Some of the meetings were held in digital form.

Through the annual report and via the Accountability Body, the Board renders account to the stakeholders for the policy, how the policy has been pursued and for compliance with the Code of Dutch Pension Funds. The Accountability Body noted that the Board acted on a large part of its recommendations in 2023.

The Accountability Body is authorised to give an opinion on actions of the Board, the policy pursued and the policy choices for the future. The Accountability Body does so on the basis of the annual report, defined policy choices and the findings of the Supervisory Board, among other things. The Accountability Body establishes the extent to which the Board has taken the interests of all stakeholders in the Fund in a balanced manner when making its decisions into account.

The Accountability Body gave eight recommendations in 2023. This covered the following topics:

Topic	Period	Nature of recommendation
1. Fixation inflation curve	January 2023	Positive
2. Remuneration policy amendment 2023	February 2023	Positive
3. Amendment of Complaints Regulations with effect from 1 July 2023	June 2023	Positive
4. Adjustment of pension administration regulations	July 2023	Positive
5. Supplementation resolution on 1 January 2024	October 2023	Positive
6. Composition premium rate and amount of the premium components	October 2023	Positive
7. Additional supplementation resolution on 1 January 2024	November 2023	Positive
8. Amendment of pension administration regulations with effect from 1 January 2024	December 2023	Positive

The Supervisory Board has rendered account to the Accountability Body. Based on the 2023 report of findings of the Supervisory Board for the Board and the Accountability Body, the Accountability Body took note of the findings and recommendations of the Supervisory Board.

Our full report containing the standards framework, findings, opinion and recommendations can be found on the website. Below is an abridged account of our opinion for each standard:

Governance

The Accountability Body notes that the Board functioned well in 2023 and complied with all the provisions of the Pension Funds Code, save one. Given the increase in complexity, sufficient countervailing power on certain issues remains an area of focus within the Board.

The Accountability Body asks the Board to continue to pay attention to sufficient representation of the profession on the Board and the increasing workload regarding (additional) Wtp work.

Outsourcing & IT

The Accountability Body believes that the Board is in control and closely monitors external parties including the associated quality and costs. IT and data quality are an additional focus for next year (2024), as is the (timely) availability of staff at outsourcing parties.

Premium policy

The Accountability Body concludes that both the cost components used and a balanced consideration of interests have been adequately taken into account in establishing the 2023 premium. The Accountability Body deemed the additional verbal explanation provided by a delegation of the Board highly positive.

The Accountability Body recommends that the Board engage and/or inform the various stakeholders on a timely basis, not only substantively and/or informatively, but above all procedurally. The Accountability Body strongly recommends timely, proper and clear substantiation regarding the balanced consideration of interests regarding the proposed decisions.

Investment policy and asset management

The investment process was carried out in accordance with the investment policy and principles as set out in the Fund's Investment Plan and Investment Guidelines. A new ALM study was conducted in 2023. As yet, this ALM study has not resulted in any adjustments to the strategic investment policy.

The Accountability Body recommends that the Board give timely consideration to the potential impact of the Wtp on asset management. Within the frameworks of the strategic investment policy, 2024 could also need a focus on protective structure for the funding ratio towards the date of integration of accrued rights.

For participants, it is important that the Fund commits to responsible investing. The Accountability Body draws special attention to reporting on responsible investing and the communication to the participants thereon. In doing so, also ensure that the focus areas of climate change and sustainable property and built environment remain part of the investment portfolio and, if necessary, seek to expand it through impact investing.

Supplements

The Accountability Body took a positive view of the granting of the 6.85% supplement from 1 January 2024 and is happy that the Board has deviated from its policy once, because based on updated calculations by Statistics Netherlands, a much lower supplement of 0.21% would otherwise have been granted. This year, the motivation and balanced consideration of interests has been very comprehensively substantiated by the Board with qualitative and quantitative arguments.

The Accountability Body would also like to see a value-based pension for all the stakeholders remain as a guiding principle under the Wtp.

Integrated risk management

The Fund's integrated risk management is becoming increasingly professional, with more and more functions and therefore costs required to ensure that professionalism. The Accountability Body therefore assumes that, thanks to this high-level risk management system, no unnecessary risks will be taken in the future that could lead to major financial setbacks. The Accountability Body recommends close monitoring of developments among APG clients transitioning to the new scheme on 1 January 2025 or 1 January 2026 and using this experience for our Fund's transition on 1 January 2027.

Communication

The Accountability Body is positive about the follow-up for the most part of the recommendations from the 2022 review, the Fund's efforts to connect and stay in touch with the participants and the adjustment of the design of the communication messages to better suit the present time and background of the Fund. The Accountability Body advocates, in addition to regular provision of information to the participants, digital or otherwise, on, among other things, the Wtp and 'sustainable investing', devoting more attention to organising live meetings with the participants, in order to use the input gathered there to keep in touch with the way the participants wish to be informed.

Future

The Accountability Body notes with approval that the pension fund Board has a clear and realistic vision for the future, as well as for the development of the industry. They act transparently and decisively to maintain an affordable, sustainable and stable scheme with explainable risks also in the future.

In 2023, the Fund devoted much time and attention to the planned transition to the new pension contract on 1 January 2027.

The Accountability Body recommends continuing to monitor risks to the continuity (including representativeness) of the Fund in 2024 and responding to innovation in the architectural industry.

In conclusion

The Accountability Body appreciates the commitment of the Board and the Supervisory Board.

Mutual cooperation between the Board, Supervisory Board and Accountability Body takes place with an open and constructive attitude. The Accountability Body looks forward with confidence to the cooperation for the coming year.

Culemborg, 14 May 2024

E. Borgert (chair)
H. Oonk (vice-chair)
M. Kuijt
D. Verweij
W. Vester

Board response

We thank the Accountability Body for this management summary of the opinion and concur with the Accountability Body's words on open cooperation. The Accountability Body’s input in the discussions and the recommendations are highly appreciated and add value to our administrative decision-making. We would also like to continue this constructive cooperation with you in the coming years. We are pleased with the largely positive assessment and the various suggestions. In it, we read appreciation for the work we have done and the results achieved, but also that there is always room for improvement. The Board appreciates the strong commitment of the Accountability Body.

We will provide feedback on the Accountability Body's recommendations in the joint consultation in the usual way.

II. ANNUAL ACCOUNTS

In this chapter, the Board of Stichting Pensioenfonds voor de Architectenbureaus presents the annual accounts for the 2023 financial year ending on 31 December 2023. The Other Information section contains the statements of the certifying actuary and the independent auditor of the pension fund.

1 Balance sheet as at 31 December

(After appropriation of the balance of income and expenditure, amounts in thousands of euros)

		31-12-2023	31-12-2022
ASSETS			
Investments at the risk of the pension fund	(1)		
Property investments		469,553	476,108
Equities		1,369,322	1,187,760
Fixed-interest securities		2,578,023	2,348,394
Derivatives		333,349	391,259
Other investments		212,706	237,340
		4,962,953	**4,640,861**
Receivables, prepayments and accrued income	(2)	10,241	11,969
Cash at bank and in hand	(3)	5,629	10,024
		4,978,823	**4,662,854**
LIABILITIES			
Foundation capital and reserves	(4)	699,139	734,915
Technical provisions at the risk of the pension fund	(5)	3,923,448	3,519,301
Other liabilities, accruals and deferred income	(6)	356,236	408,638
		4,978,823	**4,662,854**

	31-12-2023	31-12-2022
Funding ratio based on FTK (in %)		
Current funding ratio (in %)	117.8	120.9
Policy funding ratio	125.6	125.0

2 Statement of income and expenditure

(Amounts in thousands of euros)

			2023		2022
INCOME					
Premium contributions at the risk of the pension fund (from employers and employees)	(7)		78,190		74,280
Investment results at the risk of the pension fund	(8)		435,747		-1,377,406
Other income	(9)		1,861		40
			515,798		**-1,303,086**
EXPENDITURE					
Pension benefit payments	(10)		130,040		118,512
Pension administration costs	(11)		5,450		4,464
Movement technical provisions at the risk of the pension fund	(12)				
Pension accrual		60,064		96,576	
Granting of supplements		250,621		306,748	
Interest addition		113,566		-22,496	
Withdrawal for pension benefits and pension administration costs		-133,216		-121,811	
Movement in market interest rates		110,908		-1,387,517	
Movement in actuarial assumptions		10,672		34,511	
Movement from transfer of rights		-13,790		-7,575	
Other movements in technical provisions		5,322		4,582	
			404,147		-1,096,982
Balance of transfers of rights	(13)		11,937		7,234
Other expenditure	(14)		-		55
			551,574		**-966,717**
Balance of income and expenditure			**-35,776**		**-336,369**

Appropriation of the balance of income and expenditure

(Amounts in thousands of euros)

	2023	2022
General risks reserve	-65,078	-192,412
Volatility reserve	29,302	-143,957
	-35,776	**-336,369**

3 Cash flow statement

(Amounts in thousands of euros)

		2023	2022
Cash flow from pension activities			
Premium contributions received for the risk of the pension fund		75,892	73,411
Incoming value transfers		2,695	3,865
Other income received		648	40
Pension benefits paid		-129,861	-118,413
Outgoing value transfers		-14,630	-11,270
Pension administration costs paid		-5,324	-4,394
Other expenses paid		-	-55
Total cash flow from pension activities		**-70,580**	**-56,816**
Cash flow from investment activities			
Received on investments sold		2,393,801	6,995,540
Paid on investments acquired		-2,426,528	-6,481,646
Direct investment returns received		76,334	56,310
Other income and expenditure on investments		29,644	-287,748
Change in cash collateral		-684	-222,188
Asset management fees paid		-6,382	-4,289
Total cash flow from investment activities		**66,185**	**55,979**
Movements in cash at bank and in hand		**-4,395**	**-837**

		2023	2022
Cash at bank and in hand as at 1 January		10,024	10,861
Movement in funds		-4,395	-837
Cash at bank and in hand as at 31 December	**(3)**	**5,629**	**10,024**

4 General explanatory notes

General explanatory notes

Introduction

The objective of Stichting Pensioenfonds voor de Architectenbureaus, registered in the Dutch business register under number 41199584, having its registered office in Harderwijk (hereinafter referred to as 'the pension fund') is to provide benefits now and in the future to pensioners and dependants in respect of old age and death; the pension fund also provides benefits to occupationally disabled participants and former participants. This objective is detailed in the pension fund's Articles of Association pension regulations, pension administration agreement and Actuarial and Business Memorandum, among other things. The pension fund implements the pension scheme of the compulsorily affiliated employers in the architectural sector.

The Fund's business address is Ceintuurbaan 2, 3847 LG Harderwijk.

Declaration of conformity

The annual accounts have been prepared in accordance with the statutory provisions as set out in Title 9, Book 2 of the Dutch Civil Code and in compliance with the Accounting Standards, in particular RJ 610. The amounts included in the annual accounts have been stated in thousands of euros unless indicated otherwise.

The Board adopted the annual accounts on 18 June 2024.

Going concern

The annual accounts were prepared on the going concern basis of accounting.

Comparison with the previous year

The principles of valuation and determination of results compared to the previous year remained the same, with the exception of the change in the accounting estimate explained below.

Changes in accounting estimate of pension liabilities at the risk of the pension fund

<u>Actuarial assumptions</u>

With regard to the 2023 reporting year, the Board decided to a change of the assumptions used, actuarial and otherwise, to determine the provision for pension liabilities. This relates to an increase in the mark-up for future pension administration costs (disbursement costs) from 2.9% to 3.2%. This change in estimate increased the provision by €10.7 million.

<u>Interest rate term structure</u>

Since 2012, DNB's interest rate term structure (RTS) for pension funds has been determined using the Ultimate Forward Rate (UFR). Until the end of 2020, the UFR was based on the moving 120-month average of the 20-year forward interest rate. In 2019, the Parameters Committee recommended adjusting the UFR methodology. In this new UFR methodology, the UFR was based on the moving 120-month average of the 30-year forward interest rate.

The UFR-30 methodology would be implemented in four equal steps from 1 January 2021, resulting in full UFR-30 implementation by early 2024. The second step took place on 1 January 2022.

In 2022, the Parameters Committee once again recommended adjusting the UFR methodology. It recommended assuming market interest rates for maturities up to 50 years and extrapolating based on market rates between 30 and 50 years for longer maturities. DNB has decided to adopt the recommendation with effect from 2023. Therefore, the new UFR-50 methodology is used from 1 January 2023.

The change to the UFR method concerns a change in the accounting estimate of the provision for pension liabilities for the risk of the pension fund. The effect of the UFR change on 1 January 2023 causes an increase in the provision of €17.0 million and is part of the item Movement market interest rate.

General principles

Recognition of an asset or liability

An asset is recognised in the balance sheet when future economic benefits are likely to accrue to the pension fund in and its value can be measured reliably. A liability is recognised in the balance sheet when its settlement is likely to involve an outflow of resources and the amount thereof can be measured reliably.

Recognition of income and expenditure

Income is recognised in the statement of income and expenditure when an increase in the economic potential, related to an increase in an asset or a reduction in a liability, has occurred, the magnitude of which can be measured reliably. Expenditure is recognised when a reduction in the economic potential, related to a reduction in an asset or an increase in a liability, has occurred, the magnitude of which can be measured reliably.

Netting of an asset and a liability

A financial asset and a financial liability are netted out and recognised as a net amount in the balance sheet if there is a legal or contractual authority to settle the asset and liability netted and simultaneously and, if there is also an intention to settle the items in this way. Interest income and interest expenditure associated with netted financial assets and financial liabilities are also netted out.

Estimates and assumptions

In accordance with Title 9, Book 2 of the Dutch Civil Code, the preparation of the annual accounts requires the Board to form opinions and make estimates and assumptions that affect the application of accounting principles and the reported values of assets and liabilities, and of income and expenditure.

The estimates and related assumptions have been based on past experience and various other factors that are deemed reasonable given the circumstances. The results provide the basis for the opinion on the carrying value of assets and liabilities that is not readily apparent from other sources. Actual outcomes may differ from these estimates.

Estimates and underlying assumptions are assessed on an ongoing basis. Revisions to estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods, if the revision affects both the reporting period and future periods.

Recognition of movements in the value of investments

No distinction is made between realised and unrealised movements in the value of investments. All the movements in the value of investments, including transaction costs, fees, exchange rate differences, and so on, are recognised as indirect investment returns in the statement of income and expenditure.

Foreign currencies

A foreign currency transaction is valued on initial recognition at the functional exchange rate on transaction date.
Assets and liabilities denominated in foreign currencies are converted into euros at the exchange rate on the balance sheet date. This valuation is part of the fair value measurement. Income and expenditure arising from transactions in foreign currencies are converted at the exchange rate on the transaction date. All foreign exchange differences are recognised in the statement of income and expenditure as indirect investment returns.

Principles for the valuation of assets and liabilities

Investments at the risk of the pension fund

In general

The investments are valued at fair value; only if the fair value of investments cannot be reliably determined, valuation is based on amortised cost. Prepayments and accrued income, and accruals and deferred income as well as cash asset management have been valued at nominal value, and are included in the investments. For these assets and liabilities, the difference between fair value and nominal value is generally minor.

Units in investment funds and investment institutions specialising in a particular type of investments are classified and valued according to the principles for those underlying investments (look-through approach). Mixed investment funds are aligned with the main class, determined on a fair value basis.

Financial instruments are used to hedge investment risks and achieve the defined investment policy. Positions in derivatives have been recognised as a separate investment class. Derivatives that are part of an investment fund are recognised in the investment class in which this investment fund is classified.

Fair value

The pension fund's investments are valued at fair value on the balance sheet date. Certain instruments, such as investment fund units, are valued using the net asset value. It is customary and possible to determine the fair value within an acceptable range of estimates. Only if the fair value of investments cannot be reliably determined is valuation based on amortised cost. Quoted market prices can be used for some of the pension fund's financial instruments. Derivatives are valued using net present value calculations.

For financial instruments, such as investment receivables and debts, the carrying value approximates the fair value due to the short-term nature of the receivables and debts. The carrying values of all the assets and financial liabilities as at the balance sheet date approximate the fair value.

Property investments
Investments in direct property are measured at fair value. The fair value is based on periodic valuations carried out by independent experts.

Listed indirect property investments are valued at the stock market value on the balance sheet date. Unlisted (indirect) property investments are valued at the net asset value calculated at the end of the reporting period. The net asset value is derived from the most recent statements of the relevant fund managers based on local principles which assume valuation at market value.

Equities

Equity investment funds
Units in listed investment institutions are valued at the stock market price as at the balance sheet date. Units in investment funds in listed equities are valued at the last known stock market price at the end of the reporting period. Units in investment funds in unlisted equities are valued at the net asset value calculated at the end of the reporting period. The net asset value is derived from the most recent statements of the relevant fund managers based on local principles which assume valuation at market value.

Private equity
Units in unlisted investment funds investing in private equity are valued at the share of the net asset value of the investment fund. The net asset value of the investment fund is estimated by the external manager, the management of the relevant investment or the lead co-investor.

Fixed-income securities
Fixed-income securities are measured at fair value including accrued interest. For listed fixed-income securities, this is the stock market price on the balance sheet date. For unlisted units in fixed-income securities funds, this is the net asset value, which represents the fair value of the underlying investments.

Bonds
Listed bonds and units in listed investment institutions investing in bonds are valued at the stock market price on the balance sheet date. Units in unlisted investment funds investing in bonds are valued at the net asset value of the bond fund.

Mortgages
Units in investment funds investing in mortgage loans are valued at fair value. The fair value is calculated based on the present value of the future cash flows. The parameters used in this calculation were updated at the end of the financial year.

Loans on promissory note
Loans on promissory note are valued at fair value. This fair value is calculated on the present value of the future cash flows. The interest rates used for discounting were derived from external independent parties and depend on the credit risk of the counterparties.

Derivatives
Derivatives are measured at fair value, which is the relevant market quotation or, if there is none, the value determined using market-based and verifiable valuation models. Derivative contracts with a negative value are recognised in the balance sheet under other liabilities and accruals and deferred income.

Other investments
Other investments are valued at fair value. These are valued at net asset value, which represents the fair value of the underlying investments.

Infrastructure
The value of investments in infrastructure funds is derived from the most recent statements of the relevant fund managers based on local principles.

Money market funds
The money market funds are measured at fair value, being the pension fund's share of the fair values of the financial instruments held by Columbia Threadneedle Netherlands bv at the account and risk of its clients.

Receivables, prepayments and accrued income

Receivables, prepayments and accrued income are valued at fair value upon initial recognition. After initial recognition, receivables are measured at amortised cost, equal to the nominal value if no transaction costs are incurred, less any impairment losses, if there is a possibility of irrecoverability.

Other assets

Other assets include cash at bank and in hand to the extent that these are bank balances payable on demand. Cash at bank and in hand are valued at nominal value. They are distinguished from balances related to investment transactions. Cash in bank and at hand and cash equivalents from investment transactions are presented under the investments.

Foundation capital and reserves

General risks reserve
This reserve is the part of the capital that remains after the required reserves have been brought to the desired level through profit appropriation, and serves to absorb setbacks other than those for which a specific reserve or provision, respectively, has been made. The aim is to hold total reserves at least equal to the stated required capital based on the Financial Assessment Framework (FTK). The stated equity capital requirement is determined based on the standard method prescribed by De Nederlandsche Bank (DNB). The general risks reserve is not capped.

Volatility reserve
The volatility reserve equals the required equity capital needed in an equilibrium. DNB's standard test determines the size of the required equity capital.

Technical provisions at the risk of the pension fund

Provision for pension liabilities at the risk of the pension fund
The provision for pension liabilities is the present value, calculated on actuarial principles, of the pension entitlements to which rights have been acquired under the regulations as at the balance sheet date. The calculated provision relates only to the Fund's unconditional pension liabilities. Furthermore, no account has been taken of pension liabilities arising from future salary increases.

The calculations were carried out on the following actuarial principles and assumptions:

Fictitious interest rate

The market interest rate is the fictitious interest rate. The market interest rate corresponds to the interest rate term structure at the end of the financial year as published by DNB.

Survival tables

The provision at the end of 2023 was calculated based on the Projections Life Table AG2022 published by the Royal Dutch Actuarial Association (*Koninklijk Actuarieel Genootschap*), start column 2024 (2022: Projections Life Table AG2022, start column 2023). Here, mortality experience is taken into account by multiplying mortality probabilities by age-dependant and gender-dependent adjustment factors.

At age 67, for instance, the adjustment factor for men is 73% and 78% for women. For co-insured persons, the adjustment factor at age 67 is 68% for men and 81% for women.

After age 67, these adjustment factors gradually increase to around 100% at age 100.

No mortality rates have been considered for the orphans.

Partner frequencies

For the valuation of the latent partner’s pension for non-pensioners, the indefinite partner system is used, which takes into account the probability of an insured person having a partner on the basis of empirical data of the Dutch population published in 2022 by Statistics Netherlands (2022: idem).

These partner frequencies depend on age and gender of the insured. For latent partner's pension in addition to retirement pension in payment, the particular system is used, where an entitlement exists only for partners present on the retirement date and for which a provision is calculated.

Male-female age difference

The male is assumed to be three years older than the female.

Loading for disbursement costs

The technical provision includes a loading for disbursement costs of 3.2% (2022: 2.9%).

Provision for extension risk Non-Contributory Participation

The non-contributory participation extension risk provision is calculated as the sum of the non-contributory participation loadings of the last two financial years. This will make the non-contributory participation loading of the second financial year available annually to cover the costs of the start of the premium waiver due to the onset of occupational disability for participants with a first day of illness during the second financial year.

Savings fund conscientious objectors

The pension fund may grant individual exemption from participation in the compulsory pension schemes to an employee if they have conscientious objections to any form of insurance. The employer owes a savings contribution to the pension fund. This savings contribution equals the premium that would have been charged to the employer if no exemption had been granted. Under the collective labour agreement, 45% of the savings contribution is borne by the employee. Savings contributions are deposited in a notional savings account, to which interest is added annually. Up to the start of the pension replacement benefit, this interest equals the moving average return on the pension fund's investments over the last five financial years less 0.5% and rounded down thereafter to a multiple of 0.25%. The saved contributions of the conscientious objector are paid to the person concerned in equal instalments for 15 years of reaching the age of 67. In the event of the death of the conscientious objector before the payment of benefits commences, the balance is paid to the partner in equal instalments for 15 years. In case of death of the conscientious objector after commencement of the benefits, the benefits continue for the benefit of the partner for the remaining period.

Other liabilities, accruals and deferred income

Other liabilities, accruals and deferred income are valued at fair value upon initial recognition. After initial recognition, liabilities are measured at amortised cost (equal to the nominal value if no transaction costs are incurred).

Current funding ratio (in %)

The current funding ratio is calculated as follows:

$$\frac{\text{Assets present}}{\text{Technical provisions}} \times 100\%$$

In this calculation, the assets present consist of all the assets less other liabilities and accruals and deferred income.

Under the FTK, the policy funding ratio is the guiding principle for all the policy measures. The policy funding ratio is the average of the current funding ratio over the past 12 months and is therefore less dependent on daily rates.

Principles for the determination of the result

In general

Income and expenditure are allocated to the financial year to which they relate. The items shown in the statement of income and expenditure are significantly related to the valuation principles used in the balance sheet for investments and the technical provisions. Both realised and unrealised results are recognised directly in the result.

Premium contributions at the risk of the pension fund (from employers and employees)

Premium contributions mean amounts charged or to be charged to third parties for the pensions insured in the reporting year less discounts. Premiums have been allocated to the period to which they relate.

Returns on investments

Direct investment returns

Direct investment returns in this context mean interest income and interest charges, dividends and similar income. Dividends are recognised at the time they become available for payment.

Indirect investment returns

Indirect investment returns refer to realised and unrealised movements in value and foreign exchange results. No distinction is made between realised and unrealised movements in the value of investments. All the movements in the value of investments, including exchange rate differences, are recognised as indirect investment returns in the statement of income.

Acquisition costs are included in the fair value of investments. Selling costs are recognised as part of the value movements.

Asset management costs

Asset management costs consist mainly of management and custody fees. These are just the costs paid by the Fund itself. Income-related transaction costs, commissions, exchange differences, and so on, are offset against direct and indirect investment income.

Pension benefit payments

Pension benefits refer to the amounts paid to pension beneficiaries including commutations. The pension benefits have been determined on actuarial principles and allocated to the reporting year to which they relate.

Pension administration costs

These pension administration costs have been allocated to the period to which they relate.

Movement technical provisions at the risk of the pension fund

Pension accrual

Pension accrual is the present value of pension entitlements granted during the financial year. This is the impact on the provision for pension liabilities of the nominal rights to retirement pension and partner's pension accrued during the year under review. It further includes the effect of individual salary development.

Interest addition

Pension liabilities are discounted at the nominal market interest rate based on the interest rate term structure published by DNB. The interest addition is calculated at the fictitious interest rate at the beginning of the financial year on the opening balance and movements during the year.

Withdrawal for pension benefits and pension administration costs

Expected future pension benefits are calculated in advance on the basis of actuarial principles and are included in the technical provision. The decrease in the provision recognised in this heading relates to the amount released for the purpose of funding pensions during the reporting period.

Annually, an amount of the loading for disbursement costs (2.9% for the current financial year) is released for the benefits paid in the year to finance the pension administration costs incurred (disbursement costs).

Movement in market interest rates

Annually, on 31 December, the current value of the technical provisions is recalculated by applying the current interest rate term structure. The effect of the change in the interest rate term structure is accounted for under the heading 'Movement in market interest rates'.

Movement in actuarial assumptions

The determination of the provision for pension liabilities is an inherently uncertain process, using estimates and assessments by the Board. The actuarial principles and/or methods are assessed regularly and if necessary revised for the purpose of calculating the current value of the pension liabilities. In doing so, internal and external actuarial expertise is deployed. Among other things, this includes the comparison of mortality, longevity and occupational disability assumptions with actual observations for both the entire population and the population of the pension fund in particular.

The effect of changes is recognised in the result when the actuarial assumptions are revised.

Movement from transfer of rights

This includes the transfer values attributable to the reporting year of the incoming and outgoing pension entitlements, with respect to the actuarial value.

Other movements in technical provisions

The changes in the provision recognised under this item relate to probability systems.

Balance of transfers of rights

The item ‘Balance of rights transfers’ includes the balance of amounts in respect of incoming or outgoing pension liabilities.

Other income and expenditure

Other income and expenditure are recognised for amounts attributable to the year under review.

Cash flow statement principles

The cash flow statement has been prepared in accordance with the direct method. All receipts and expenditures are hereby presented as such. A distinction is made between cash flows from pension administration activities and from investment activities.

5 Explanatory notes to the balance sheet

(Amounts in thousands of euros, unless stated otherwise)

Assets

1. Investments at the risk of the pension fund

Overview of movements by investment class

2023	Property investments	Equities	Fixed-income securities	Derivatives	Other investments	Total
Position as at 1 January 2023	476,108	1,187,760	2,348,394	-13,875	237,340	4,235,727
Purchases	27,988	387,095	2,002,920	6	8,519	2,426,528
Sales	-5,840	-470,669	-1,876,706	-40,387	-199	-2,393,801
Other movements	8,696	1,042	1,984	-10,826	-25,481	-24,585
Value movements	-37,399	264,094	101,431	45,920	-7,473	366,573
	469,553	**1,369,322**	**2,578,023**	**-19,162**	**212,706**	**4,610,442**
Plus: Derivatives with a negative value	-	-	-	352,511	-	352,511
Position as at 31 December 2023	**469,553**	**1,369,322**	**2,578,023**	**333,349**	**212,706**	**4,962,953**

2022	Property investments	Equities	Fixed-income securities	Derivatives	Other investments	Total
Position as at 1 January 2022	431,404	2,389,475	2,656,438	6,617	189,628	5,673,562
Purchases	90,454	2,386,765	3,975,845	-	28,582	6,481,646
Sales	-38,555	-3,300,759	-3,765,867	112,558	-2,917	-6,995,540
Other movements	-1,344	-2,840	9,523	491,222	14,644	511,205
Value movements	-5,851	-284,881	-527,545	-624,272	7,403	-1,435,146
	476,108	**1,187,760**	**2,348,394**	**-13,875**	**237,340**	**4,235,727**
Plus: Derivatives with a negative value	-	-	-	405,134	-	405,134
Position as at 31 December 2022	**476,108**	**1,187,760**	**2,348,394**	**391,259**	**237,340**	**4,640,861**

According to the accounting principles, derivatives with a negative value are recognised under Other liabilities and accruals and deferred income; the Debt for collateral received is also recognised under Other liabilities and accruals and deferred income. The overview of movements for each investment class shows the netted movements of derivatives. In order to arrive at the positive value of the derivatives under the investments at the risk of the pension fund, the value of the negative derivatives and the debt for collateral received are added to the netted closing balance of the derivatives at the bottom of the table.

The Fund has no investments in affiliated organisations or contributory companies.

Other movements

Other movements relate to movements relating to investment debtors, investment creditors and cash under management at the asset managers.

Securities lending

The pension fund does not participate directly in securities lending. Securities lending may however occur within the investment funds. The investment funds may make part of their investments available for securities lending. In that case, based on look-through in the investment funds, securities lending is applicable. This was not the case at the end of 2023, while it was the case at the end of 2022. The size of the positions at the end of 2022 is €2,840. Collateral obtained at the end of 2022 amounted to €3,095.

Specific financial instruments (derivatives)

Financial derivatives are used to implement the investment policy. As a rule, derivatives are only used to the extent appropriate within the overall investment policy. The portfolio structure and risk profile, calculated including the economic effects of derivatives, should be within the range, i.e. limits, set by the Board.

The pension fund uses derivatives primarily to hedge the currency risk and interest rate risk. One of the main risks in derivatives is credit risk. This is the risk of counterparties being unable to meet their payment obligations. This risk is mitigated by only entering into transactions with reputable parties. Moreover, collateral is always used. We also use centrally cleared interest rate swaps for interest rate derivatives, with daily settlement.

Fair value

Investments are measured at fair value. Apart from investment debtors, investment creditors and cash, the pension fund's investments are measured at fair value on the balance sheet date. In general, it is possible and customary to determine the fair value within an acceptable range of estimates. The carrying values of all the assets and financial liabilities as at the balance sheet date approximate the fair value.

For part of the pension fund's investments, quoted market prices or valuations carried out by independent third parties may be used. However, certain investments have been measured using net present value calculations or other methods:

- Net asset value: the market value derived from the most recent reports of fund managers and fund-of-fund managers. For fund investments in property, private equity and infrastructure, the valuation is determined on the basis of the latest fund reports received. These reports have been audited by an independent auditor but the period of these reports is not synchronised with the pension fund's financial year. To mitigate this uncertainty, an annual reconciliation is made retrospectively. Investments of which the valuation is based on net asset value are included in the table under "Other method(s)". In addition, investment funds of which the Net Asset Value (NAV) is provided by an external party are accounted for under this method.
- Investments with quoted market prices are traded on a stock exchange or involve liquid assets. These include equities, bonds, collateral and bank deposits.
- The net present value (NPV) is determined by discounting the cash flows receivable using the prevailing market interest rate. The valuation takes into account the irrecoverability risk.

Valuation system used based on RJ 290

The tables below show the breakdown by valuation system used based on RJ 290 of the invested assets.

	Quoted market prices	Independent valuations	NPV calculations	Other method(s)	total
As at 31 December 2023					
Property investments	46,301	-	-	407,014	453,315
Equities	1,365,262	-	-	-	1,365,262
Fixed-interest securities	2,138,446	-	-	419,490	2,557,936
Derivatives	-	-	-288,546	1	-288,545
Other investments	203,304	-	-	-	203,304
	3,753,313	**-**	**-288,546**	**826,505**	**4,291,272**

	Quoted market prices	Independent valuations	NPV calculations	Other method(s)	total
As at 31 December 2022					
Property investments	33,539	-	-	435,027	468,566
Equities	1,184,743	-	-	-	1,184,743
Fixed-interest securities	1,919,925	-	-	410,366	2,330,291
Derivatives	-	-	-294,084	-	-294,084
Other investments	202,456	-	-	-	202,456
	3,340,663	**-**	**-294,084**	**845,393**	**3,891,972**

The fixed-income securities mentioned under quoted market prices are mostly government bonds.

Property investments

The property investments can be specified as follows:

specification by class	31-12-2023	31-12-2022
Indirect property	453,315	468,566
Invested values	**453,315**	**468,566**
Investment debtors	16,238	7,542
	469,553	**476,108**

Equities

The equities can be specified as follows:

specification by class	31-12-2023	31-12-2022
Equities	1,342,105	999,042
Equity investment funds	23,157	150,541
Private equity	-	35,160
Invested values	**1,365,262**	**1,184,743**
Investment debtors	4,060	3,017
	1,369,322	**1,187,760**

Fixed-interest securities

Fixed-income securities can be specified as follows:

specification by class	31-12-2023	31-12-2022
Government bonds	1,774,653	1,642,954
Mortgage funds	419,490	410,364
Bond investment funds	362,891	274,971
Asset-backed securities	902	2,002
Invested values	**2,557,936**	**2,330,291**
Investment debtors	20,087	18,103
	2,578,023	**2,348,394**

Derivatives

Derivatives can be specified as follows:

specification by class	31-12-2023	31-12-2022
Interest rate derivatives positive value	56,081	85,312
Foreign exchange derivatives positive value	7,885	25,739
Equity derivatives positive value	1	-
Invested values	**63,967**	**111,051**
Investment debtors	276,426	280,208
Investment creditors	-7,044	-
	333,349	**391,259**

Interest rate derivative positions are settled on a daily basis. Cash collateral received on interest rate derivatives with a positive value is reinvested. For the explanatory note on collateral received on derivatives, we refer to the explanatory note on Other liabilities and accruals and deferred income.

Other investments

Other investments can be specified as follows:

specification by class	31-12-2023	31-12-2022
Infrastructure	203,304	202,456
Invested values	**203,304**	**202,456**
Cash at bank and in hand	14,791	38,639
Investment creditors	-5,389	-3,755
	212,706	**237,340**

In order to carry out asset management, Columbia Threadneedle Netherlands bv holds bank accounts and money market instruments at the account and risk of the pension fund.

The beneficial ownership of said bank accounts and money market instruments lies with the pension fund and the legal ownership lies with Columbia Threadneedle Netherlands bv. At the end of the reporting period, the balance is €14,791 (year-end 2022: €38,639). In the annual accounts, this is recognised as Cash at bank and in hand/Money market funds under Other investments.

2. Receivables, prepayments and accrued income

	31-12-2023	31-12-2022
Receivables on employers	8,955	6,657
VAT to be received	1,115	-
Interest to be received	98	-
Value transfers	28	24
Pensions	23	28
Prepaid expenses	14	798
Miscellaneous	8	12
Asset management transaction costs receivable	-	4,450
	10,241	**11,969**

The valuation of receivables takes the risk of irrecoverability into account by deducting a provision for this from the balance of outstanding receivables. For similar items with similar risks, losses and risks are jointly estimated at the balance sheet date.

All the accounts receivable have a remaining maturity of less than one year.

In 2023, the Fund submitted supplementary VAT returns for the period 2018-2022. This resulted in a total of €1,407 in VAT to be received. Of this, €1,115 was still to be received at the end of 2023. This amount was received in January 2024.

Further specification of receivables on employers:

	31-12-2023	31-12-2022
Employers	8,988	6,685
Provision for doubtful debts	-33	-28
	8,955	**6,657**

An amount of €5 was added to the doubtful debt provision in 2023 (2022: €21 withdrawn).

3. Cash at bank and in hand

	31-12-2023	31-12-2022
ABN AMRO	5,620	10,015
Citibank	4	4
ING	5	5
	5,629	**10,024**

Cash at bank and in hand includes the cash and balances in bank accounts that are payable on demand or in the short term. Bank accounts managed by asset managers are included under investments.

Year-end 2023, the Fund has a credit line with ING Bank nv of €4 million. It is not in use at the end of 2023.

Liabilities

4. Foundation capital and reserves

Overview of movements in equity capital

	Volatility reserve	General risks reserve	Total
Position as at 1 January 2023	701,930	32,985	734,915
From appropriation balance of income and expenditure	29,302	-65,078	-35,776
Position as at 31 December 2023	**731,232**	**-32,093**	**699,139**

	Volatility reserve	General risks reserve	Total
Position as at 1 January 2022	845,887	225,397	1,071,284
From appropriation balance of income and expenditure	-143,957	-192,412	-336,369
Position as at 31 December 2022	**701,930**	**32,985**	**734,915**

Solvency

	31-12-2023	in %	31-12-2022	in %
Pension capital	4,622,587	117.8%	4,254,216	120.9%
Less: technical provisions	3,923,448	100.0%	3,519,301	100.0%
Equity capital	**699,139**	**17.8%**	**734,915**	**20.9%**
Less: equity capital requirement	731,232	18.6%	701,930	19.9%
Freely available capital	**-32,093**	**-0.8%**	**32,985**	**1.0%**
Minimum equity capital requirement	165,040	4.2%	148,194	4.2%
Current funding ratio (in %)		117.8%		120.9%
Policy funding ratio		125.6%		125.0%

The pension fund uses the standard model for determining the equity capital requirement, the solvency test. The Board considers the use of the standard model appropriate for the pension fund's risks. The results of the solvency test have been included in the explanatory note Risk Management.

The current funding ratio was calculated as follows: (Total assets -/- liabilities) / Technical provisions * 100%.

The policy funding ratio is the average of the current funding ratio over the past 12 months.

In the recovery plan, the Fund states what measures are taken to attain the equity capital requirement within the maximum recovery period of 10 years. The policy funding ratio as at 31 December 2022 (of 125.0%) was higher than the required funding ratio on that date (119.9%). As at 31 December 2022, there was no reserve deficit. Therefore, no recovery plan has been prepared for the 2023 financial year.

On 31 December 2023, the policy funding ratio is again higher than the required funding ratio. As a result, there is no reserve deficit at the end of the financial year, which meant the Fund did not have to prepare a new recovery plan in the 2024 financial year either.

The movements in the current funding ratio can be specified as follows:

	2023	2022
	%	%
Current funding ratio as at 1 January	120.9	123.2
Premium	0.0	-1.1
Benefit payments	0.8	0.6
Granting of supplements	-8.0	-11.5
Movement in interest rate term structure	-3.9	40.5
Return on investments	8.3	-29.5
Change of assumption	-0.4	-1.4
Other causes and cross impact	0.1	0.1
Current funding ratio as at 31 December	**117.8**	**120.9**

The current funding ratio on 31 December 2022 was 120.9%.

The funding ratio developed as follows in 2023:

- The difference between the premiums received and the actuarially required buy-in for new entitlements during the year had no impact on the funding ratio.
- The pension payments had an increasing effect on the funding ratio of 0.8 percentage points.
- The granting of supplements from 1 January 2024 (of 6.85%) had a reducing effect on the funding ratio of 8.0 percentage points.
- The increase in the provision due to lower interest rates during 2023 caused the funding ratio to fall by 3.9 percentage points.
- The factual (excess) return on the investment portfolio resulted in an increase in the funding ratio of 8.3 percentage points.
- The change in actuarial assumptions caused the funding ratio to fall by 0.4 percentage points.
- Due to other causes and cross impact, the funding ratio increased by 0.1 percentage point.

On balance, the funding ratio decreased by 3.1 percentage points to 117.8 percentage points in the 2023 financial year.

5. Technical provisions at the risk of the pension fund

Specification provision for pension liabilities at the risk of the pension fund:

	31-12-2023	31-12-2022
Provision for pension liabilities	3,917,656	3,512,581
Provision for extension risk non-contributory participation	4,932	5,882
Savings fund conscientious objectors	860	838
	3,923,448	**3,519,301**

Movement overview technical provisions

	2023	2022
Position as at 1 January	3,519,301	4,616,283
Pension accrual	60,064	96,576
Granting of supplements	250,621	306,748
Interest addition	113,566	-22,496
Withdrawal for pension benefits and pension administration costs	-133,216	-121,811
Movement in market interest rates	110,908	-1,387,517
Movement in actuarial assumptions	10,672	34,511
Movement from transfer of rights	-13,790	-7,575
Other movements in technical provisions	5,322	4,582
Position as at 31 December	**3,923,448**	**3,519,301**

Specification provision for pension liabilities at the risk of the pension fund:

		31-12-2023		31-12-2022
	quantity	amount	quantity	amount
Participants	9,895	917,070	10,313	832,532
Former participants	23,029	1,325,442	25,392	1,199,511
Pension beneficiaries	13,975	1,675,144	13,872	1,480,538
Others		5,792		6,720
	46,899	**3,923,448**	**49,577**	**3,519,301**

Included under Others are:

- Provision for extension risk non-contributory participation €4,932 (2022: €5,882).
- Savings fund for conscientious objectors €860 (2022: €838).

Brief description of the pension scheme

The pension scheme of the pension fund is an average wage scheme.

The retirement pension in 2023 equals 1.44% of the sum of the pension bases, on which premiums have been paid to the pension fund. The pension base equals the (capped) pension salary minus the state pension offset (*AOW-franchise*).

The earliest starting age is 21 years, the retirement date is the age of 67. It is possible to advance the pension. The earliest possible retirement date is 5 years before the state pension age and the latest possible retirement date is 5 years after the state pension age.

The partner's pension is 1.3125% of the sum of the pension bases. For each child, the orphan's pension is 20% of the insured partner's pension. Employees under 21 years of age are only insured on a risk basis for partner's and orphan's pensions until 1 January 2024.

Depending on the company structure, directors in the sector may be voluntarily insured with the pension fund.

Supplements

The granting of supplements to the pension entitlements of participants, former participants and pension beneficiaries is conditional. There is no entitlement to annual supplements. Whether a supplement is granted and to which extent depends on the financial resources of the pension fund, and the opinion of the Board and the consulting actuary on the financial position of the pension fund. Supplements granted in the past are no guarantee for the future.

Granting of supplements

On 22 November 2023, the Board decided to make use of the extended statutory possibility to grant an additional supplement, i.e. the general order in council on indexation, as a result of which all the participants, former participants and pension beneficiaries were granted a 6.85% supplement on 1 January 2024. A 7.33% supplement was granted on 1 January 2023. That supplement was processed in the 2022 financial year. A supplement of 1.48% was also granted in the previous financial year with effect from 1 September 2022.

6. Other liabilities, accruals and deferred income

	31-12-2023	31-12-2022
Derivatives with negative value	352,511	405,134
Taxes and social charges	2,314	2,134
Costs	1,398	1,357
Benefit payments	7	13
Value transfers	6	-
	356,236	**408,638**

All liabilities except derivatives with a negative value have a remaining maturity of less than one year.

Derivatives with a negative value can be specified as follows:

specification by class	31-12-2023	31-12-2022
Interest rate derivatives negative value	348,682	403,481
Foreign exchange derivatives negative value	3,829	1,653
	352,511	**405,134**

The foreign exchange derivatives with a negative value have a maturity of less than one year. The interest rate derivatives with a negative value have a maturity of more than five years.

To manage credit risk, collateral is received or paid for derivatives. At the end of 2023, the collateral management position concerns a net receivable of €276,426 (2022: €275,742 receivable). Year-end 2023, collateral worth €284,326 in liquid assets (2021: €299,492) had been lent. There was €97,049 worth of securities on loan as at the end of 2023 (2022: €79,066). At the end of 2023, the Fund had received €6,700 (2022: €23,750) in liquid assets.

Affiliated parties

Transactions with affiliated parties take place on market terms. For the remuneration of Board members, please refer to the explanatory note on pension administration costs. No loans have been granted to Board members, nor are there any claims towards Board members and former Board members.

In 2023, three members of the Accountability Body (2022: four) paid premiums to the Fund.

One Board member (2022: one) and three members of the Accountability Body (2022: two) are pension beneficiaries and receive pension benefits from the Fund. In addition, one Board member (2022: one) and one member of the Accountability Body (2022: one) are former participants of the Fund.

Off-balance sheet assets and liabilities

Long-term contractual obligations

The pension fund has entered into an outsourcing contract with APG DWS and Fondsenbedrijf nv until 1 January 2028. Agreements were made with the Board on the remuneration system. This system comprises both fixed and variable components. The remuneration for 2024 is approximately 4.3 million euros.

The pension fund has outsourced its asset management to various asset managers. Contracts have been concluded with the various asset managers, with notice periods ranging from 1 to 3 months.

Investment and payment liabilities

In anticipation of expected incoming cash flows, the Fund may have investment and payment liabilities at the balance sheet date.
At the end of 2023, the Fund has no investment and payment liabilities.

Significant subsequent events

There are no subsequent events that require disclosure.

Risk management

The tables in the risk section have been prepared using the look-through approach.

Policy and risk management

The Board has a number of policy instruments in place to manage these risks. These policy instruments relate to:

- investment policy;
- premium policy;
- reinsurance policy;
- supplement policy.

The choice and application of policy instruments take place after detailed analyses regarding likely developments in the liabilities and financial markets. This includes the use of ALM studies. An ALM study
is an analysis of the structure of pension liabilities and of various investment strategies and their evolution under varied economic scenarios.

Solvency risk

The pension fund faces risks in managing its pension liabilities and in funding them. The main objective of the pension fund is to meet pension commitments. To achieve this objective, adequate solvency based on the fair value of the pension liabilities is sought.

The most important risk for the pension fund concerns solvency risk, i.e. the risk that the pension fund does not have sufficient assets to cover the pension liabilities. Solvency is measured both by generally applicable standards and by the specific standards imposed by DNB. If the solvency of the pension fund deteriorates, there is a risk that the pension fund will have to increase premiums for companies and participants and a risk that there will be no room for any supplement to accrued pension rights. In extreme cases, it may be necessary for the pension fund to reduce acquired pension entitlements and pension benefits.

	31-12-2023	31-12-2022
Technical provisions	3,923,448	3,519,301
Buffers:		
S1 Interest rate risk	183,828	162,559
S2 Marketable securities risk	512,870	515,658
S3 Currency risk	88,618	95,718
S4 Commodity risk	-	-
S5 Credit risk	171,304	144,536
S6 Underwriting risk	110,460	99,684
S7 Liquidity risk	-	-
S8 Concentration risk	-	-
S9 Operational risk	-	-
S10 Active management risk	-	-
Diversification effect	-335,848	-316,225
Total S (required buffers)	**731,232**	**701,930**
Equity capital requirement (Article 132 Pensions Act)	4,654,680	4,221,231
Pension assets (total assets - liabilities)	4,622,587	4,254,216
Surplus	**-32,093**	**32,985**

The creation of the various risks is explained on the pages below.

The pension fund has entered into derivative contracts to hedge risks. This has been taken into account when determining the required buffers. When calculating the buffers, the pension fund applies DNB's standard model, which assumes the equity capital requirement in an equilibrium, based on the strategic asset mix.

Market risks (S1-S3)

Market risk includes the interest rate risk, marketable securities risk, inflation risk and currency risk. Market risk includes the potential for profit or loss due to a change in market factors. For instance, market factors may be market prices of equities, immovable property and private equity (price risk), but also foreign exchange rates (currency risk) or interest rates (interest rate risk).

The pension fund's investment risk strategy is determined by its investment objectives. Market risk is managed on a daily basis in accordance with the policy frameworks and guidelines in place. The overall market positions are reported to the Board periodically.

The extent to which the pension fund's investment portfolio is sensitive to price and interest rate risk is shown in the following paragraph and the risks faced by the pension fund are explained in more detail after that.

Interest rate risk (S1)

Interest rate risk is the risk of movements in the values of the fixed-income securities portfolio and the pension liabilities due to movements in market interest rates.

Interest rate sensitivity can be measured by the duration. Duration is the weighted average remaining maturity in years using the present value of the cash flows. The duration indicates the approximate percentage movement in fair value for a parallel shift of the yield curve by 1 percentage point. High duration reflects high sensitivity to movements in interest rates.

	31-12-2023		31-12-2022	
	Value of balance sheet item	Duration	Value of balance sheet item	Duration
Fixed-income securities (before derivatives)	2,884,111	6.4	2,665,049	6.2
Fixed-income securities (after derivatives)	2,584,543	15.2	2,351,374	14.4
Technical provisions	3,923,448	17.8	3,519,301	18.1

At the balance sheet date, the duration of investments in fixed-income securities (before derivatives) is significantly shorter than the duration of the technical provisions. Consequently, there is what is known as a ‘duration mismatch’. This means that if interest rates rise, the value of fixed-income securities investments will fall less rapidly than the value of the technical provisions (applying the current market interest rate structure), which will increase the funding ratio. When interest rates fall, the value of fixed-income securities investments will rise less rapidly than the value of the technical provisions, causing the funding ratio to fall.

The pension fund has taken the following control measures:

- The strategic interest rate hedge rate is 55.8% on a market basis. This was done curve-neutral, i.e. based on an adjusted curve profile, based on market interest rates. The instruments used for this purpose are interest rate swaps including liquidities (for collateral), Euro government bonds, corporate bonds and mortgages. In the implementation, the factual interest rate hedge rate will be within a range of -4 percentage points and +4 percentage points at the aggregate level and within a range of -4 percentage points and +4 percentage points at the maturity segment level.
- The net impact of interest rate hedging on the funding ratio is disclosed in the quarterly and risk reports. These reports also provide insight into the effectiveness of the interest rate hedge.

The pension fund uses interest rate derivatives. The interest rate derivatives have been cleared with a central counterparty. Interest rate derivatives allow the pension fund to influence the interest rate sensitivity of the portfolio.

The table below shows the contract size of interest rate derivatives at the end of 2023:

Type of contract	Expiry date	Contract size
Interest rate swaps	2024-2029	571,000
Interest rate swaps	2030-2039	794,763
Interest rate swaps	2040-2049	837,214
Interest rate swaps	2050-2059	319,104
Interest rate swaps	2060-2069	351,812
Interest rate swaps	2070-2079	95,490

The composition of fixed-income securities by maturity is as follows:

	31-12-2023	in %	31-12-2022	in %
Remaining maturity <1 year	467,756	18.4	111,878	4.8
Remaining maturity >1 years <5 years	879,853	34.6	1,084,862	47.1
Remaining maturity >5 years	1,194,072	47.0	1,108,984	48.1
	2,541,681	**100.0**	**2,305,724**	**100.0**

Inflation risk

A pension fund is exposed to inflation risk because the value of pension commitments reacts differently to changes in inflation than the value of investments. The (partial) pursuit of a fair pension creates a risk that the movements in pension provisions due to inflation are not offset by movements in the value of investments.

Control measure:
The supplement ambition is reviewed in the ALM and, if necessary, investment instruments that specifically protect against inflation, such as inflation-linked bonds and inflation-linked swaps, are included. This was not the case at the end of 2023 and 2022.

Marketable securities risk (S2)

Marketable securities risk is the risk of movements in value due to movements in market prices of property investments and equities caused by factors related to an individual investment, the issuer or generic factors. As all the investments are measured at fair value with movements in value being recognised immediately in the balance of income and expenditure, all the movements in market conditions are immediately visible in the investment returns. The price risk is mitigated by diversification.

Specification of property investments by sector	31-12-2023	in %	31-12-2022	in %
Residential property	294,649	65.0	320,853	68.0
Retail shops	58,775	13.0	58,079	12.3
Participating interests in immovable property companies	99,891	22.0	93,237	19.7
	453,315	**100.0**	**472,169**	**100.0**

Specification of property investments by region	31-12-2023	in %	31-12-2022	in %
Europe	409,573	90.3	437,367	92.6
North America	33,948	7.5	25,098	5.3
Asia and Oceania	8,463	1.9	8,356	1.8
Developed markets	**451,984**	**99.7**	**470,821**	**99.7**
Emerging markets	1,331	0.3	1,348	0.3
	453,315	**100.0**	**472,169**	**100.0**

Specification of equities by sector	31-12-2023	in %	31-12-2022	in %
Information technology	403,891	29.5	298,933	25.4
Consumer goods	248,466	18.2	226,153	19.2
Financial institutions (including banks and insurers)	211,208	15.5	185,590	15.8
Healthcare	188,061	13.8	178,946	15.2
Industry	145,573	10.7	125,477	10.7
Telecommunications	97,536	7.1	74,903	6.4
Commodities	32,764	2.4	38,828	3.3
Utilities	28,911	2.1	30,114	2.6
Energy	6,414	0.5	9,448	0.8
Other	2,368	0.2	6,951	0.6
	1,365,192	**100.0**	**1,175,343**	**100.0**

Specification of equities by region	31-12-2023	in %	31-12-2022	in %
North America	897,607	65.8	723,130	61.5
Europe	243,852	17.9	215,438	18.3
Asia and Oceania	194,549	14.2	194,926	16.6
Developed markets	**1,336,008**	**97.9**	**1,133,494**	**96.4**
Emerging markets	29,184	2.1	41,849	3.6
	1,365,192	**100.0**	**1,175,343**	**100.0**

Currency risk (S3)

Currency risk is the risk of movements in value due to movements in the value of foreign currencies against the euro. This risk is hedged through currency derivatives. Currency derivatives are contracts entered into with individual banks, committing to sell one currency and buy another, at a predetermined price and on a predetermined date.

The total amount invested other than in euros at the end of the year under review is €1,680,121 (2022: €1,518,021).

Control measures: The investment portfolio is hedged for 70% (2022: 69%) by the currency derivatives. At the end of the financial year, the value of outstanding currency derivatives is €4,068 (2022: €24,053).

The currency risk is carried out through a so-called overlay, where the currency positions of the relevant investments are hedged in aggregate.

The foreign currency position before and after hedging by currency derivatives is shown below:

	Position before hedging	Currency derivatives	Net position after hedging 2023	Net position after hedging 2022
EUR	2,621,874	1,176,154	3,798,028	3,457,067
USD	1,081,614	-1,036,595	45,019	499
JPY	71,794	-71,988	-194	-3,356
GBP	62,322	-64,713	-2,391	-3,814
HKD	40,979	-	40,979	46,157
CAD	28,676	1,096	29,772	26,934
CHF	32,354	-	32,354	32,149
AUD	19,582	-	19,582	18,678
Other	342,800	114	342,914	356,297
	4,301,995	**4,068**	**4,306,063**	**3,930,611**

The foreign currency position by investment class at the end of 2023 is:

	Property investments	Equities	Fixed-income securities	Derivatives	Other investments	Total
EUR	408,511	124,273	2,250,228	883,553	131,463	3,798,028
USD	33,370	896,316	97,837	-1,036,595	54,091	45,019
JPY	2,624	68,779	-	-71,988	391	-194
GBP	511	34,409	4,036	-64,713	23,366	-2,391
HKD	2,750	38,080	-	-	149	40,979
CAD	354	28,262	-	1,096	60	29,772
CHF	200	31,770	-	-	384	32,354
AUD	2,117	17,265	-	-	200	19,582
Other	2,878	126,038	189,580	116	24,302	342,914
	453,315	**1,365,192**	**2,541,681**	**-288,531**	**234,406**	**4,306,063**

At the end of 2022, the foreign currency position by investment class was distributed as follows:

	Property investments	Equities	Fixed-income securities	Derivatives	Other investments	Total
EUR	436,366	96,284	2,015,055	750,361	159,001	3,457,067
USD	24,932	723,178	108,029	-916,664	61,024	499
JPY	2,196	61,188	-	-66,829	89	-3,356
GBP	559	32,409	3,713	-62,699	22,204	-3,814
HKD	3,626	42,457	-	-	75	46,158
CAD	173	25,424	-	1,235	102	26,934
CHF	168	31,961	-	-	20	32,149
AUD	1,538	15,849	-	-	1,290	18,677
Other	2,611	146,593	178,927	480	27,686	356,297
	472,169	**1,175,343**	**2,305,724**	**-294,116**	**271,491**	**3,930,611**

The table below shows the contract size of the currency derivatives at the end of 2023:

Type of contract	Expiry date	Contract size
Forward foreign exchange contract EUR/USD	12-1-2024	116,825
Forward foreign exchange contract EUR/USD	13-3-2024	869
Forward foreign exchange contract EUR/GBP	12-1-2024	64,704
Forward foreign exchange contract EUR/JPY	12-1-2024	72,648
Forward foreign exchange contract EUR/CAD	13-3-2024	12,999

Credit risk (S5)

The risk that a counterparty may default on contractual or other agreed obligations (including credits given, loans, receivables) whether or not as a result of foreign payments being subject to restrictions.

The risk incurred is a desirable risk insofar as it is sufficiently compensated for in the form of higher returns.

Control measures:

- the strategic risk assessment based on the ALM contains an allocation to fixed-income securities with credit risk based on risk indicators; and
- within the investment portfolios, limits are included on credit ratings of investments in instruments, countries and/or sectors.

Credit risk also arises when entering into transactions with external parties (including derivative positions) involving exposure to such counterparties. A counterparty's insolvency may lead to losses. This is an undesirable risk that, within reasonable limits, should be minimised.

Control measures:

- when entering into new transactions, the counterparty's creditworthiness, existing exposure and other relevant aspects are assessed;
- depending on its creditworthiness, each counterparty may only account for a certain percentage of the total risk, collateral is stipulated and the quality and frequency of adjustment are recorded in advance and continuously monitored.

In order to hedge the settlement risk, the pension fund only invests in markets that have a sufficiently reliable clearing and settlement system in place. Before investing in new markets, research into the safeguards in this area is conducted. With regard to OTC derivatives, the only pension fund deals with counterparties with which ISDA/CSA agreements are in place, so that the positions of the pension fund are adequately collateralised. Daily valuations are used. Interest rate derivatives use centrally cleared interest rate swaps, with positions settled daily.

Specification of fixed-income securities by region	31-12-2023	in %	31-12-2022	in %
Europe	2,148,745	84.5	1,895,348	82.2
North America	229,548	9.0	252,777	11.0
Asia and Oceania	108,805	4.3	102,654	4.4
Developed markets	**2,487,098**	**97.8**	**2,250,779**	**97.6**
Emerging markets	54,583	2.2	54,945	2.4
	2,541,681	**100.0**	**2,305,724**	**100.0**

With regard to the creditworthiness of the debtors of the fixed-income portfolio, the following overviews can be given:

	31-12-2023	in %	31-12-2022	in %
AAA	1,000,394	39.4	418,415	18.2
AA	354,325	13.9	336,434	14.6
A	324,301	12.8	345,864	15.0
BBB	421,193	16.6	429,161	18.6
< BBB	163,836	6.4	184,393	8.0
No rating	277,632	10.9	591,457	25.6
	2,541,681	**100.0**	**2,305,724**	**100.0**

The ratings shown in the table above are based on the ratings issued by rating agencies S&P, Moody's and Fitch.

The 'No rating' class mainly includes investments in mortgage investment funds and corporate bonds.

Underwriting risk (S6)

The main underwriting risks for the Fund are life expectancy and occupational disability. If developments in these areas should lead to adjustments of the principles, the Fund will do so immediately.

Control measure:

- the underwriting risk is monitored using the Fund's annual actuarial analyses and national publications on life expectancy and occupational disability.

Longevity risk

Longevity risk is the risk that participants, former participants or pension beneficiaries live longer than assumed on average when determining the technical provision. As a result, the accrual of pension capital is not sufficient to pay the pension liability.

By applying Projections Life Table AG2022 with appropriate adjustments for mortality experience, the longevity risk has been discounted in the valuation of pension liabilities based on current insights.

Mortality risk

Mortality risk means that in the event of death, the pension fund may have to award a partner's pension for which no provision has been made by the pension fund.

Occupational disability risk

Occupational disability risk refers to the risk that the pension fund has to make provisions for non-contributory participation in case of occupational disability, i.e. a claims reserve. A risk premium is charged annually for this risk. The difference between the risk premium and actual costs is recognised through profit and loss. The actuarial assumptions for the risk premium are reviewed periodically.

The pension fund's policy is not reinsuring the mortality and occupational disability risk.

Liquidity risk (S7)

Liquidity risk is the risk that investments cannot be converted into cash in a timely manner and/or at an acceptable price. As a result, the pension fund may not be able to meet its obligations in the short term. Where the other
risk components mainly concern the longer term, i.e. solvency, the focus here is on the shorter term. This risk is managed by maintaining sufficient room for liquidity positions in the strategic and tactical investment policies. Direct investment returns and other income such as premiums are also taken into account. In view of the fact that a large part of the investment portfolio is rapidly tradable and convertible into liquidity, the liquidity risk has been set at zero when applying DNB's standard model for determining the equity capital requirement.

Concentration risk (S8)

Large items can be designated as a form of concentration risk. To determine which items are included, all the instruments with the same debtor must be totalled for each investment class. A large item is any item that represents more than 2% of the balance sheet total. Concentration risk is measured by concentration of a country or with a counterparty.

On 31 December 2023, this concerns the following items (percentage relative to the balance sheet total at year-end 2023: 15%, year-end 2022: 13%):

Fixed-income securities	31-12-2023	31-12-2022
Government bonds the Netherlands	306,462	257,366
Government bonds France	188,536	190,429
Government bonds Germany	145,830	141,703
European Union bonds	110,019	-

In general, the concentration risk may occur in the absence of adequate diversification of assets and liabilities.

Concentration risks may occur when the portfolio is concentrated in regions, economic sectors or counterparties. A portfolio of investments that is highly sector-specific may be at increased risk due to this sector concentration. If equities are held in the same sector, there is a cumulative concentration risk.

Control measure:

- concentrations are limited through the mandate guidelines imposed on the asset managers. Analyses are used to assess whether these are acceptable or need to be reduced.

In determining the equity capital requirement, the pension fund applies DNB's standard model. In that model, the concentration risk is set at zero as yet.

The main form of concentration risk in the pension fund's liabilities is the demographic composition of participants, former participants and pension beneficiaries. Given its nature, this risk cannot be influenced. The provision-weighted average age is 62.6 years (2022: 62.3 years), with equal age distribution.

On this basis, the Board has concluded that there is no concentration in assets or liabilities and therefore no buffer for concentration risk is held.

Operational risk (S9)

Operational risk is the risk of incorrect settlement of transactions, data processing errors, loss of information, fraud and the like. These risks are controlled by the pension fund by setting high quality standards for the organisations involved in the pension administration.

The investment portfolio has been placed with several asset managers. Service level agreements (SLAs) and other agreements have been concluded with these parties. The dependency of these parties is controlled by the fact that the custody of portfolio securities is placed with custodian CACEIS. Pension administration has been outsourced to pension administrator APG. An outsourcing agreement and SLA have been signed with APG. The Board annually assesses the quality of the performance of the asset managers, custodian and pension administrator through performance reports (asset managers only), SLA reports, in-control statements and independently reviewed internal control reports (Standard 3402 reports). As this provides adequate control of operational risks, the pension fund does not take them into account in the solvency test.

Active management risk (S10)

When opting for an active investment policy with the objective of outperforming the benchmark, this entails additional risks compared to investing in the benchmark. An additional shock or a surcharge on the relevant standard shock in the standard model seems logical in this context. After all, the risk is higher and so the required buffer should be higher.

However, active management can also be used with objectives other than achieving a higher return than the benchmark. Possible strategies are:

- reducing the volatility of the tracked benchmark, thereby reducing the risk;
- reducing the volatility of the entire portfolio;
- investing in investment classes for which a developed benchmark is not or not yet available. For instance in the case of socially responsible investing.

There is no explicit requirement for handling active management within the standard model. For the determination of the required buffer for active management risk, DNB has developed a methodology (set of guidelines for active management risk (S10) standard model equity capital requirement, Q&A 01673).

The Fund includes S10 if, for listed equities, the tracking error (TE) of the mandate relative to the benchmark exceeds 1%. The Fund then calculates the S10 for the additional risk exceeding the TE of 1% as per the set of guidelines.

6 Explanatory notes to the statement of income and expenditure

(Amounts in thousands of euros, unless stated otherwise)

7. Premium contributions at the risk of the pension fund (from employers and employees)

	2023	2022
Premium contributions from employers and employees	78,256	74,278
Amortisation of premium receivables	-61	-18
Movement provision for doubtful debts	-5	20
	78,190	**74,280**

The total contribution from employer and employees is 24.5% (2022: 24.5%) of the pension base.

The pure cost-covering, smoothed and factual premiums under Article 130 of the Pensions Act are as follows:

	2023	2022
Pure cost-covering premium	77,333	120,859
Smoothed cost-covering premium	77,253	72,438
Factual premium	78,256	74,278

The pure cost-covering premium is based on the market interest rate (nominal interest rate term structure of 31 December 2023 published by DNB).

The factual premium has been recognised as income. The factual premium excludes movements in premium receivables and includes the premium surcharge for non-contributory participation of €1,893 (2022: €3,039).

The pension fund uses a smoothed cost-covering premium rate for the annual review of the level of cost-covering premium. Here, the smoothed cost-covering premium is set annually based on an expected real return.

The composition of the pure cost-covering premium is as follows:

	2023	2022
Actuarially required premiums	63,084	101,292
Surcharge for pension administration costs	1,695	1,031
Solvency surcharge (equity capital requirement)	12,554	18,536
	77,333	**120,859**

The composition of the smoothed premium is as follows:

	2023	2022
Actuarially required premiums	39,324	38,249
Surcharge for pension administration costs	1,695	1,031
Solvency surcharge (equity capital requirement)	7,825	7,000
Conditional elements	28,409	26,158
	77,253	**72,438**

For the smoothed premium, the methodology of the FTK for a smoothed premium based on expected returns was used: a surcharge equal to the amount of the equity capital requirement and the costs for future supplements. Supplement costs are based on a supplement equal to the average of the price index. These costs are higher than the surcharge for the equity capital requirement, so the excess (above the surcharge for the equity capital requirement) has been incorporated into an additional premium for conditional elements.

8. Investment returns at the risk of the pension fund

2023	Direct investment returns	Indirect investment returns	Asset management costs	Total
Property investments	14,392	-37,436	-493	-23,537
Equities	22,950	264,160	-1,332	285,778
Fixed-interest securities	44,565	99,597	-2,569	141,593
Derivatives	-14,910	45,920	-378	30,632
Other investments	9,337	-6,446	-235	2,656
	76,334	**365,795**	**-5,007**	**437,122**
Overheads allocated from pension administration costs	-	-	-1,375	-1,375
	76,334	**365,795**	**-6,382**	**435,747**

2022	Direct investment returns	Indirect investment returns	Costs asset management	Total
Property investments	11,200	-5,851	-270	5,079
Equities	901	-286,265	-1,064	-286,428
Fixed-interest securities	26,630	-521,711	-1,490	-496,571
Derivatives	15,896	-624,272	-208	-608,584
Other investments	1,683	8,672	-127	10,228
	56,310	**-1,429,427**	**-3,159**	**-1,376,276**
Overheads allocated from pension administration costs	-	-	-1,130	-1,130
	56,310	**-1,429,427**	**-4,289**	**-1,377,406**

Asset management fees include fees charged directly to the Fund by the custodian and asset manager(s). The Fund's share of costs charged to investment funds by asset managers is part of the indirect investment returns. These amount to €5,687 (2022: €15,570). In 2022, €4,450 in transaction costs was recovered. On balance, these costs amounted to €11,120 in 2022.

Taking this into account, the investment costs total €12,399 (2022: €15,409). These costs comprise €9,559 in management fees (2022: €10,464), €368 in performance-related fees (2022: €-1,189), €1,097 in transaction costs (2022: €5,004) and €1,375 in overheads allocated from pension administration costs (2022: €1,130).

9. Other income

This includes refunded VAT €1,407 (2022:€12), received bank interest €386 (2022: €0), interest income from collection €63 (2022: €28) and other income €5 (2022:€0) .

10. Pension benefit payments

	2023	2022
Retirement pension	106,480	96,832
Partner's pension	22,366	20,346
Occupational disability	367	383
Orphan's pension	156	144
Commutations	671	807
	130,040	**118,512**

The item commutations relates to the commutation of pensions lower than €594.89 (2022: €520.35) per annum in accordance with Article 66 of the Pension Act (amounts stated are denominated in euros).

In the financial year, the Board decided to make use of the extended statutory option to grant an additional supplement, as a result of which all the participants, former participants and pension beneficiaries were granted a 6.85% supplement on 1 January 2024. A 7.33% supplement was granted on 1 January 2023. A supplement of 1.48% was also granted in the previous financial year with effect from 1 September 2022.

11. Pension administration costs

	2023	2022
Administrative costs	3,851	3,086
Governance costs	643	718
Costs of Executive Office	737	766
Costs of Accountability Body	80	63
Supervisory Board	54	49
Consultancy fees Wtp	568	-
Consultancy fees regular	104	223
Actuary fees	233	264
Accountant costs	102	80
De Nederlandsche Bank	341	251
Dutch Authority for Financial Markets	32	23
Federation of Dutch Pension Funds	30	29
Other costs	50	42
	6,825	**5,594**
Of which allocated to costs of asset management	-1,375	-1,130
	5,450	**4,464**

Independent auditor's fees

As in 2022, the external independent auditor is PricewaterhouseCoopers Accountants N.V.

The examination of the annual accounts includes both the statutory audit of the annual accounts under the Articles of Association and the reporting statements under the Pensions Act.

Pursuant to Section 382a Title 9 Book 2 of the Dutch Civil Code, the disclosure of the independent auditor's fees is as follows. The amounts include VAT and are based on the total fees allocated to the financial year to which the annual accounts relate, regardless of whether the work has already been carried out during the financial year.

	2023		2022	
	PwC* Accountants N.V.	Other PwC network**	PwC* Accountants N.V.	Other PwC network**
Examination of annual accounts and reporting statements	102	-	80	-
Other audit mandates	-	-	-	-
Tax advisory services	-	58	-	17
Other non-audit services	-	-	-	-
	102	**58**	**80**	**17**

* PricewaterhouseCoopers Accountants N.V.

** The Other PwC Network costs relate to costs in the context of VAT advice.

Remuneration of Board members

Neither in 2023, nor in 2022, the pension fund had staff. Management activities are performed on the basis of an pension administration agreement by staff employed by APG DWS and Fondsenbedrijf nv or the asset managers.

Transactions with Board members relate to fees for work related to Board and committee meetings. The remunerations consist of rewards of €404 (2022: €375) and reimbursements of travel expenses of €21 (2022: €22).

Supervisory Board

Costs relating to the Supervisory Board consist of fees for internal supervision activities. In 2023, these costs were €54 (2022: €49).

Executive Office

The Executive Office deals with supporting the work of the Board, Accountability Body and Supervisory Board. The staff members of the Executive Office are either employed by Stichting Technisch Bureau Bouwnijverheid or hired externally. The Executive Office operates independently of the pension administration organisations. Statements of independence have been drawn up to ensure this independence. Executive Office staff are directly accountable to the Board.

12. Movement technical provisions at the risk of the pension fund

	2023	2022
Pension accrual	60,064	96,576
Granting of supplements	250,621	306,748
Interest addition	113,566	-22,496
Withdrawal for pension benefits and pension administration costs	-133,216	-121,811
Movement in market interest rates	110,908	-1,387,517
Movement in actuarial assumptions	10,672	34,511
Movement from transfer of rights	-13,790	-7,575
Other movements in technical provisions	5,322	4,582
	404,147	**-1,096,982**

Interest addition

In the financial year, interest was added to the provision for pension liabilities by 3.264% (2022: -0.486%). This is the one-year interest rate from the interest rate term structure published by DNB as at 31 December 2022.

Movement in market interest rates

Due to the change of the UFR methodology (as of 1 January 2023), the provision for pension liabilities in 2023 increased by €16,975 (2022: €48,084 increase). The regular movement in the interest rate term structure resulted in an increase of €93,933 in the provision for pension liabilities: (2022: €1,435,601 decrease). Due to the movement in market interest rates, the provision for pension liabilities therefore increased on balance by €110,908 (2022: €1,387,517 decrease).

Movement in actuarial assumptions

	2023	2022
Change in loading for disbursement costs	10,672	-
Introduction of new survival tables	-	24,565
Change in correction factors	-	10,808
Change in partner frequencies	-	-862
	10,672	**34,511**

Other movements in technical provisions

	2023	2022
Change due to probability systems and other		
Mortality	2,631	1,831
Occupational disability	2,934	1,515
Movements	-243	1,236
	5,322	**4,582**

13. Balance of transfers of rights

	2023	2022
Incoming value transfers	-2,699	-3,866
Outgoing value transfers	14,636	11,100
	11,937	**7,234**

This refers to the receipt from or payment to pension fund or pension insurer from the previous or new employer, respectively, of the present value of participants' non-contributory pension entitlements accrued up to the date of dismissal. The lump sums received are used to buy additional entitlements.

	2023	2022
Movement technical provision due to transfer of rights		
Addition to technical provisions	3,304	4,021
Withdrawal from technical provisions	-17,094	-11,596
	-13,790	**-7,575**

The result on value transfers is as follows:

	2023	2022
Incoming pension liability	-605	-155
Outgoing pension liability	2,458	496
	1,853	**341**

14. Other expenditure

In 2023, the balance of other expenses was zero. This includes interest expenses in 2022 (€55).

Taxes

The pension fund’s activities are exempt from taxation under corporation tax.

Adoption of the annual accounts by the Board

The Board of Stichting Pensioenfonds voor de Architectenbureaus adopted the 2023 annual accounts at its meeting on 18 June 2024.

On behalf of the Board and Supervisory Board,

18 June 2024, Harderwijk

Board
H. W. T. de Vaan, chair
G. T. J. Meulenbroek, vice chair
M. M. E. P. Groenen
P. de Groot
J. G. E. van Leeuwen
R. G. Nagtegaal
I. Slikkerveer
A. Soederhuizen

Supervisory Board
H. G. I. M Peters, chair
P. G. E. van Gent
F. R. Valkenburg

III. OTHER DETAILS

1. Rule under the Articles of Association on the appropriation of the balance of income and expenditure

There is no stipulation in the Fund's Articles of Association for the appropriation of the balance of income and expenditure. The appropriation is detailed in the actuarial and technical business memorandum.

The proposal for the appropriation of the balance of income and expenditure for 2023 has been included in the annual accounts.

2. Actuarial statement

Mandate

Milliman Pensioenen B.V. has been mandated by Stichting Pensioenfonds voor de Architectenbureaus in Harderwijk to issue an actuarial statement as referred to in the Pensions Act for the 2023 financial year.

Independence

As certifying actuary, I am independent of Stichting Pensioenfonds voor de Architectenbureaus as required by Article 148 of the Pensions Act. I do not perform any other work for the pension fund, other than the work under the actuarial function. This also applies to other actuaries and experts working at Milliman Pensioenen B.V.

Data

The data on which my examination is based was provided by and established under the responsibility of the pension fund Board. In reviewing the technical provisions and assessing the asset position, I have relied on the financial data underlying the annual accounts.

Coordination with accountant

Based on the set of guidelines used by me and the accountant, the work and expectations in the audit for the financial year were aligned. For the review of the technical provisions and for the assessment of the asset position as a whole, I have determined the overall materiality at 39,000. I arranged with the accountant to report any misstatements found above 1,900 (5% of the overall materiality).

These arrangements were recorded and the results of my findings were discussed with the accountant.

I have further used the basic data examined by the accountant as part of the annual accounts audit. The pension fund's accountant informed me of their findings regarding the reliability (material accuracy and completeness) of the basic data and the other assumptions relevant to my opinion.

Activities

In fulfilment of the mandate, in accordance with my statutory responsibility as described in Article 147 of the Pensions Act, I have examined compliance with Articles 126 to 140 inclusive of the Pensions Act. The basic data provided by the pension fund is such that I have accepted that data as the starting point of the calculations I reviewed.

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As part of the activities concerning the mandate, I examined, among other things, whether:

- adequate technical provisions have been established in respect of all the pension liabilities;
- the minimum equity capital requirement and equity capital requirement have been determined in accordance with the statutory provisions;
- the cost-covering premium meets the statutory requirements set;
- the investment is in accordance with the prudent person rule.

Furthermore, I have formed an opinion on the pension fund's asset position. In doing so, I took into account the liabilities entered into up to and including the balance sheet date and the resources available at that time, as well as the financial policy of the pension fund.

I conducted my examination in such a way that reasonable assurance is obtained that the results are free from material misstatement.

The activities described and its performance are in accordance with the standards and practices applicable within the Royal Dutch Actuarial Association and, in my opinion, provide a sound basis for my opinion.

Opinion

In accordance with the calculation rules and assumptions described, adequate technical provisions have been established in respect of the total pension liabilities.

The pension fund's equity at the balance sheet date is lower than the statutory equity capital requirement but higher than the statutory minimum equity capital requirement.

Subject to the foregoing, I am satisfied that Articles 126 to 140 inclusive with the exception of Article 132 of the Dutch Pensions Act have been complied with. The equity capital is lower than the equity capital requirement.

The fact that the pension fund uses the relaxed supplement rules included in the Dutch Supplement in Special Circumstances Decree 2023 (*Besluit toeslag in bijzondere omstandigheden*) has been taken into account, which means that Article 137(2)(a) and (b) of the Pensions Act do not apply. The pension fund substantiated having met the conditions set out in that decision for the use of the relaxed supplement rules.

The pension fund's policy funding ratio at the balance sheet date is higher than the funding ratio for the equity capital requirement.

My opinion on the asset position of Stichting Pensioenfonds voor de Architectenbureaus is based on the liabilities incurred up to and including the balance sheet date and the resources available at that time. In my opinion, the asset position is not adequate because the available equity capital is lower than the equity capital requirement.

Amsterdam, 20 June 2024

drs. R. K. Sagoenie *AAG*
associated with Milliman Pensioenen B.V.

Independent auditor's report

To: the Board of Stichting Pensioenfonds voor de Architectenbureaus

Report on the annual accounts 2023

Our opinion

In our opinion, the annual accounts of Stichting Pensioenfonds voor de Architectenbureaus ('the foundation') present a true and fair view of the size and composition of the foundation's assets as at 31 December 2023 and of the balance of income and expenditure for 2023 in accordance with Title 9, Book 2 of the Dutch Civil Code.

What we audited

We have audited the 2023 annual accounts of Stichting Pensioenfonds voor de Architectenbureaus, Harderwijk, included in this annual report.

The annual accounts comprise:

- the balance sheet as at 31 December 2023;
- the statement of income and expenditure for 2023;
- the explanatory notes with an overview of the accounting policies used and other explanatory notes.

The financial reporting framework used to prepare the annual accounts is Title 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

We conducted our audit in accordance with Dutch law, which includes the Dutch auditing standards. Our responsibilities on this basis are described in the paragraph 'Our responsibilities for the audit of the annual accounts'.

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

Independence

We are independent of Stichting Pensioenfonds voor de Architectenbureaus as required by the Dutch Accountants' Organisations (Supervision) Act (*Wta*), the Regulation on the independence of auditors in assurance engagements (*ViO*) and other independence rules in the Netherlands relevant to the mandate. Furthermore, we have complied with the Code of Ethics for Professional Accountants Regulation with respect to Rules of Professional Conduct (*VGBA*).

NLE00024061.1.1

PricewaterhouseCoopers Accountants N.V., Thomas R. Malthusstraat 5, 1066 JR Amsterdam, PO Box 90357, 1006 BJ Amsterdam
T: 088 792 00 20, F: 088 792 96 40, www.pwc.nl

Information supporting our opinion

We determined our audit procedures relating to fraud and going concern, and the ensuing matters, in the context of the audit of the annual accounts as a whole and in forming our opinion thereon. The information supporting our opinion, such as our findings and observations on the audit approach to fraud risks and the audit approach to going concern, should be considered in that context and not as separate opinions or conclusions.

Control approach to fraud risks

We have identified and estimated risks of a material misstatement in the annual accounts due to fraud. During our audit, we obtained an understanding of Stichting Pensioenfonds voor de Architectenbureaus and its environment and the components of the internal control system, including the risk assessment process and the way the Board responds to fraud risks and monitors the internal control system. We refer to the section 'Integrated Risk Management' of the management report, in which the Board has included its fraud risk analysis.

With regard to the risk of material misstatements due to fraud, we have evaluated the design and implementation of internal controls, including the Board's fraud risk analysis, integrity policy, code of conduct, whistleblower scheme and procuration scheme, and tested the functioning of these internal controls insofar we considered necessary for our audit.

We requested information from members of the Board and Executive Office staff if they are aware of any actual, alleged or suspected fraud. We also reviewed the reports of the key role holders Internal Audit and the compliance officer. No signs of actual, alleged or suspected fraud that could lead to a material misstatement ensued.

As part of our fraud risk identification process, we considered fraud risk factors related to fraudulent financial reporting, improper appropriation of assets, and bribery and corruption. We assessed whether these factors were indicative of the presence of fraud risks.

The fraud risks we identified and specific work carried out are as follows:

Identified fraud risks	***Our audit procedure and observations***
Bypassing internal control measures by the board According to the auditing standards, the risk of the board breaching internal control measures is present in all entities. Inherently, the board of an entity is in a unique position to commit fraud because it is able to manipulate accounting records and prepare fraudulent	We evaluated the design and implementation of internal control measures in the procedures for generating and processing journal entries. We selected journal entries based on risk criteria and performed specific audit procedures on them. We have tested the acceptability of the journal entries and other adjustments made during the preparation of the annual accounts.

financial overviews by breaching internal control measures that otherwise appear to work effectively. Therefore, in all our audits, we pay attention to the risk of breach of measures of internal control by the board relating to:

- journal entries and other adjustments made during the preparation of the annual accounts;
- estimates;
- significant transactions outside the ordinary course of business.

In doing so, we pay particular attention to tendencies due to possible board interests.

We have also been alert to potentially significant transactions outside the ordinary course of business of the foundation or that otherwise appear unusual in the light of both our understanding of the foundation and its environment, and other information obtained during the audit. We did not identify any significant transactions outside the ordinary course of business.

We evaluated the design and implementation of internal control measures for making estimates.
We also tested the control measures with regard to access security in the IT systems by obtaining insight into the ISAE3402 reports of relevant service organisations.

In our audit procedures, we pay attention to key estimation items, that are based on subjective inputs, such as fund-specific items in the valuation of technical provisions and the valuation of unlisted investments. As a result of our audit and the outcome thereof, we assessed these estimation items for indications of tendencies that might be a risk of a material misstatement due to fraud.

In doing so, we carried out the following work, among other things:

- We have validated the valuation for unlisted fund investments using the net asset value as per the audited 2023 annual accounts of the investment fund. Additionally, we have valued interest rate and currency derivatives independently.
- Review of the actuarial principles used and any changes therein, the results of the actuarial analysis, and their discussion with the pension fund and the certifying actuary.
- Knowledge of the explanatory notes to the financial position and testing against the requirements regarding the explanatory notes of the Accounting Standards.

We did not identify any indications of tendencies due to Board interests in our audit of the estimation items. Our work did not reveal any specific indications or suspicions of fraud in respect of breaching internal control by the Board.

We have incorporated an element of unpredictability into our audit. Moreover, we took note of correspondence with regulatory bodies and remained alert to fraud during the audit. We have taken note of the available information, including the SIRA (Systematic Integrated Risk Assessment) prepared by the pension fund. We also assessed the outcome of other audit procedures and considered whether there were any findings that were indicative of fraud or non-compliance with legislation and regulations.

Audit approach going concern

Pension funds are required by law to maintain adequate capital funding, i.e. the equity capital requirement. The equity capital requirement is determined on the basis of the financial assessment framework. If a pension fund's funding ratio is below the equity capital requirement, a recovery plan must be drawn up showing how the pension fund will bring its equity capital to the required level. If the pension fund cannot meet the recovery plan, additional measures will have to be taken. Where necessary, the rights of participants and former participants will have to be adjusted so that the equity capital requirement is met again.

As explained in the chapter 'Foundation capital and reserves' of the annual accounts and the chapter 'Going concern' of the management report, the pension fund is not in a deficit situation regarding the reserves or otherwise on the balance sheet date. The Board expects the pension fund to have sufficient potential to keep a situation of reserve deficit at bay. The Board has conducted the going concern assessment for at least twelve months from the date of preparation of the annual accounts, and has not identified any events or circumstances that may cast reasonable doubt on the foundation's ability to continue as a going concern (hereinafter referred to as the going concern risks).

Our work to evaluate the Board's going concern assessment includes:

- considering whether the Board's going concern assessment contains all relevant information of which we have become aware as a result of our audit and asking the Board about key assumptions and principles. In doing so, the Board considered, among other things:
    - the financial position of the pension fund relative to the (minimum) equity capital requirement.
    - the sector pension administration agreement and agreements with outsourcing parties for pension management and asset management.
    - the continuous monitoring of the investment portfolio, (interest rate) hedging policy and liquidity risk.
    - political, demographic, geographical, as well as operational developments, insofar as they impact the pension fund.
- obtaining information from the Board on its knowledge of going concern risks after the period of the going concern assessment carried out by the Board.

We also inspected correspondence with relevant regulatory bodies.

Our audit procedures did not reveal any information that conflicts with the Board's assumptions and principles on the going concern assumption used.

Opinion on the other information included in the annual report

The annual report also includes other information. This covers all information in the annual report other than the annual accounts and our audit opinion thereon.

Based on the work mentioned below, we believe that the other information:

- is consistent with the annual accounts and does not contain any material misstatements;
- comprises all the information required pursuant to Title 9 Book 2 of the Dutch Civil Code for the management report and the other data.

We have read the other information and, based on our knowledge and understanding obtained from the annual accounts audit or otherwise, considered whether the other information contains material misstatements.

With our work, we complied with the requirements of Title 9 Book 2 of the Dutch Civil Code and the Dutch Standard 720. This work does not have the same depth as our audit procedures on the annual accounts.

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

Responsibilities relating to the annual accounts and audit

The Board's responsibilities for the annual accounts

The Board is responsible for:

- the preparation and true and fair presentation of the annual accounts in accordance with Title 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as it determines is necessary to enable the preparation of annual accounts that are free from material misstatements, whether due to error or fraud.

When preparing the annual accounts, the Board must consider whether the foundation is able to continue its operations on a going concern basis. Under said accounting regime, the Board must prepare the annual accounts on the basis of the going concern assumption, unless the Board intends to liquidate the foundation or cease operations or if termination is the only realistic alternative. The Board must explain events and circumstances in the annual accounts that might raise reasonable doubt as to whether the foundation can continue its activities as a going concern.

Our responsibilities for the audit of the annual accounts

Our responsibility is to plan and perform an audit mandate in such a way as to obtain sufficient and appropriate audit evidence for the opinion we issue.

Our objectives are to obtain reasonable assurance as to whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to express an audit report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance and does not guarantee that an audit performed in accordance with the auditing standards will always detect a material misstatement when it occurs.

Misstatements may arise as a result of fraud or errors and are material if they can reasonably be expected to affect, individually or collectively, the economic decisions users make on the basis of these annual accounts. Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the impact of recognised misstatements on our opinion.

A more detailed description of our responsibilities is included in the annex to our audit report.

Amsterdam, 20 June 2024
PricewaterhouseCoopers Accountants N.V.

Originally signed by *drs*. N. C. Doets *RA*

Annex to our audit report on the 2023 annual accounts of Stichting Pensioenfonds voor de Architectenbureaus

In addition to what is stated in our audit report, this annex contains our elaboration on our responsibilities for the audit of the annual accounts and on what an audit entails.

The responsibilities of the auditor for the audit of the annual accounts

We conducted this audit in a professional and critical manner and, where relevant, applied professional judgement in accordance with Dutch auditing standards, ethical rules and independence requirements. Our audit included:

- identifying and estimating the risks of material misstatements in the annual accounts as a result of errors or fraud, determining and performing audit procedures in response to these risks and obtaining audit evidence that is a sufficient and appropriate basis for our opinion. With fraud, the risk of a material misstatement not being detected is higher than with errors. Fraud may involve collusion, forgery of documents, deliberate failure to record transactions, deliberate misrepresentation or breach of internal controls.
- obtaining an understanding of the internal control relevant to the audit for the purpose of selecting audit procedures that are appropriate in the circumstances.
  The purpose of these audit procedures is not to express an opinion on the effectiveness of the foundation's internal control.
- evaluating the appropriateness of the accounting policies used and assessing the reasonableness of estimates made by the Board and the related explanatory notes in the annual accounts.
- determining that the going concern assumption used by the Board is acceptable.
  Also determining, based on the audit evidence obtained, whether there are events and circumstances that might cast reasonable doubt on whether the foundation can 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 relevant explanatory notes in the annual accounts. If the explanatory notes are inadequate, we must amend our report. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.
  However, future events or circumstances may result in a organisation no longer being able to maintain its going concern.
- evaluating the presentation, structure and content of the annual accounts and the explanatory notes therein and evaluating whether the annual accounts give a true and fair view of the underlying transactions and events.

We discuss the planned scope and timing of the audit and on the significant findings revealed by our audit, including any significant weaknesses in the internal control with the Board.

IV. ANNEXES

1. Nominating organisations

The following organisations appoint members to the Board and/or the Accountability Body:

- Royal Society for the Advancement of Architecture Association of Dutch Architects (BNA);
- De Unie;
- FNV;
- CNV;
- CSO;
- ANBO.

2. External parties

The Fund worked with the following external parties in 2023:

Pension administration organisation
Pension management
APG DWS & Fondsenbedrijf N.V.

Asset management
Amundi Asset Management
Bouwinvest Real Estate Investment Management B.V. Columbia
Threadneedle Netherlands B.V.
Fidelity (FIL(LUXEMBOURG) S.A.)
PGGM Vermogensbeheer B.V.
State Street Global Advisors Europe Limited
Syntrus Achmea Real Estate & Finance B.V.
UBS Fund Management (Luxembourg) S.A.

Executive Office
Technisch Bureau Bouw & Infra
Ortec Finance B.V.
Sprenkels B.V.

Fiduciary management
Columbia Threadneedle Investments B.V.

Custodian
CACEIS

Monitoring property investments
Finance Ideas B.V.

Consulting actuary
Triple A - Risk Finance B.V.

Certifying actuary
Milliman Pensioenen B.V.

Independent external auditor
PricewaterhouseCoopers Accountants N.V.

Role holder key role Risk Management and Actuarial
Sprenkels B.V.

Role holder key role Internal Audit function
Mazars

Compliance work
Nederlands Compliance Instituut B.V.
Sprenkels B.V.

Confidential adviser
Nederlands Compliance Instituut B.V.

3. Pension scheme details

	2023	2022	2021	2020	2019
Defined-benefit agreement	Average wage	Average wage	Average wage	Average wage	Average wage
Retirement pension accrual rate	1.44%	1.50%	1.39%	1.738%	1.738%
Partner's pension accrual rate	1.3125%	1.3125%	1.3125%	1.3125%	1.3125%
Orphan's pension accrual rate	0.2625%	0.2625%	0.2625%	0.2625%	0.2625%
Target retirement age	67	67	67	67	67
Maximum wage	82,694	81,663	80,041	78,223	76,382
State pension offset	15,429	15,162	14,789	14,383	14,044
Maximum pension base	67,265	66,501	65,252	63,840	62,338
Factual pension premium compulsory scheme	24.5%	24.5%	23.0%	23.0%	23.0%
Employer share	13.475%	13.475%	12.65%	12.65%	12.65%
Employee share	11.025%	11.025%	10.35%	10.35%	10.35%
Increase of pensions in payment	7.33%	1 January 2022: 1.20% 1 September 2022: 1.48%	0.00%	0.00%	0.53%
Increase in pension rights participants and former participants	7.33%	1 January 2022: 1.20% 1 September 2022: 1.48%	0.00%	0.00%	0.53%

4. Ancillary positions

The Board members fulfilled the following relevant ancillary activities in 2023:

M. M. E. P. Groenen
- DGA MG Advies B.V.
- DGA GLS Architectuur Interieur B.V.

P. de Groot
- Member of the advisory board Inbo architecten, adviseurs en stedenbouwkundigen
- Member of the board of pension fund Pensioenfonds DNB
- Chair of the supervisory board of pension fund Pensioenfonds Delta Lloyd
- Member of the Supervisory Board of Woningborg
- Chair of Vereniging Intern Toezichthouders Pensioensector (Association of internal regulators pension sector)
- Chair of audit committee PNO media

J. G. E. van Leeuwen
- Employed at FNV
- Member of the board of PNO Media
- Member of the board of occupational pension fund BPF Vervoer
- Member of the board of VBDO
- Member of the board of foundation Eduardo Frei Stichting
- Member of the editorial board of Financial Investigator

G. T. J. Meulenbroek
- Employee/risk management consultant Achmea Pensioenservices
- Key role holder Risk Management pension fund Pensioenfonds Particuliere Beveiliging

R. G. Nagtegaal
- Chair of foundation Stichting Geerestein (Inbo employee participation scheme administrator)
- Various consultancy positions in the architectural sector in particular

I. Slikkerveer
- Senior adviser on pensions at De Unie
- Board member of foundation Stichting Pensioenfonds Nederlandse Groothandel
- Member of the board of foundation ING CDC Pensioenfonds
- Partner Merlin Group

A. Soederhuizen
- Member of investment advisory committee PH&C
- Member of investment advisory committee Unilever APF (2 sections)
- Advisor foundation Stichting Infinity

H. W. T. de Vaan

- Employed at CNV
- Member of the board of occupational pension fund Bedrijfstakpensioenfonds BPL
- Member stakeholders’ body Circle D of pension fund De Nationale APF
- Member of SAREF Client Council

Members of the Accountability Body fulfilled the following relevant ancillary activities in 2023:

E. Borgert

- Owner/architect at Aerde Borgert Architecten
- Member of Ladies' Circle Tilburg

B. van den Bos

- Advisor at foundation Stichting De Kunsthaven in Enschede
- Advisor at foundation Stichting Behoud Bungalowpark Het Teesinkbos
- Board member of owners association VVE de Valkenburgh Amsterdam

M. Kuijt

- Independent trainer/coach at Juncta Juvant in Capelle aan den IJssel

H. Oonk

- No relevant ancillary positions

D. Verweij

- Office manager at LEVS

W. E. Vester

- Operations manager Oosterhoff
- Dean of Jenevergilde Het Gulden Glaasje in Schiedam
- Member of the board of the Arbitration Council for construction disputes

S. Vink

- Project manager at Inbo

Members of the Supervisory Board fulfilled the following relevant ancillary activities in 2023:

P. G. E. van Gent

- Member of the Investment Advisory Committee of Pensioenfonds IBM Nederland
- Member of the investment advisory committee De Nationale APF
- Member of the board of occupational pension fund BPF Bouw
- Member of the auditing committee of neighbourhood association Park de Kievit

H. G. I. M. Peters

- Executive director asset management pension fund Pensioenfonds Citigroup
- Member of the board of pension fund Pensioenfonds HaskoningDHV

F. R. Valkenburg

- Independent member of the board of United Pensions
- Chair of the supervisory board of pension fund Pensioenfonds Werk en (re)integratie
- Member of the supervisory board of pension fund Pensioenfonds Mars
- Member of the Supervisory Board of the pension fund Pensioenfonds Openbare bibliotheken
- Expert member of the Kifid Appeals Board
- Vice-chair Occupational Pensions Stakeholder Group of EIOPA
- Investor Vive Holding and Red to Blue
- Investor ValueQuest
- Chair of the board of Delrin European Pension Fund OPF

The independent members of the Complaints and Disputes Committee fulfilled the following relevant ancillary activities in 2023:

L. Berrich

- No relevant ancillary positions

B. J. Bodewes

- Chair of disputes committee of occupational pension fund BPF Schilders

F. Prins

- Advisor at Blue Sky Group
- (Prospective) mentor at Stichting Mentorschap Haag en Rijn
- Consultant at Ortec
- Consultant Monitoring Committee Code of the Dutch Pension Funds

5. Executive Office

Composition of Executive Office at the end of 2023:
R. van Asselt, Risk management specialist
H. Andringa, Asset management specialist
M. Bonekamp, Asset management specialist
P. O. Bos, director
E. M. Bosman, Board consultant
V. Doekhi, Risk management officer
M. Doelman, Pension management specialist
R. Goris, Asset management specialist
M. Kemper, Asset management specialist
H. Kuiper, Communications specialist
E. Lock, Risk management specialist
E. Snieder, Risk management specialist
J. Wisse, support Pension Committee
I. ter Weer, support Communications Committee

Not all of the persons above work full-time for the Fund or have been employed for the entire reporting year. The Executive Office has a workload of approx. 5 FTE.

6. Terms and abbreviations

Actuarial and Business Memorandum: pension funds must operate in accordance with an actuarial and business memorandum. It substantiates the financial set-up of a pension fund and the principles on which it is based.

Actuarially required premium: This is the premium required to purchase a retirement pension and partner's pension in the relevant year.

Current funding ratio: Each month, the current funding ratio shows the ratio of the Fund's assets to its pension liabilities in a percentage. The pension liability is the amount needed to pay all the pensions for now and in the future. The funding ratio is considered an indicator of the degree of certainty that committed pensions can actually be paid out.

AFM (Dutch Authority for the Financial Markets): supervisor of the behaviour of pension funds.

ALM (asset liability management): a method to determine the composition of the strategic investment portfolio and match it to liabilities.

Benchmark: yardstick for comparison. Representative yardstick against which the performance of an investment portfolio is measured.

Policy funding ratio: the policy funding ratio is the average of the twelve current funding ratios of the last twelve months.

CPI all households from 1 October to 1 October: The overview showing the price evolution of a basket of goods and services purchased by an average Dutch household. The annual change in the consumer price index is an important indicator of inflation.

FTK (Financial Assessment Framework): the Financial Assessment Framework provides rules on the legal financial liabilities of pension funds and has been included in the Pensions Act.

Governance: good entrepreneurship, including acting with integrity and transparency by the board, as well as proper supervision thereof. It also includes rendering account for and monitoring the policies pursued.

High yield: high-yield bonds issued by companies with low credit ratings.

Performance test: the performance test is an averaging of the Z-score over 5 years.

Premium smoothing: A pension fund is obliged to test the premium for a benefit agreement charged by a pension fund to employers and employees for cost recovery. To do so, the fund must first calculate the pure cost-covering premium. Since the pure cost-covering premium may fluctuate widely due to current market interest rates, the fund may use premium smoothing.

Premium loading for premium exemption: The non-contributory participation extension risk provision is calculated annually as the sum of the non-contributory participation loadings of the last two financial years. This will make the non-contributory participation loading of two financial years ago available to cover the costs of the start of the premium waiver due to occupational disability for participants with a first day of illness during two financial years ago.

Premium exemption in case of occupational disability: If a participant is fully or partially occupationally disabled within the meaning of the WAO or WIA, pension accrual will continue in full or in part for as long as WAO or WIA benefits are received. In the case of continued accrual, 100% of the salary that applied immediately prior to the commencement of non-contributory participation will be used for the annual determination of the pension base.

Private equity: investments in unlisted companies.

Fictitious interest rate: notional rate of return that invested assets are expected to yield in the future.

Interest rate term structure (RTS): the interest rate term structure reflects the relationship between the maturity of a fixed-income investment on the one hand and the market interest rate to be received thereon on the other.

Solvency: the capital that must be available in the longer term to meet liabilities.

Swap: exchange of the return on a fixed reference value for a floating interest rate during a fixed term.

Supplement: The supplement by which the pension entitlements of participants and former participants and the pension rights of pension beneficiaries can be increased annually is in principle derived from the increase of the index figure based on the CPI all households of 1 October two years prior to the year of adjustment of the pension rights or pension entitlements to the CPI all households of 1 October of the year prior to the adjustment. Every year, after obtaining the advice of the consulting actuary in this respect, the Board determines whether the financial position of the Fund allows for granting a supplement. Any supplement to be granted is rounded to two decimal places.

Future pension administration costs: For future pension administration costs, the technical provision includes a loading of 3.2% in 2023. Periodically, the consulting actuary assesses the loading to cover the cost of administering these pensions, assuming the fiction that the Fund is a dormant fund (no more premium payments take place and all participants are therefore treated as participants). To determine the cost provision, the cost structure at the pension administrator has been taken into account. Asset management costs are excluded; these are considered to be funded directly from returns.

UFR (Ultimate Forward Rate): to determine the interest rate term structure, the UFR is applied, among other things. Adopting the UFR means applying an adjusted yield curve for liabilities in a distant future.

Fixed-income securities: class of investments that basically have a fixed interest rate and a fixed maturity, such as bonds and loans.

Value transfer: moving the value of a pension entitlement accrued up to a certain point in time to another pension scheme, in case the participant changes employer or insurer.

Z-score: degree to which the actual return of a pension fund differs from the return of the standard portfolio.

Periodic disclosure for the financial products referred to in article 8(1), (2) and (2bis) of Regulation (EU) 2019/2088 and article 6(1) of Regulation (EU) 2020/852

Product name: Stichting Pensioenfonds voor de Architectenbureaus

Legal Entity Identification Code or LEI: 5493007PYLOJEXV2U856

Sustainable investment: an investment in an economic activity that contributes to the achievement of an ecological or a social objective, provided that this investment does not seriously impair ecological or social objectives and the investee companies apply good governance practices.

The **EU taxonomy** is a classification system established by Regulation (EU) 2020/852. It involves a list of **ecologically sustainable economic activities.** That regulation does not contain a list of socially sustainable economic activities. Sustainable investments with an ecological objective may or may not be taxonomy-aligned.

Ecological and/or social characteristics (E/S characteristics)

Does this financial product have a sustainable investment objective?	
☐ **Yes**	☒ **No**
☐ This product has made the following **sustainable investments with an ecological** objective: ___%	☐ This product **promoted ecological/social (E/S) characteristics.** Although sustainable investing was not its goal, it had a minimum of __% sustainable investments
☐ in economic activities that qualify as ecologically sustainable according to EU taxonomy	☐ with an ecological objective in economic activities that qualify as ecologically sustainable according to EU taxonomy
☐ in economic activities that do	☐ with an ecological objective in economic activities that do not qualify as ecologically sustainable according to EU taxonomy
	☐ with a social objective
☐ This product has made the following **sustainable investments with a**	☒ This product promoted E/S features, but **did not invest sustainably**.

To what extent are the ecological and/or social characteristics met that are promoted by this financial product?

Stichting Pensioenfonds voor de Architectenbureaus (PfAB) has promoted the following ecological and social features:

Sustainability indicators measure how the ecological or social features promoted by the financial product are achieved.

1. Not contributing to controversial behaviour and activities through exclusions

PfAB has excluded investments that do not fit its investment policy. PfAB has virtually no direct investments in companies substantially engaged in the following activities:

- Controversial weapons (chemical weapons, biological weapons, cluster munitions, landmines, white phosphorus, nuclear weapons and depleted uranium);
- Mining of thermal coal & bituminous sands;
- Manufacture of tobacco products or their distribution (the latter is subject to a 5% turnover threshold as an indication of a core activity).

PfAB also has virtually no direct investments in companies that exhibit controversial behaviour, by excluding very serious violators of the OECD Guidelines for Multinational Enterprises, of the Guiding Principles on Business and Human Rights and/or of the United Nations Global Compact principles. PfAB defines violation of these principles as achieving the lowest score according to external data provider MSCI, on compliance with at least one of these international standards.

PfAB also did not invest directly in government bonds of countries subject to sanctions by the UN Security Council and/or the European Union.

PfAB did not invest in excluded companies nor in investment funds with limited exposure to excluded companies.

PfAB's performance with regard to this characteristic was measured by sustainability indicator 1. The results have been included in the next question.

2. Encouraging companies to act in line with international conventions and codes of conduct

PfAB considers engagement (engaging in dialogue with companies) and voting as important tools for responsible investing activities.

Through active share ownership, the fiduciary manager on behalf of PfAB encouraged companies during the reference period to act in line with international conventions and codes of conduct, such as the UN Global Compact and the UN Guiding Principles. Active share ownership means voting at shareholder meetings and engaging in critical dialogue with some of the companies PfAB has invested in. In the relevant asset classes, active share ownership across the entire portfolio is carried out by Columbia Threadneedle Investments (CTI) from 1 January 2023.

PfAB's performance with regard to this characteristic was measured by sustainability indicators 2 and 3. The results have been included in the next question.

3. Mitigating climate change

With regard to climate change, PfAB has set targets to align CO_2 intensity of the main components of the portfolio with the international commitments of the Paris Agreement. To achieve these objectives, PfAB applied different methodologies by asset class. These objectives were as follows:

- Equities and the credit-worthy corporate bond portfolio: PfAB aims for an initial 30% reduction in funded greenhouse gas emissions, followed by a 7% reduction per annum, with the aim of reaching net zero funded greenhouse gas emissions by 2050;
- High-yield corporate bond portfolio: a 30% reduction in funded greenhouse gas emissions relative to the regular market index.

PfAB has communicated the requirements on reduction of funded greenhouse gas emissions to the external asset managers as being investment restrictions.

PfAB's performance with regard to this characteristic was measured by sustainability indicators 4, 5 and 6. The results have been included in the next question.

4. Sustainable property and built environment

PfAB has chosen property managers who are making efforts to make existing property portfolios more sustainable, have assessed new projects for sustainability, are mindful of the position of key occupations in the rental market and are transparent about the process involved. In addition, PfAB has chosen mortgage managers who make efforts to encourage borrowers to make sustainable choices. On the one hand, the mortgage managers do this by offering so-called green mortgages, and, on the other hand, by educating borrowers about making their homes more sustainable. To this end, PfAB has outsourced the management of mortgages and property portfolio exclusively to asset managers who meet strict sustainability requirements. During the reference period, the external asset managers had to:

- be a signatory to UN PRI;
- have issued a net zero commitment;
- be members of Global Real Estate Sustainability Benchmark (GRESB) and have their products relevant here meet a minimum GRESB rating of 4 or 5 stars (for property only);

In addition, the relevant portfolio had to have an SFDR classification under article 8 SFDR and the investment fund had to have an ESG policy with associated reports.

PfAB continues to be in dialogue with external asset managers with regard to ESG integration in general and specifically with regard to SDG 7 (sustainable energy) and SDG 11 (safe and sustainable cities).

PfAB's performance with regard to this characteristic was measured by sustainability indicators 7 and 8. The results have been included in the next question.

How did the sustainability indicators perform?

1. Number of investments in excluded companies and countries	0 As at 31/12/2023 for discretionary mandates.
2. Number of companies the engagement provider is in an engagement process with on behalf of PfAB	466
3. Number of engagement processes that achieved milestones towards improving corporate behaviour	140
4. CO_2 intensity of the equity portfolio (weighted average carbon intensity: tonne CO_2e (scope 1 and 2)/million USD turnover)	Developed Markets Portfolio: 56 Developed Markets Benchmark: 105 Emerging Markets Portfolio: 114 Emerging Markets Benchmark: 326 Developed Markets and Emerging Markets Portfolio: 63 Developed Markets and Emerging Markets Benchmark: 133

	As at 31/12/2023.
5. CO_2 intensity of the corporate bond portfolio (weighted average carbon intensity: tonnes CO_2e (scope 1 and 2)/million USD turnover)	Portfolio: 95 Benchmark: 97 As at 31/12/2023.
6. The CO2 intensity of the high-yield corporate bond portfolio relative to the benchmark (weighted average carbon intensity: tonnes of CO_2e (scope 1 and 2)/million USD turnover)	Portfolio: 207 Benchmark: 241
7. Percentage of property funds PfAB invests in with a Global Real Estate Sustainability Benchmark (GRESB) 4 or 5 star score	100%. During the reference period, PfAB invested in three property funds and all three have a 5 star GRESB score.
8. Percentage of mortgage funds PfAB invests in that promote ecological and/or social features	100%. During the reference period, PfAB invested in one mortgage fund and it is classified as article 8 under SFDR.

...and compared to previous periods?

This is the second periodic report as per the SFDR requirements. A comparison with previous periods can be made in the next periodic report.

The EU taxonomy enshrines the 'no serious impairment' principle. This means that taxonomy-aligned investments should not seriously compromise the objectives of the EU taxonomy and are accompanied by specific Union criteria.

The 'no serious impairment' principle applies only to the underlying investments of the financial product that take the EU criteria for ecologically sustainable economic activities into account. The underlying investments of the remaining part of this financial product do not take the EU criteria for ecologically sustainable economic activities into account.

Neither should other sustainable investments seriously impair ecological or social objectives.

How has this financial product taken the main adverse effects on sustainability factors into account?

PfAB did not take all the main adverse effects of investment decisions on sustainability factors into account. These have been defined in legislation and pension funds may supplement them. PfAB did include the following adverse effects; in brackets is stated how PfAB included the adverse effect and the explanation can be found under the first question:

The **main adverse effects** are the main negative effects of investment decisions on sustainability factors related to ecological and social issues and labour conditions, respect for human rights and combating corruption and bribery.

- Greenhouse gas emissions of companies (reduction target certain asset classes and active share ownership);
- CO_2 footprint of companies (reduction target certain asset classes and active share ownership);
- Greenhouse gas intensity of companies (reduction target certain asset classes and active share ownership);
- Exposure to companies active in the fossil fuel sector (exclusion policy);
- Share in consumption and production of non-renewable energy (active share ownership);
- Intensity of energy consumption by high-impact climate sector (reduction target certain asset classes and active share ownership);
- Violations of UN Global Compact principles and OECD guidelines for multinational enterprises (exclusion policy);
- Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) (exclusion policy);
- Countries invested in that are subject to social violations (exclusion policy).

What were the largest investments of this financial product?

The list includes the investments that constitute the **largest proportion of investments** of the financial product during the reference period, namely: **on 31 December 2022**

Largest investments	Sector	% Assets	Country
Hypothekenfonds Achmea	*Other*	*9.07*	*The Netherlands*
Vastgoedfonds Achmea	*Other*	*5.03*	*The Netherlands*
PGGM Infrastructure Fund	*Other*	*4.44*	*The Netherlands*
SSGA DM equities	*Other*	*4.17*	*Miscellaneous*
CT Euro liquidity fund	*Other*	*3.69*	*Luxembourg*
Netherlands Government	*Government*	*1.50*	*The Netherlands*
Netherlands Government	*Government*	*1.38*	*The Netherlands*
Bouwinvest	*Other*	*1.41*	*The Netherlands*
Vastgoedfonds Achmea	*Other*	*1.27*	*The Netherlands*
France Government	*Government*	*1.16*	*France*
Netherlands Government	*Government*	*1.12*	*The Netherlands*
Vastgoedfonds Achmea	*Other*	*1.00*	*The Netherlands*
Kreditanstalt fuer Wieder	*Government*	*0.91*	*Germany*
European Union	*Government*	*0.88*	*Miscellaneous*
Netherlands Government	*Government*	*0.77*	*The Netherlands*

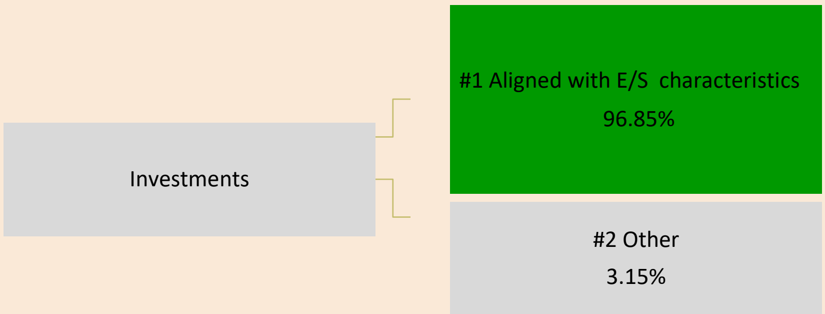
The percentages are based on the position as at 31-12-2023 and based on PfAB's total portfolio. Derivatives and cash are not included in the table. Investment funds were not looked through. If the investment in a investment fund was among the largest 15 investments, this fund is included in the overview above.

What was the proportion of sustainability-related investments?

PfAB promoted ecological and social characteristics without pursuing a sustainable investment objective. PfAB did not make a minimum allocation to sustainable investments within the meaning of SFDR or to investments in ecologically sustainable activities within the meaning of the Taxonomy Regulation. The vast majority of PfAB's investments were aligned with ecological and/or social characteristics. These investments covered equities, corporate bonds, property and mortgage investments and government bonds. Other investments were not aligned with these characteristics and were invested in derivatives or cash. No ecological or social minimum safeguards applied to them.

Asset allocation describes the proportion of investments in specific assets.

What did the asset allocation look like?



#1 Aligned with E/S characteristics includes the financial product's investments used to meet the environmental or social characteristics promoted by the financial product.

#2 Other includes the other investments of the financial product that are not aligned with ecological or social characteristics and also do not qualify as sustainable investments.

To determine compliance with the EU taxonomy, the **natural gas** contain emission limits and the switch to renewable energy or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive rules on safety and waste management.

Facilitating activities directly enable other activities to make a substantial contribution to an ecological objective.

Transition activities are activities for which no low-carbon alternatives are available yet and that have, among other things, greenhouse gas emission levels consistent with best performance.

Which economic sectors were invested in?

Security Description	Market value %
Other	23.2%
Government	21.1%
Financials	18.7%
Information Technology	9.2%
Consumer Discretionary	5.6%
Health Care	5.1%
Industrials	4.8%
Communication Services	3.6%
Property	2.6%
Utilities	2.0%
Consumer Staples	1.9%
Materials	1.5%
Energy	0.7%

The percentages are based on the position as at 31-12-2023. 'Other' includes certain derivatives and some investments in emerging markets, among other things. The sector breakdown was made on the basis of look-throughs of underlying investment funds to the extent data on these was available, which is usually the case for all liquid investments.

To what extent were ecologically sustainable investments aligned with the EU taxonomy?

0%.

Did the financial product invest in activities in the natural gas and/or nuclear energy sectors that comply with EU taxonomy[1]?

☐ Yes:

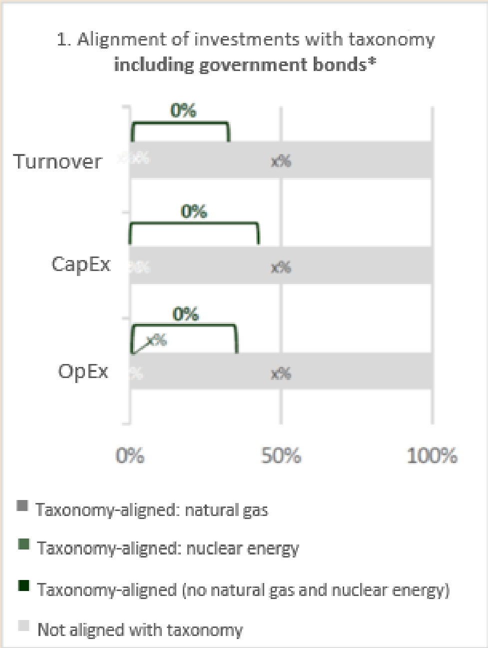
☐ In natural gas ☐ In nuclear energy

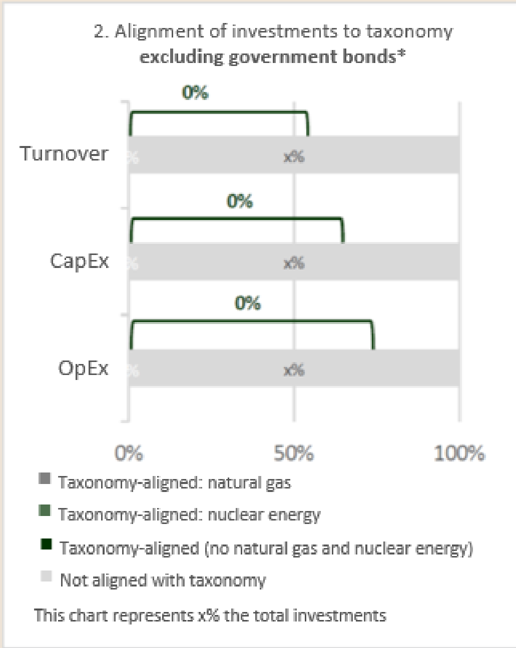
☒ No

[1] Activities in the natural gas and/or nuclear energy sectors only comply with the EU taxonomy if they contribute to climate change mitigation and do not seriously impair the objectives of the EU taxonomy - refer to the note in the left margin. The extended criteria for economic activities in the natural gas and nuclear energy sectors that comply with the EU taxonomy are set out in Delegated Regulation (EU) 2022/1214 of the Commission.

Taxonomy-aligned activities are expressed as a proportion of:
- **turnover** reflecting the share of revenues from green activities of investee companies;
- **capital expenditure,** or CapEx, showing green investments made by investee companies, e.g. for transition to a green economy;
- **operational expenditure**, or OpEx, showing green operational activities of investee companies.

The charts below show in green the percentage of EU taxonomy-aligned investments. There is no suitable method to determine the extent to which government bonds are aligned with the taxonomy. Therefore, the first chart shows the degree of alignment for all investments of the financial product including government bonds, while the second chart, only for the investments of the financial product in other products than government bonds, shows the extent to which they are aligned with the taxonomy.*





** In these charts, 'government bonds' includes all exposures to governments.*

What was the share of investments in transition and facilitating activities?

0%.

How did the percentage of investments aligned with the EU taxonomy compare with previous reference periods?

This is the second report. Next year, a comparison can be included.

are sustainable investments with an ecological objective that **do not take the criteria** for ecologically sustainable economic activities under the Regulation (EU) 2020/852 **into account**.

What was the proportion of sustainable investments with an ecological objective that were not aligned with the EU taxonomy?

Not applicable. PfAB did not commit to sustainable investments during the reference period and therefore did not measure whether it invested in sustainable investments in line with SFDR.

What was the proportion of socially sustainable investments?

Not applicable. PfAB did not commit to sustainable investments during the reference period and therefore did not measure whether it invested in sustainable investments in line with SFDR.

Reference benchmarks are indices that measure whether the financial product realises the ecological or social characteristics the product promotes.

Which investments are included in the item 'other'? What were these for and were there ecological or social minimum safeguards?

The investments included in #2 Other were investments in derivatives and liquid assets. No ecological or social minimum safeguards applied to them. Derivatives were used to hedge major financial risks. Liquid assets are used to meet liabilities entered into, such as margin calls and pension benefits.

Which measures were taken during the reference period to meet the ecological and/or social characteristics?

PfAB has taken the following measures:

- Commissioned by PfAB, a third party has compiled a list of investments that are not allowed based on the exclusion criteria. This list was communicated to all underlying asset managers for implementation and was updated twice. Any overruns were reported by the external asset managers to PfAB and PfAB's fiduciary asset manager. PfAB's fiduciary investment manager periodically checked whether these investments were not made.
- For engagement and voting, PfAB used the approach of underlying manager PGGM to conduct engagement activities until 1 November 2022. From 1 January 2023, engagement is carried out by CTI. PfAB has been periodically updated on the progress of engagement processes.
- PfAB has passed on the agreed requirements on reduction of funded emissions to the external asset managers as investment restrictions. MSCI benchmarks that meet the European requirements for Climate Transition Benchmarks were chosen for the equity portfolio and the corporate bond portfolio. These were newly implemented in 2022. PfAB was periodically informed of the implementation of the investment policy and whether the portfolios were still managed within the agreed frameworks. The greenhouse gas emissions of the relevant investment portfolios were reported twice as part of the ESG risk report.
- PfAB was periodically informed of the GRESB score of the property funds and of the characteristics and performance of the mortgage funds in which investments were made.

How did this financial product perform against the reference benchmark?

Not applicable. PfAB has no reference benchmark to meet the ecological or social characteristics for the entire pension scheme.

How does the reference benchmark differ from a wide market index?

Not applicable.

- ***How did this financial product perform in terms of sustainability indicators for determining the alignment of the reference benchmark with the promoted ecological and social characteristics?***

Not applicable.

- ***How did this financial product perform against the reference benchmark?***

Not applicable.

- ***How did this financial product perform against the wide market index?***

Not applicable.