Stichting Pensioenfonds voor de Architectenbureaus

Annual report 2022

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

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I. MANAGEMENT REPORT

Foreword from the Board

This is the 2022 annual report of Stichting Pensioenfonds voor de Architectenbureaus (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.

We find Russia's invasion of Ukraine unacceptable and reprehensible. We sympathise with all civilians in the war zone. In line with our policy, we are reviewing how to reduce our investments in Russia with our asset managers.

In part due to Russia's invasion in Ukraine and increased gas prices, inflation was higher in 2022 than in previous years. Our financial position was good enough to increase the accrued pensions by 1.20% from 1 January 2022. Relaxed rules of the game allowed us to raise pensions again in September. With the additional 1.48% increase from 1 September 2022, pensions have been compensated for price inflation. From 1 January 2023, pensions have been increased by 7.33%. Currently, we have sufficient buffers and assets to pay out the accrued pensions now and in the future.

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 pension agreement has now been worked out in the Dutch Future of Pensions Bill (*Wetsvoorstel toekomst pensioenen*) and both Houses of Dutch parliament have agreed to it. Abolishing the average contribution system and allowing pensions to move with economic developments are important changes in this respect.

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 digital. The social partners have made a preliminary choice for the solidarity premium scheme and expressed their intention to transfer the pension entitlements already accrued in the current scheme to the new solidarity contribution scheme.

To keep pension accrual affordable, we invest the premiums paid. We do so in equities, bonds and other investments. Our invested assets at the end of 2022 are significantly lower than at the end of 2021. This is due to negative returns on our investments. Due to the increased interest rate, the policy funding ratio is higher than at the start of 2022, though.

Our asset manager PGGM closed its investment funds among others for our Fund. This meant we had to carefully transfer our investments held in PGGM's investment funds elsewhere. This was successful for all investments and our assets have now been placed at more favourable rates with Amundi Asset Management, State Street Global Advisors, Fidelity and UBS Fund Management. This transition also allows us to give more and better substance to our own socially responsible investment policy.

Key figures

(Amounts x €1,000)

	2022	2021	2020	2019	2018
Agencies, participants and pension beneficiaries					
Affiliated agencies with staff	1,299	1,340	1,314	1,380	1,313
Participants	10,313	10,050	9,349	9,142	8,448
Former participants	25,392	25,185	25,334	25,772	25,708
Pension beneficiaries	13,872	13,715	13,508	13,289	13,098
Premium and benefits					
Premium contributions from employers and employees	74,280	64,792	60,246	56,633	49,860
Pension benefits, including commutation	118,512	114,236	111,849	107,770	105,094
Investments					
Total invested assets	4,235,727	5,673,562	5,508,006	4,972,410	4,235,232
Investment results risk pension fund	-1,377,406	212,610	601,966	802,183	674
Realised investment return	-23.91%	3.70%	12.20%	18.89%	0.10%
Balance of income and expenditure	-336,369	470,367	89,041	160,246	-146,517
Fictitious interest rate year-end DNB RTS	2.53%	0.58%	0.22%	0.76%	1.41%
Provisions and reserves					
Equity capital present	734,915	1,071,284	600,917	511,876	351,630
Equity capital requirement	701,930	845,887	893,082	832,271	750,600
Total technical provision	3,519,301	4,616,283	4,927,192	4,470,985	3,886,965
Funding ratio					
Policy funding ratio	125.0%	118.8%	105.1%	109.0%	112.9%
Costs					
Total costs of asset management excluding transaction costs*	10,405	14,946	11,690	13,469	13,298
Total transaction costs *	5,004	5,932	5,969	4,332	3,611
Total costs of asset management includes transaction costs	15,409	20,878	17,659	17,801	16,909
Total costs of asset management excluding transaction costs as a percentage of the AIA *	0.22	0.27	0.23	0.30	0.31
Total transaction costs as a percentage of the AIA *	0.11	0.11	0.12	0.09	0.09
Total costs of asset management as a percentage of the AIA	0.33	0.38	0.35	0.39	0.40
Total costs of administration *	4,464	3,947	3,602	3,567	3,982
Total costs of administration per participant or pension beneficiary in euros *	185	166	158	159	185

* 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 2022, our current funding ratio is 120.9%. In 2022, our policy funding ratio rate increased from 118.8% to 125.0%. The increase in the funding ratio is mainly due to the rise in interest rates. The Fund no longer needs a recovery plan.

Result: we achieved a negative investment result of 23.91% in 2022.

Supplement: the financial situation of the Fund as at 31 December 2021 allowed us to increase the pensions of pension beneficiaries and the entitlements of active and former participants by 1.20% as of 1 January 2022. This increase, i.e. supplement, was not yet complete, as our ambition was 2.70% (CPI all households). By taking advantage of the relaxed rules, we were still able to grant the remaining supplement on 1 September 2022. With this, supplements of 1.20% on 1 January 2022 and 1.48% on 1 September 2022 have been granted in 2022. The supplement on 1 January 2023 was 7.33%.

Premium funding ratio: the premium funding ratio as at 1 January 2022 was low at 72%. As at 1 January 2023, the premium funding ratio was well above 100%. In the new pension system, there can no longer be a low or high premium funding ratio, as participants add their deposited pension contributions to their own pension capital.

Premium: for 2022, the parties to the collective labour agreement agreed to increase the pension premium from 23% to 24.5% of the pension base. This allowed the accrual rate for the retirement pension to rise again slightly in 2022.

Accrual rates: retirement pension accrual increased from 1.39% to 1.50% in 2022. This is higher than last year, but lower than our ambition, namely the maximum permissible rate from a tax point of view. We have tested the accrual rate in conjunction with the premium rate against regulations and calculation rules of Dutch central bank 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 concluded that with the set of agreements, the interests of participants and pension beneficiaries are taken into account in a balanced way. In doing so, we looked at the overall package of pension arrangements and not just the individual components. We did not change the accrual rates of partner’s and orphan’s pensions. These rates remained at 1.3125% and 0.2625%, respectively.

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. These are 'sustainable and affordable energy' and 'sustainable cities and communities'. 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. We are exploring the potential of the scheme to provide more flexibility and options for participants in future financial provisions and to encourage self-employed people to join the scheme. We want to ensure that our participants retire happy and stay happy.

Future of pensions bill: both Houses of Dutch parliament have adopted the Future of Pensions Act. Its aim is a more sustainable pension system that sooner offers the prospect of a purchasing power pension. A change in the design of the system will make pensions more transparent and more personalised. Pensions are also going to move more with the economy. The social partners have expressed their preference for the solidarity contribution scheme and the intention to integrate accrued rights (*invaren*). Integrating accrued rights means transferring already accrued pensions into a personal pension pot. We will endeavour to minimise shocks to pension benefits in payment for pension beneficiaries.

1 Policy

As a fund, we spent a lot of time in 2022 on various work under the Dutch Future of Pensions Act (Wtp - *Wet toekomst pensioenen*), adapting the pension scheme to that which is customary and desired and to good pension fund governance with integrity. In our communication with our rank and file, we have placed more emphasis on 'contact and together'. We have also continued to focus on 'insight and action perspective' and 'recognisable and solid'.

There were many different issues on our agenda in 2022. Naturally, Russia's invasion of Ukraine on 24 February 2022 kept us occupied, both on a human level and its impact on the fund. We had additional meetings to interpret the impact and assess whether additional measures needed to be taken. The latter was not the case. We also concluded that there was no crisis in accordance with our crisis plan. The evaluation of the crisis plan did not result in adjustments.

We amended our governance set-up. The Communications and Pensions Committee has been split into a Communications Committee and a Pensions Committee. We believe that with these two committees, we will be better able to anticipate all developments in the fields of communication, pensions, and outsourcing, and thereby achieve greater focus. Also, after two years of piloting mandating, we formalised the mandate to the committees for pension administration decisions. We abide by the principle that deciding on policy remains a Board matter. We updated the committees' regulations to the mandate.

Furthermore, the topic of asset management featured prominently on our agenda. This was prompted by the necessary reorganisation of asset management due to PGGM's decision to close a number of investment funds for, among others, our pension fund.

In this chapter, we render account for the policy choices we have made in 2022.

1.1 Topics in 2022

Future of Pensions Act
In cooperation with the social partners, we started work on the Wtp in 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 takes effect from 1 July 2023 and we have until 1 January 2028 to adapt the scheme to the new legal framework. We have been informed by our pension administrator APG of APG's collaboration on a new administrative system under the new pension scheme. We closely monitor the agreements reached between the parties and the progress thereof.

After adopting the programme plan and the roadmap with milestones, the desired Wtp governance structure appropriate to the Fund was formed. 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 take the first steps. After starting with the initial design under the guidance of an external consultant, we entrusted the Executive Office with the actual management of the programme. 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 social partners asked the Board for content-oriented support with regard to the Wtp. In summary, the social partners want insight into the "from now to later" process, which reveals the impact of the transition to the new system: from premium contributions to expected outcome. The social partners have made the preliminary choice of solidarity contribution scheme. The guiding principle is to move to the new pension scheme on 1 January 2026 and integrate the accrued entitlements. We considered an earlier date for the transition, but given the work still to be done and the legislative process, this is not considered realistic. Within the decision-making process, we distinguish various interdependencies that hinder a faster transition.

Employer representatives of the social partners are considering adding flexible elements to the solidarity contribution scheme. Employee representatives have indicated that they have no fundamental objections thereto in advance. During a creative session, the options were explored. Among other things, we discussed opt-in and opt-out arrangements. We also commissioned several calculations that provide insight into the level of reference persons based on age and income. After the social partners have made the final choices, we as a fund still need to decide on acceptance of the mandate.

The risk preference, i.e. the ability to bear financial risk and risk appetite, of our participants is a major factor for the design of the new pension scheme and for the resulting policy. Asking about risk appetite was an important moment of interaction with our rank and file. We decided to have this study conducted by IG&H and Achmea Pensioenservices after going through a Request for Information and Request for Proposal process. The response rate was high enough to draw representative conclusions. Based on risk appetite and the ability to bear risks, we apply this to a generic life cycle. For further interpretation of the outcomes from the risk preference survey, we also organised focus groups with participants and pension beneficiaries to ask, among other things, about their motivations and understanding of risks when investing.

We discuss the Wtp progress report every three months. Given the fundamental changes that will follow from the Wtp, we have tasked the Internal Audit key role holder with itemising our Wtp approach. Therefore, this was not an audit or a quick scan, but a consultancy assignment to provide us with observations and points of interest.

Strategic sessions have also been held in which we have already looked at the impact of the Wtp on the future governance model.

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 administration costs as low as possible. The social partners determine the pension scheme and the Fund is responsible for administering it.

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 24.5%. In 2021, the accrual rate was 1.39% per annum, in 2022 1.50% and in 2023 1.44%.

The accrual rate in these three years is lower than the maximum accrual rate allowed for tax purposes at a retirement age of 67. Our ambition is an accrual rate of 1.738%. We use a retirement age of 67, as this most closely reflects what we consider the retirement date in practice.

We have identified the flexibility factors.

Non-contributory continuation in case of occupational disability

If members 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.

Fixation inflation curve according to alternative minimum projection path

In 2022, we decided to use the alternative minimum projection path (*ingroeipad*) published by DNB as retroactive fixing is not allowed. After all, we did not explicitly consider inflation curve fixing in 2020.

Inflation is now fixed for the same duration as the yield curve.

ALM study

We did not perform a new ALM study in 2022. In 2022, we did predetermine the parameters to be used in the ALM study. We started calculations in 2023.

Collection process

Regarding the collection process, we try to be as highly reactive as possible. We added an interim service call to the architectural firms to the monitoring of the collection process. Agencies now get a phone call when we notice that premium payments are behind. In case of late payment, the following means are at our disposal to mitigate the risks: payment reminder, formal notice of default, service call and, finally, assignment to a third-party collection partner. 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. We therefore carried out additional enforcement activities in 2022 using data analysis to mitigate this risk.

In 2022, we commissioned an additional one-off check of the file of Trade Organisation Dutch Architectural Firms (*Branchevereniging Nederlandse Architectenbureaus* - BNA) to test whether or not the firms listed in this file were rightly registered as compulsory firms in the Fund. The Fund's file has been further tested on the basis of the compulsory affiliation criteria so that, in the transition to the new system, it is clear which employers are compulsorily affiliated and which voluntarily.

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 member 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. Furthermore, a generic approach has been developed to track down untraceable participants.

IT policy

Last year, we started working on the "IT in control" programme. The Dutch National Cyber Security Centre advised organisations to prepare for a major attack as serious vulnerabilities had been discovered in certain software. For instance, 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 legislation and regulations, in particular the General Data Protection Regulation (GDPR, in Dutch: AVG - *Algemene verordening gegevensbescherming*) 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. Part of this compliance statement concerns the Data Protection Officer's consolidating annual report (DPO statement). This report is based on the DPO's quarterly monitoring of GDPR compliance.

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
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The year 2022 was all about further ensuring compliance with the Code of Conduct in practice. Similarly, in cooperation with APG, we have aligned our retention period policy with the Code of Conduct.

1.2 Proper pension fund governance

Code of the Dutch Pension Funds

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, hereinafter referred to as the Code, for this purpose. In 2022, we complied with all provisions in the Code. As per standard 64 from the Code, in this annual report we report on compliance with the standards according to the ‘comply or explain’ principle. The table below shows 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 reports to the Accountability Body on the policy pursued, outcomes, choices and risks. The Board's policy and the choices and considerations are explained at that time, among other things on the basis of the opinion drawn up 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, stakeholder reflection and continuity, has been set out 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. The self-assessment of the Board in 2021 used the 'value scan'.
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 the age of 40. The Board draws up a roadmap to promote diversity on the Board.	Yes	There are 2 females on the Board, 3 on the Accountability Body and 1 on the Supervisory Board. One Board ember is below 40. Also, 1 member of the Accountability Body was under 40 in 2022.
Standard 47 The internal supervision uses this Code in the performance of its duties.	Yes	The annual report and in particular in the Supervisory Board's Report of Findings, reported in general on the standards of the Code.
Standard 58 The Board provides public insight into mission, vision and strategy.	Yes	The Board describes the pension fund's mission, vision and strategy in a separate chapter in the annual report. In it, the Board also describes is the extent to which the Fund is meeting its set goals .
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 has been published on the website. The policy is further fleshed out by co-signing the IMVB (international socially responsible investing) pension funds covenant. This covenant lapsed in 2022.
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 refers to application of the principles of the Code. The annex to the annual report contains the eight reporting standards that always presuppose explanatory notes despite the Fund complying with all the standards.
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 reports on the numbers and the settlement of complaints where applicable.

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. We updated the code of conduct regarding reporting of insider information at the end of the year. 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. The compliance officer's report for 2022 shows that there were no issues that required additional attention. 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 hey are or have been in possession of price-sensitive information within the context of the insider scheme.

Periodically, we reflected on the Fund's integrity risks using the systematic integrity risk analysis. During these discussions, we considered potential conflicts of interest and the risks of apparent conflicts of interest. We have a zero-tolerance policy on integrity risk. There were no integrity issues in 2022.

Reporting of (suspected) irregularities, integrity incidents or abuse scheme

Irregularities identified within our Fund, the bodies or at parties to whom tasks have been outsourced can be reported in accordance with the Reporting of (Suspected) Irregularities, Integrity Incidents or Abuse Scheme. The scheme is available to all and can be found on the Fund's website. We have appointed an external confidential adviser whom affiliated persons can contact if there is reason to do so. The confidential adviser's report for 2022 shows that there were no cases that required additional attention. We anticipate an update of our scheme in 2023 due to amended legislation, i.e. the Dutch Whistleblowers Protection Act (*Wet bescherming klokkenluiders*). We will elaborate on this legislation together with our confidential adviser.

Incident scheme

We have updated our incident scheme. Using a flowchart, this scheme describes the frameworks and the course of action for dealing with incidents and near-incidents that may threaten our operations. Now, it includes the data breach protocol.

In 2022, Achmea Pensioenservices, the party that performed our administration until 31 December 2017, reported that the data of no more than three participants was involved in a data breach. It was noted that, in the past, it was possible for participants to view other participants' entitlements insured elsewhere when using the pension planner. However, this was only possible if the participant was logged into the portal and by applying a complex technical adaptation. This data breach was reported to the Dutch Data Protection Authority (*Autoriteit Persoonsgegevens*).

Absence and inability to act

The Dutch Management and Supervision (Legal entities) Act (*Wet bestuur en toezicht rechtspersonen*) introduced the obligation for all legal entities to provide for a regulation for absence and inability to act, and has a regulation in case of a direct and indirect personal conflict of interest. To ensure continuity on the Board at all times, we have amended our Articles of Association and regulations accordingly.

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 2022, we participated in webinars and seminars 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 to several propositions. Among other things, we came to the conclusion that the countervailing power in the IT domain should be increased and that we had expected more added value from the third line in Internal Audit. We delegate several issues to the committees, but believe this could be done with more cases. Furthermore, we can take time more explicitly for the formation of image and opinion prior to making decisions.

Evaluation of external consultants
We hold annual assessment interviews with our external consultants in line with our outsourcing policy. 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 Communication activities
As a fund, we believe communication is imperative. We have a three-year communication policy plan in place. In cooperation with APG, we conduct customer satisfaction surveys among our stakeholders. The main resulting insight was that we need to do an even better job of showing and telling people the value of the pension scheme. We also need to propagate our vision of socially responsible investing and the way in which we are implementing it more than we do now. Finally, we can give participants a better understanding of what they can do themselves and indicate what help we can offer. We took these different insights into account when drafting the new communication policy plan for 2022-2024. Following positive advice from the Accountability Body, we adopted this plan.

We see that pensions have become uncertain, that absolute security is no longer a given and that pensions do not just automatically rise any more. We want to offer participants a good and realistic financial future prospect. For 2022, we have set three movements in motion, namely: connecting meaningfully, making the added value of the pension scheme tangible and bringing the themes ‘sustainable’ and ‘responsible’ closer.

The pension planner on the website allows people who have accrued pension entitlements with us to calculate various individual options. Here they can also access their data and overviews, pass on changes and receive notifications. Participants can also use the 'Pension Checker' app to get easy insight into their pension entitlements. This way, we offer our participants more insight and action perspective. Because although all the participants accrue pensions equally, they have a say in how they have these entitlements paid out. In anticipation of 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 from 'Medium' to 'Substantial'. This means an ID check of passport, driving licence or identity card in the DigiD app must take place before logging into the ‘My’ environment.

Besides the regular maintenance of the website, the information available has been expanded, including regarding responsible investing. We communicate digitally more and more. Therefore, we are continuously collecting e-mail addresses of participants, former participants and pensioners. We also communicate via our LinkedIn account with short messages on a regular basis. We publish a digital newsletter four times a year for employers and employees as well as pension beneficiaries and have released the abridged annual report. We further supported employers with the 'pension as a valuable employment condition' campaign.

We warmly welcomed new participants to the Fund. In the first six months of enrolling as a new participant, they receive a number of relevant e-mails. In the event of a death, a sympathetic condolence card is sent. Around Valentine's Day, we informed participants about the stipulations of the partner’s pension. We also launched the 'let your future know' campaign. This campaign aims to appeal to participants from emotion. There was also a campaign addressing retirement choices for the target group nearing retirement age.

We also organised meetings in 2022. For instance, we held three live afternoon sessions for pensioners, there were also several digital meetings for people over 55, and liaison sessions 'Pension and Joy' took place as part of the introduction of the new pension system. The latter were the input for the conversation map we created in collaboration with De Argumentenfabriek. With these sessions, we shaped the objective of 'connecting meaningfully'.

We reflected on our role perception regarding duty of care and choice guidance. We believe that participants should be guided well when making pension choices. Before we launch other initiatives, we want to be a good pension guide and deliver on our promises. In doing so, it is important that the choice guidance provided to the participants is properly recorded, including the rationale and consequences of the defaults presented or choices that deviate from them. Furthermore, we test the interpretation against the guidance of the Federation of Pension Funds and the Dutch authority for the financial markets AFM.

The internal audit key role holder conducted an audit on our pension communications. The purpose of this audit was to provide an independent opinion on how we have implemented the Dutch Pension Communication Act (*Wet pensioencommunicatie*) and to what extent we are complying with the Dutch Pensions Act (*Pensioenwet*). Most of the 98 standards were rated good and no standards were rated inadequate.

1.3.2 Pension register

The foundation Stichting Pensioenregister is an initiative of the joint Dutch pension funds, pension insurers and the Dutch Social Security Office (Sociale Verzekeringsbank). On the website www.mijnpensioenoverzicht.nl anyone can see how high their accrued and future pension entitlements are, including state pension, even if they have accrued pension with several pension funds. These accrued and attainable nominal entitlements are presented in a comparable manner, supplemented by the pension to be expected in neutral, best-case and worst-case scenarios. In our own statements, we encourage participants to take a look here so that they can really understand their overall retirement provision.

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 2022 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.

We have an open attitude towards regulatory bodies. In 2022, we were invited by AFM for an exploratory discussion on the mandatory Wtp communication plan, as part of the implementation plan. We also had a conversation with DNB about our approach and progress on the Wtp process. A follow-up discussion with DNB on the same topic took place at the end of 2022.

We also had a conversation with DNB last autumn on data quality. We have incorporated the feedback and points of attention raised by DNB into our data quality policy.

We have reported several cloud outsourcings and sub-outsourcings to DNB.

1.5 Looking ahead to 2023

The main issue on our agendas is the Wtp and especially the optimisation of the solidarity contribution scheme. Optimisation calculations are prepared by the Pensions Committee based on established working assumptions. These will result in a prototype pension scheme that we will present to the social partners.

We take follow-up steps regarding the ALM study. In doing so, we also look at possible funding ratio protective constructions. From a risk perspective, we examine the possibilities of protecting the funding ratio in full or in part towards the date of integration of accrued rights. The Investment Advisory Committee prepares these guiding principles.

The Communications Committee devotes a lot of time to Wtp related issues as well: choice guidance, the transition customer journey and the Communications Workflow Plan.

We are improving our management and control of IT risks. For instance, we have discussed with APG the design of the IT risk management framework, the information security risk self-assessment, the management of cybersecurity and ransomware, the follow-up of the findings in DNB's outsourcing investigation and the IT chain within APG and the change process. For 2023, we have prepared an annual IT calendar that enables IT risk management control. This annual IT calendar is part of the 2023 annual plan.

This annual plan is believed to allow us to demonstrate the performance of the current information security over the first six months of 2023 to DNB. We are in the process of an IT audit.

In its guidance and good practices, DNB highlights properly securing an IT focus on the Board. For this reason, we have decided to appoint an IT portfolio manager. This is a Board member functioning from the first line with focus on IT. The portfolio manager also manages the Fund-wide IT policy.

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 them 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 and 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 2023, the precise division of roles of portfolio managers, the extent and manner of assistance and the distribution of tasks and responsibilities will be fleshed out.

2 Results

We wish to meet the objects 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.

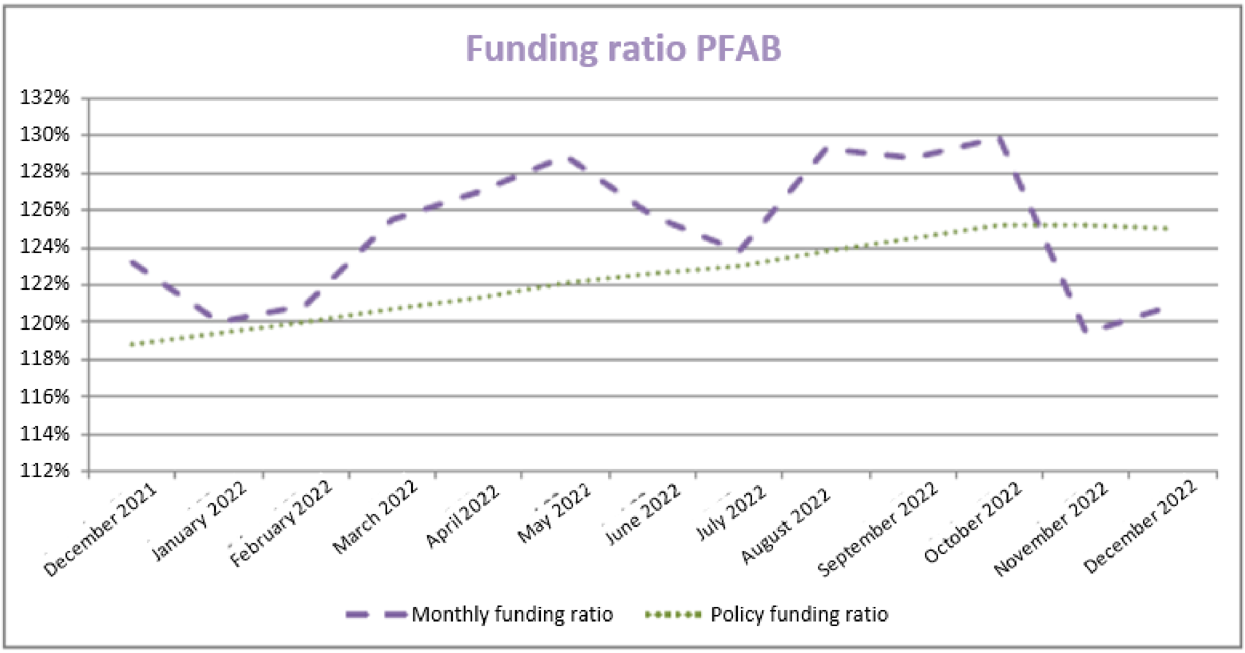
In 2022, we examined partner frequencies and survival bases. Following this, we decided to use recent survival bases (Projections Life Table AG2022 and Triple A Mortality Experience 2022) and updated partner frequencies, based on data from Statistics Netherlands (CBS) from 2022.

2.1 Developments financial position

Development of funding ratios

The Fund's current funding ratio fell from 123.2% to 120.9% in 2022. The Fund's current funding ratio at the end of 2022 does exceed the minimum required funding ratio of 104.2% and exceeds the required funding ratio of 119.9%. The decrease is mainly due to the indexation granted in 2022.

At the end of 2022, the Fund's policy funding ratio had increased from 118.8% to 125.0%, exceeding the required funding ratio of 119.9%. Hence, there is no reserve deficit. The movements in the current funding ratio over the past year are shown in the following chart, as well as the policy funding ratio. The actual funding ratio is 92.1%.



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 increase the pension premium from 23% in 2021 to 24.5% in 2022. The annual accrual rate follows from the agreements on setting the cost-covering premium and the legal requirements on cost cover. 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)	2022	2021	2020	2019	2018
Available					
Average wage premium	74,278	64,795	60,300	56,570	49,938
Premium waiver surcharge	-3,039	-2,843	-2,644	-1,982	-1,688
Surcharge for costs	-2,673	-2,482	-3,851	-3,617	-3,039
Required					
Required for purchase (including risk premium)	98,253	91,922	85,499	64,087	54,571
Result on premium	**-29,687**	**-32,452**	**-31,694**	**-13,116**	**-9,360**
Pension scheme premium	24.5%	23.0%	23.0%	23.0%	23.0%

Pure cost-covering premium (in % of pension base)	2022	2021	2020	2019	2018
Purchase and risk premium	32.4	32.6	32.6	26.1	25.1
Premium waiver occupational disability	1.0	1.0	1.0	0.8	0.8
Solvency (required equity capital)	6.1	6.1	6.3	5.1	5.2
Cost surcharge	0.4	0.2	0.3	0.4	0.6
Total	**39.9**	**39.9**	**40.2**	**32.4**	**31.7**
Factual premium	**24.5**	**23.0**	**23.0**	**23.0**	**23.0**
Surplus (+) or deficit (-)	**-15.4**	**-16.9**	**-17.2**	**-9.4**	**-8.7**
Premium funding ratio (ex post)	72%	68%	67%	84%	86%

Smoothed cost-covering premium (in % of pension base)	2022	2021	2020	2019	2018
Purchase and risk premium	12.2	11.5	9.4	9.3	9.3
Premium waiver occupational disability	0.4	0.4	0.3	0.3	0.3
Solvency (required equity capital)	2.3	2.1	1.8	1.9	1.9
Cost surcharge	0.4	0.2	0.3	0.4	0.6
Surcharge conditional supplements	8.6	7.9	6.1	5.8	8.7
Total	**23.9**	**22.1**	**17.9**	**17.7**	**20.8**
Factual premium	**24.5**	**23.0**	**23.0**	**23.0**	**23.0**
Surplus (+) or deficit (-)	**0.6**	**0.9**	**5.1**	**5.3**	**2.2**

Evaluation of premium policy

With relatively low interest rates, pensions are becoming increasingly expensive and more premiums are needed to fund them. We have set the premium rate for 2022 at 24.5% of the pension base. In 2021, this was 23% of the pension base. The factual premium was thus set at cost-covering levels according to the method of the smoothed cost-covering premium, taking into account future returns to be achieved. We do not differentiate between a participant's gender, age or health for premium purposes. 55% of the pension premium is paid by the employer. The employee pays 45%.

For the year 2023, we set the premium unchanged at 24.5%, but had to reduce the accrual rate from 1.5% to 1.44% to have the premium cost-covering. This was necessary mainly because of higher expected inflation that had to be factored into the smoothed cost-covering premium for 2023. However, this means the pension scheme is not utilised at its maximum from a tax point of view The accrual rate of the dependants' pension remained the same.

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. In doing so, we accept a low premium funding ratio. Despite the fact that the premium in 2022, at 24.5%, did not fund the full increase in the provision, we concluded that the premium met the conditions of a balance of interests. In the short term, the difference is funded by the Fund's assets. Those assets belong to all the participants collectively. In the longer term, the returns achieved should be sufficient to fund accrual, after which further returns are earmarked for supplements.

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. The increase in premium also allowed us to increase the accrual rate.

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. That current interest rate is lower than the expected return net of inflation, so the increase in the technical provision due to pension accrual is higher 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 2022 was 72%. Due to increased interest rates, the premium funding ratio rose sharply to 120% in 2023.

Negative result due to interest, investments and supplements

In the 2022 financial year, the Fund incurred a negative result of €336 million. This result is largely due to the result on interest, the negative investment results and the supplements on 1 September 2022 and 1 January 2023. The latter supplement is included in the 2022 result because we had already completed the decision-making process in 2022.

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, increased from 0.58% to 2.53% in 2022. As a result, the pension liability provision decreased by around 30% in total and the result on the movement in the interest rate term structure was positive. This 30% decrease in the pension liability provision consists of a 1% increase due to the UFR change as of 1 January 2022 and a 31% decrease due to the regular movement, i.e. sharp increase, of the interest rate term structure. This resulted in a positive result of €1,388 million.

Investment returns and interest

The result on interest is negative. The interest required is based on the 1-year interest rate from the interest rate term structure at the end of 2021 (-/- 0.486%). For 2023, the required interest rate is positive again: 3.264% based on the interest rate term structure at the end of 2022. At -23.91%, the return on investments is significantly lower than the return in recent years. This is caused in part due to the hike in interest rates making negative returns to be incurred on fixed-income securities and interest rate derivatives. A negative return was also incurred on marketable securities.

Premium

The negative result on premium is caused by the Fund using premium smoothing based on expected returns. Because of this legally permitted smoothing option, the factual premium of 24.5% is cost-covering for actuarial purchase based on this expected return, taking into account the 2022 accrual rate of 1.50%. However, the actual addition to the provision is not based on the expected return, but on the interest rate term structure at the end of the previous financial year. This resulted in a negative return of almost €30 million.

Supplements

Thanks to the increased policy funding ratio, we were able to grant supplements. On 1 January 2022, the pension entitlements and benefits of former participants and pension beneficiaries were increased by 1.2%. We also granted a 1.48% supplement on 1 September 2022 and a 7.33% supplement on 1 January 2023. We did not use the expanded supplement framework for the supplement decision on 1 January 2023. The supplement on 1 January 2023 was determined on the basis of the regular supplement policy.

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 in 2022 set by the social partners is summarised in the following table:

Type of limit	Limit	Test 2022
Lower limit expected pension outcome	74.0%	98.0%
Maximum deviation in a negative scenario	45.0%	31.6%

Based on the 2022 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

The Fund no longer has a reserve deficit as at 31 December 2022 and is formally 'out of recovery'. We did not have 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 of 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 (CPI 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 recovery 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.

On 1 January 2022, we were able to increase pensions by 1.20% due to the increased policy funding ratio as at 30 September 2021. Our ambition was an increase of 2.70% as inflation over the reference period was 2.70%. Due to relaxed rules that took effect from 1 July 2022 with a general administrative order, we were also able to increase pensions once again in September 2022. We had to amend several Fund documents for this purpose.

With the additional 1.48% increase from 1 September 2022, pensions have been fully compensated for price inflation in 2021. In determining the increases, we took the interests of both older and younger participants into account. We were also mindful of the decisions made by other pension funds and public opinion. Being one of the few funds not to take advantage of the expanded framework will be perceived unfair. Also, using the expanded framework is in line with what people have heard in the media.

Increasing participants' entitlements and benefits has worsened the Fund's financial position. This means that there are fewer assets at the time of the transition to the new system, as total assets have decreased. The supplement decision also increases the likelihood of cuts when financially troubled and reduces future supplements. Based on the feasibility test, the allocation of the additional supplement is marginally more positive for older participants than for younger participants. For supplements, we deployed additional communication.

The cumulative indexation gap as at 31 December 2022 is 28.96% for active participants and 30.62% for inactive participants and pension beneficiaries.

Increase in pension entitlements over the past five years:

Reference date	pension increase	price increase
1 September 2022	1.48%	
1 January 2022	1.20%	2.70%
1 January 2021	None	0.96%
1 July 2020	None	1.40%
1 July 2019	0.53%	2.80%

The combined increases from 1 January 2022 of 1.20% and 1 September 2022 of 1.48% make up for the 2022 price increase of 2.70%. From 1 January 2023, pensions have been increased by 7.33%. 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. In doing so, we persisted in our own policy.

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.

Pension management costs
Below is an overview of the costs of the pension scheme administration. This includes comparative figures relative to 2021. The costs are presented taking the Federation of Pension Funds' recommendations and AFM's guidelines into account.

For the cost target, the Board's point of reference is the average cost level of the past two years and the inflation. For 2022, the cost target was €168 per participant, i.e. participants and pension beneficiaries, excluding project costs for WTP work. For 2022, the Board set a cost target for Wtp work of €20 per participant. Thus, in total, the cost target for 2022 was €188 per participant.

The costs of pension management for 2022 are €4,464,000, including VAT (2021: €3,947,000). Converted, this is €185 per participant (2021: €166). Broken down into regular costs and project costs for Wtp work, this amounts to €175 and €10, respectively. This kept the fund within the cost target of €188 at an overall level, but more was spent on regular costs and less on project costs.

Amounts in thousands of euros	2022	2021
Governance, advice and monitoring:		
Governance costs	781	605
Executive Office	766	563
Membership fees and contributions	303	307
Audit and consulting fees actuary	264	104
Consultant costs	223	141
Accountant costs	80	74
Supervisory Board	49	66
Other	42	27
Total	**2,508**	**1,887**
Of which allocated to asset management costs	-1,130	-859
Administrative costs	**3,086**	**2,919**
Total pension managements costs	**4,464**	**3,947**

	2022	2021
Active participants	10,313	10,050
Pensioners	13,872	13,715
Total	**24,185**	**23,765**
Pension management costs in euros per participant	**185**	**166**

Pension management costs for 2022 have increased relative to 2021. The main differences are reflected in the costs of the Board, the Executive Office, consultants and the actuary's audit and consulting fees.

The higher costs of the Board are mainly due to the increased frequency of meetings resulting in higher costs for meeting facilities, travel expenses and use of minute secretaries. Due to the onboarding of new Accountability Body members, training costs were also higher than in 2021.

The higher Executive Office costs are mainly due to the hiring of additional capacity for the development of the new pension scheme under the Wtp and the increased deployment of the Communications specialist.

Consultant and audit and advisory costs increased significantly compared to 2021 due to the development of the new pension scheme under the Wtp.

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, we have included in our mission statement 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 €188 per participant are the guiding principle herein. The costs for 2022 have increased compared to those for 2021. This is mainly due to the costs of developing the new pension scheme under the Wtp. With this high-impact development, the requirements from legislation and regulations and the increased amount of work as a result, we believe that 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 2019-2021 were lower than the average at comparable pension funds, namely €161 versus €190 per participant. Taking only the year 2021 into account, our pension management costs are also lower than the pension management costs at comparable pension funds, i.e. €166 against €198 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 2022. The results will be included in the next annual report.

Asset management costs

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

	2022	2021
Average managed assets *	**4,717,894**	**5,501,315**
Management costs including performance-related costs	10,405	14,946
Transaction costs	5,004	5,932
% of average invested assets		
Management costs including performance-related costs	0.22%	0.27%
Transaction costs	0.11%	0.11%
Total	**0.33%**	**0.38%**
* Average managed assets are the average invested assets in the reference year		

Explanatory notes on asset management costs

Based on the average invested assets of €4,718 million, the reported cost of asset management decreased by 0.05 percentage points from 0.38% for 2021 to 0.33% for 2022. Costs in absolute terms have also fallen. Total performance-related costs decreased from €4.2 million in 2021 to - €1.1 million in 2022. For 2021, these costs were high because of the high Private Equity return, while the return for 2022 was strongly negative and, consequently, the performance fee over 2022 as well. The performance fees are not actually settled in cash but are reflected in a reserve which is thus negatively adjusted after 2022. For the pension fund, this is positive. Total transaction costs and buying and selling expenses increased from €5.9 million in 2021 to €9.4 million in 2022. These transaction costs are partly based on a proxy of bid and offer prices. The increase in transaction costs is mainly attributable to the property portfolio and fixed-income securities under management at CTI. The increase in the property portfolio is explained by the transfer tax payable as a result of the acquisition of the portfolios of Pensioenfonds Rabobank and Achmea Pensioen- en Levensverzekeringen N.V. by the Achmea Dutch Retail Property Fund. At CTI, transaction costs were negative in 2021 and positive again in 2022 as a result of positive differences in valuations when purchasing new government bonds compared to the valuation set for the benchmark.

The total costs reported in this overview thus amount to €19.8 million for 2022 (€20.9 million in 2021). Per participant/pension beneficiary, the costs are €818 (€879 in 2021).

Since we had still invested largely in investment funds in 2022, the fixed and variable management costs and transaction costs related to these funds are part of the returns achieved. 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 third-party 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 2019-2021, namely 0.27% against 0.34%. 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 2022 costs. The results will be included in the next annual report.

Management fee asset managers

The year 2022 was largely dominated by the transition from the investment funds held at PGGM to various new asset managers. This applied to the investment classes Developed Markets Equity, Emerging Markets Equity, Emerging Market Debt and Investment grade credits. Due to PGGM's contributions to the buying and selling costs, the transitions were carried out in a virtually cost-neutral manner.

Performance-related fees include those based on agreed performance targets. The performance-related fees for Private Equity are based on results in the current reporting year. In determining performance-related fees, the returns of Private Equity investments from previous years are also taken into account. Only 0.8% of the pension fund's total assets were invested in Private Equity in 2022. This investment class has been sold at the end of 2022.

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 invested largely in investment funds in 2022. 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.

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, 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 and transaction costs, as a percentage of the average invested assets, were lower in 2022 than in 2021. In absolute terms, the costs in 2022 were €1 million, rounded, lower than in 2021. Within the costs, there was a fall in performance-related costs in Private Equity due to negative returns of this investment class in 2022. There was also a fall in asset management costs in equity investments due to a lower market value in 2022 compared to 2021. The costs of the transition from PGGM were carried out in a cost-neutral manner due to contributions for the buying and selling costs from PGGM. The transition ultimately led to a decrease in management costs, which will be reflected in next year's report. 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 implemented.

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.

2022	Management costs	Performance-related costs	Transaction costs excluding buying and selling 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-income 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
Cost 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**

2021	Management costs	Performance-related costs	Transaction costs excluding buying and selling costs	Buying and selling costs	Total
			Transaction costs		
Costs per investment class					
Property	1,983		9	20	2,012
Equities	1,466	262		1,158	2,886
Alternative investments	484	3,899	53	1	4,437
Fixed-income securities	1,326		-154	3,109	4,281
Other investments	1,032	209	705	455	2,401
Total costs attributable to classes excluding overlay	6,291	4,370	613	4,743	16,017
Cost of overlay investments	1,465		576		2,041
Total costs to be allocated to classes including overlay	**7,756**	**4,370**	**1,189**	**4,743**	**18,058**
Other asset management costs					
Asset management costs pension fund and Executive Office	859				859
Costs of fiduciary management	1,200				1,200
Custody fees	41				41
Asset management advisory fees	368				368
Other costs	352				352
Total other asset management costs	**2,820**				**2,820**
Total costs of asset management	**10,576**				**20,878**

3 Asset management

Vision on asset management

Our investments are aligned with our liabilities so that an optimal return is achieved within acceptable risks. To this end, we periodically conduct an ALM study that determines our investment policy in broad terms. This basic investment mix is then further optimised into sub-investment classes. The ALM basic mix consists of several components. The 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.

In doing so, our following principles, i.e. beliefs, apply:

- Investments match the 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-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 Fund believes interest rate and currency movements cannot be predicted. Because of the importance attached to risk management, these risks are hedged strategically, with the degree of hedging depending on the specific characteristics of the risk with respect to liabilities and funding ratio and the possibilities of efficient and controlled hedging.
- 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 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 carefully selected the benchmarks to be used to guide the implementation of asset management. This choice is based on our desired risk profile.

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

In 2022, we decided to transfer the liquid investments that had been placed with PGGM to a number of discretionary portfolios under our own management and one new investment fund. This move puts us in a better position to achieve our ESG objectives. Also, this transition resulted in lower management costs. The transition started in November 2022 and was fully completed by early 2023.

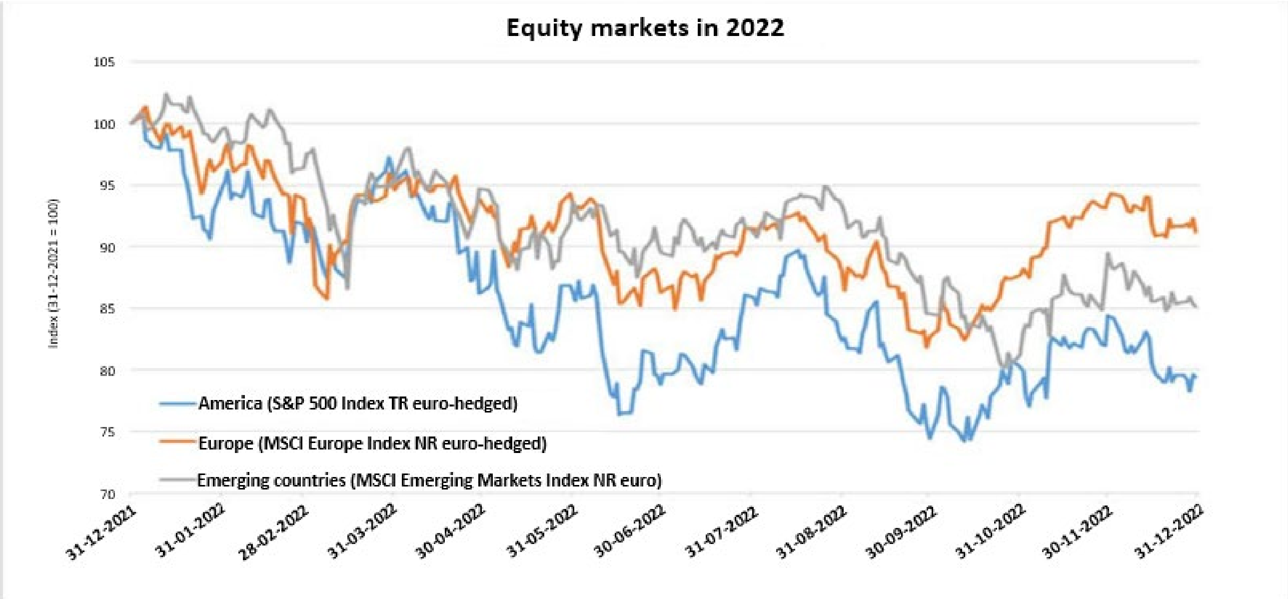
An investment year driven by inflation and geopolitical tensions
The year 2022 seemed to start well with a global decline in the number of new corona infections and relaxations, pushing COVID-19 into the background as the dominant theme. However, the Russian invasion of Ukraine on 24 February 2022 brutally changed that picture. The result was a humanitarian disaster in Ukraine. Internationally, there were geopolitical tensions, sanctions, high energy and food prices and inflation, production disruptions, but also a united EU that is going to invest more in defence and accelerate the energy transition. The result was sharply rising inflation rates worldwide to levels unthinkable until recently. This inflation then also affected the rest of the economy, such as the labour market and the housing market. Only in the last months of the year was there a turnaround. Eurozone inflation rose from 5.0% at the end of 2021 to a peak of 10.6% in October 2022, before falling slightly again to 9.2% in December 2022 per annum. In the US, inflation already showed a decline in the last six months of the year to end the year at 6.5% per annum. While many inflation indicators are stabilising, for instance container ship costs, money growth and producer prices, among others, second-order inflation effects, i.e. rising wages and rents, remain a matter of concern for central banks.

The US Federal Reserve raised the policy interest rate as many as six times in 2022: in May and June by 50 basis points and 75 basis points, respectively, which was the largest change since 1994, twice by 75 basis points in the third quarter, followed by two changes in the final quarter totalling 1.25% points, bringing the US interest rate to a range of 4.25%-4.50%. The Bank of England (BoE) also raised short-term interest rate. The BoE intervened in September, when the British bond market went through a major crisis, by buying long government bonds. In the last quarter, the Bank of Japan (BoJ) changed its policy. Instead of a 10-year interest rate target of 0% with a range of +/-0.25%-point, the BoJ now uses a target of 0% with a range of +/-0.5%-point. This announcement resulted in higher interest rates in Japan and a stronger Japanese yen. The European Central Bank (ECB) also played its part over the past year. First, net buyback programmes were discontinued in June. In the third quarter, the short-term interest rate was raised in two steps from 0% to 1.25%, followed by two increases in the last quarter totalling 1.25%-point, leaving the short-term interest rate in the eurozone to end the year at 2.5%. Both the Federal Reserve and the ECB indicate that interest rate should be raised further and that inflation, although falling, is still considerably too high. In particular core inflation is not falling fast enough.

In the final months of 2022, pessimism about economic growth increased. This was due to the energy crisis in Europe, high core inflation, tighter monetary policy, a global negative turn in the housing market and historically low consumer confidence. For Europe, a recession in 2023 is now the base case scenario. For the US, the estimate was reduced to only a 0.3% growth. Growth pessimism also increased in China due to problems in the property sector and lock downs due to COVID-19.

Equities

The combination of high inflation, serious geopolitical tensions, rising pessimism about economic growth and (the expectation of) tighter monetary policy, caused sharp negative returns in equity markets in the first nine months of the year. This represented a substantial correction to the high returns of previous years. There was some recovery in the last three months of the year, but on balance 2022 remains a year to quickly forget for equity markets.



Source: Bloomberg, BMO Global Asset Management

The total investment portfolio achieved a return of -/-23.91%. There were negative returns for both the return portfolio (-/-11.80%) and the match portfolio (-/-36.53%). Increased interest rates have had a favourable effect on the Fund's funding ratio. The Fund's assets at the end of December 2022 amounted to €4.25 billion.

On balance, the policy funding ratio rose from 118.8% to 125.0% in 2022. The current funding ratio fell from 123.2% at the end of 2021 to 120.8% at the end of 2022. This was mainly due to the indexation granted.

Policy pursued

We have recorded the investment policy pursued in 2022 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 we conducted in 2020. The strategic investment policy had the following allocation between marketable securities and fixed-income securities:

Marketable securities	45%
Fixed-income securities	55%

Fixed-income securities include the relatively safe classes of government bonds, mortgages and corporate bonds, but riskier high-yield bonds in the emerging market debt class as well. Marketable securities include equities, property, private equity and infrastructure. We added the high-yield corporate bond class, with lower ratings, during the year as this improved the return-risk profile of the investment portfolio.

We hedged 55.8% (market basis) of the interest rate risk in 2022 as in previous years in line with the strategic investment policy.

Match and return portfolios were used for portfolio classification. This includes the relatively safe fixed-income securities in the match portfolio; the high-yield fixed-income securities and marketable securities are part of 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 -/-23.91%. This comprises as follows:

	portfolio	benchmark	difference
Return portfolio (including currency hedging)	**-11.80%**	**-9.51%**	**-2.53%**
Equities	-13.56%	-13.53%	-0.04%
High-yield bonds	-2.45%	-2.45%	0.00%
Property SAREF	1.67%	2.02%	-0.34%
Property Bouwinvest	0.40%	0.40%	0.00%
Infrastructure	3.72%	1.85%	1.83%
Stadsherstel	6.08%	5.24%	0.80%
Private loans	-4.48%	-3.01%	-1.51%
Private equity	-15.54%	5.24%	-19.74%
Match portfolio (including interest rate hedging)	**-36.53%**	**-36.58%**	**0.09%**
Government bonds, liquid assets and swaps	-58.65%	-58.65%	0.00%
Corporate bonds (PGGM)	-10.99%	-11.67%	0.76%
Corporate bonds (UBS) *	-2.08%	-2.08%	0.00%
Private mortgages	-16.03%	-15.30%	-0.86%
Total	**-23.91%**	**-23.28%**	**-0.81%**

* *From the end of November, the corporate bond portfolio at PGGM was transferred to UBS in six tranches over a two-week period. The benchmark performance is therefore equivalent to the portfolio performance.*

Investment portfolio review

As described above, 2022 was a challenging year for the investment portfolio. Both the return portfolio and the matching portfolio showed negative results. The return portfolio yielded -/-11.80%. Within the return portfolio, private market equities and public market equities performed worst. The investments in infrastructure and Stadsherstel performed relatively better. The Stadsherstel class consists of participations in two Dutch city restoration funds and accounts for less than 0.1% of the assets.

A major change in 2022 involved the transition of the liquid investments from the PGGM funds to new asset managers. The reason for this transition was PGGM's decision to stop offering asset management services to third parties. This led to the appointment of a number of new asset managers and a change in the interpretation for the developed market and emerging market equity classes, as well as for euro investment grade corporate bonds and emerging market debt. The stake in emerging markets equities was transferred to a new asset manager in January 2023. In the process, new benchmarks have also been selected to match the ambitions of our climate policy. With the transition from the PGGM funds to new external mandates, new benchmarks are also being used for these classes.

Based on extensive analysis, we chose to use indices that comply with EU climate benchmark guidelines. Specifically, these are MSCI climate indices. These apply the regular market-weighted MSCI indices as a reference point, but then apply climate targets and ESG filters in line with the minimum standards of the Regulation EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks.

The primary goal of the matching portfolio is to hedge the interest rate risk for part of our liabilities. In 2022, a target allocation to Green, Social and Sustainable bonds was included as part of the matching portfolio.

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 in line with the benchmark.

Policy responsible investing

We believe that responsible investing contributes to responsible, stable and good investment performance and we herewith also express our social commitment. In 2022, we conducted a participant survey on preferences regarding socially responsible investing. We also paid attention to mapping the sustainability risk in the portfolio and made arrangements with the asset managers and fiduciary manager on the implementation of our policy. This included developments in this field such as IORP II, the IMVB covenant and the SDGs. In cooperation with our fiduciary manager, we developed an overall ESG risk scan to gain additional insight into the portfolio's climate risks, among other things. In doing so, particular attention was paid to the transition risks associated with a changing climate. For this we followed the methodology applied by DNB in stress-testing pension funds.

Responsible investing in retrospect 2022

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 asset management business, we invest globally, both directly and indirectly, in almost all business sectors, through a range of different asset classes and using various investment strategies. This means we are exposed to many different aspects of the global economy through our investments. Adverse effects may result from or relate to the economic activities of the assets in which we invest. In Annex 7 (Part IV), we report that we match 0% of our investments to taxonomy. We report it this way because we do not have sufficient data to make a better estimate.

Impact and value creation in 2022

Our asset manager PGGM invests in scalable solutions for the SDGs. With these Sustainable Development Investments (SDIs), PGGM generates social and environmental value in addition to a solid financial return.

The table on the next page shows the distribution across SDGs in terms of investments managed through our asset manager PGGM in 2022. In the table, the SDGs that correspond to our thematic preferences, namely SDG 7 (climate change) and 11 (sustainable cities and communities) have been shaded in. These SDGs account for 13.10% and 41.60%, respectively, of our investments.

SDG	Percentage
SDG1	0.00%
SDG2	1.90%
SDG3	15.90%
SDG4	0.20%
SDG6	3.20%
SDG7	13.10%
SDG8	1.30%
SDG9	6.00%
SDG11	41.60%
SDG12	0.20%
SDG13	16.20%
SDG14	0.10%
SDG15	0.30%

We measure the ESG component of companies in the equity portfolio and corporate bonds. In Dutch, ESG is defined as *Milieu*/Environment, *Maatschappij*/Society and *Goed ondernemingsbestuur*/Good Corporate Governance. The ESG score is a figure for the extent to which a company operates sustainably and responsibly. The portfolio's ESG score is expressed on a scale of 0-100.

In 2022, the main ESG indicators showed an improvement in both absolute and relative terms compared to December 2021. The overall ESG score rose from 67.7 to 72.1. This makes the ESG score of our portfolio higher than the benchmark.

The equity funds have an explicit carbon reduction target and this is reflected in the portfolio's carbon intensity compared to the benchmark. In 2022, carbon intensity has increased from 92 tonnes of CO_2 per million dollars of turnover to 102 tonnes of CO_2 per million dollars of turnover. The main reason for this is the addition of the high yield bond class in 2022. Before investing in this class, a comprehensive analysis of its ESG characteristics was carried out and part of the mandate to the executive asset manager was a 30% CO_2 reduction compared to the benchmark. An improvement can also be seen compared to our benchmarks. At the end of 2022, our portfolio had a 36% lower CO_2 intensity compared to the 'normal' market benchmark. In terms of sectors, we see that the biggest 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.

OECD screening

Like many Dutch pension funds, the Federation of Pension Funds and many non-governmental organisations (NGOs), trade unions and the Dutch government have also signed the IMVB covenant. This covenant aims to help pension funds get a better picture of the international investment chain. The main purpose of the agreement is to identify, mitigate and prevent adverse impacts within the investment portfolio, such as human rights violations and environmental damage . In this agreement, the parties aim to work together to create a more sustainable society. This cooperation covers practical and legal opportunities as well as taking the Dutch government's responsibility under the OECD guidelines, the human rights principles of the UN Global Compact and the UN Guiding Principles on Business and Human Rights (UNGPs) into account.

To identify companies in the investment portfolio and assess them for their adverse impact on people and planet, we use a screening method known as OECD screening. This screening uses data from accredited external data providers. We avoid investments that very seriously breach the above directives. The implementation of this screening is therefore aimed at conducting OECD and UN Global Compact screening to identify specific controversies companies may be involved in. For the equity portfolios, a large amount of data is available to help us get a better picture of a company's involvement in controversy. Based on a score assigned to a specific controversy involving the company, we decide to divest from the company or engage with the company to encourage movements towards better behaviour. In 2022, our asset manager divested 63 companies based on OECD violations. We engaged with several companies to encourage better behaviour.

Actions in 2022	
Equities excluded as rules were breached	63 companies
Engaged in conversation to encourage responsible behaviour	188 companies
Voting at shareholder meetings	5,877 meetings
Excluded investments based on product	185 enterprises
Excluded countries	14 countries; Russia was added in 2022

Improved investment portfolio scores	2022	2021
Improved performance on environmental, social and corporate governance aspects	72.1	67.7
CO_2 intensity (CO_2 per million dollars of turnover)	102	92

The data for unlisted markets are less readily available. Nevertheless, we were able to successfully complete the challenging task of having our OECD screening carried out also in private asset classes. As of the end of 2021, we have been screening our existing private equity investments, infrastructure, and corporate bond portfolios for adverse impact. In addition, new investments in these asset classes are subject to strict criteria to minimise the likelihood of investing in securities that will generate adverse impact. In the spirit of the OECD guidelines, we first engage with the company or fund manager. If this engagement fails, divestment may be a next step.

OECD screening and active share ownership

In 2022, our asset manager has called a total of 188 companies to account under the OECD programme, including Tyson Foods Inc., which has been named in several antitrust cases, relating to price-fixing agreements for its products. Our asset manager engaged with the company's chief compliance officer to hear how the company, having settled past cases, would prevent future incidents. The company explained how it improved its Global Antitrust Policy, based among other things on directives from the United States Department of Justice Antitrust Division. Following our asset manager's recommendations, the company published the updated Global Antitrust Policy on its website. Our investment manager continues to monitor the company's implementation of the policy.

What we do not invest in

We wish to avoid making investments that do not match our participants' ESG needs and requirements. This is also a topic our stakeholders consider material. In line with our SRI policy, we exclude companies involved in controversial weapons and tobacco activities from the funds and internally managed mandates of the asset managers. In early 2021, we added coal and bituminous sands to these product-based exclusions. Companies that derive much of their revenue from coal mining, coal-based power generation and bituminous sand oil extraction have proven unable or unwilling to embrace the energy transition. In 2022, the turnover thresholds for coal and bituminous sand oil production were tightened to 5% and 1%, respectively. In 2022, our asset manager has divested 52 coal-producing companies and 1 bituminous sand oil company.

In 2022, investments in oil and gas drilling in the Arctic were excluded if they derive more than 1% of their turnover from this activity. Finally, our asset manager sold 124 oil and gas companies that did not take sufficient steps to commit to the Paris climate agreement. Moreover, we do not invest in government bonds of countries against which the UN Security Council and/or the EU has imposed sanctions. Also in case of elevated ESG risks, companies may be excluded. In such cases, we first try to make improvements by engaging in dialogue with the company.

In addition, we do not invest in government bonds of countries subject to UN Security Council and/or EU sanctions. We may also exclude companies in case of elevated ESG risks.

Russian invasion

Following the Russian invasion of Ukraine on 24 February 2022, we almost immediately decided to sell all investments in Russia. In doing so, we tried to limit the damage to the investment portfolio and comply with international economic sanctions. Unfortunately, it was not possible to actually implement all these sales because of imposed sanctions. At the start of the war, Russian investments represented about 0.4% of the total portfolio. Our investment manager is exploring the possibility of selling the few remaining positions.

Active share ownership

We use our influence as shareholders for more sustainable companies and markets. With the transition to external mandates in late 2022 / early 2023, we appointed a fiduciary manager from 1 January 2023 to implement the engagement and voting policy across all our investments. The fiduciary manager reports on this through the various engagement and voting reports and through the engagement portal. For 2022, the engagement and voting policy was still conducted by the asset manager.

Successful stewardship requires perseverance and knowledge of themes, sectors and businesses. Companies benefit from critical but constructive dialogue on sustainability impact and issues. In this context, through our fiduciary asset manager, we also work on engagement coalitions with other institutional investors. This increases our impact because in that case the total share is larger.

For positive impact, we focus our engagement activities on climate and the underlying SDGs. Our asset manager also conducted a reactive engagement programme with companies involved in various cases of adverse impact. This reactive engagement has been expanded as a result of the new OECD screening we introduced in 2021. This screening is used to identify companies with the most significant adverse impact and the corresponding ESG risk in the index portfolio. In 2022, our asset manager engaged with 188 companies for 15 tangible sustainability improvements.

Examples are the inclusion of living wage as an indicator for a sugar certification scheme and the introduction of strict anti-money laundering procedures at a major Swedish financial institution. Other examples can be found below.

Climate change active ownership

While adapting to the Paris climate agreement remains a challenge for all companies, there were noteworthy developments in the oil and gas sector in 2022. First, BP introduced a new carbon intensity target covering its marketed products. Second, new data has shown that Shell's 2035 intensity target is considered to be consistent with a scenario for warming below 2 degrees Celsius. In biogas, both Shell and BP made strategic acquisitions. As for hydrogen, an energy carrier that can help hard-to-decarbonise sectors, BP is exploring the potential for a hydrogen hub in Egypt, while Repsol has announced a 200 MW hydrogen hub in Spain. While none of these developments mean that these companies are fully aligned with the Paris climate agreement according to our internal framework, these are positive developments on which we can build further.

Voting

By voting at shareholder meetings, we exercise our influence as shareholders on the companies we invest in. Voting allows us to exert directive influence on many issues: strategic, financial and social. As a basis for voting, our asset manager annually prepares a voting guideline setting out the vision. The voting is largely automated. The guiding principle is to vote as recommended by our voting service provider, based on the voting guideline. We actively monitor voting activity based on multiple voting service providers and sources. Where appropriate, our asset manager also was a speaker at shareholders' meetings (AGMs) to strengthen our voice and publicly debate with companies we have invested in. This applies in particular to Dutch companies.

Legal proceedings

Our asset manager conducts legal proceedings on behalf of its clients when necessary, for instance to recover investment losses and enforce good corporate behaviour. We do this as shareholders in listed companies, both in the Netherlands and abroad, distinguishing between 'active' and 'passive' procedures.

In 2022, our asset manager was involved in 15 active legal proceedings, including against Volkswagen, Porsche and Daimler to obtain compensation for losses due to the emissions scandal. We are also participating in proceedings against BHP Billiton and Vale for their involvement in the collapse of poorly maintained dams. Besides the ecological and human tragedy, shareholders have suffered significant financial losses as a result for which they seek compensation. In 2022, our asset manager recovered over €8.2 million for its clients.

Tax behaviour in the portfolio

Taxes play an important role in financing society's collective expenditures, such as healthcare, education and infrastructure. Taxpayers also have a responsibility in this, which is why our asset manager wishes to deal with taxes in a sustainable way in its business operations. The tax environment has changed and will continue to change. Thus, several international initiatives were developed, such as those of the OECD and the EU, emphasising greater tax transparency and preventing aggressive tax planning. In addition, tax planning continues to come to the fore in the social debate. Our asset manager will always be mindful of such developments when making investments.

Investment structures can be used to avoid economic double taxation for pension funds and their beneficiaries. In doing so, our asset manager respects both the letter and the spirit of the applicable tax legislation and regulations - international and otherwise -, taking into account its tax principles and tax positions as published in a Sustainable Tax Position Paper.

Focus area climate

Climate change has been a concern for us and our participants for years. It is a pressing issue and an increasingly important risk. As a global investor with a diversified portfolio, we expect climate change and the energy transition to impact our investments. Each new year, previous climate risk estimates are replaced by new and always more material estimates, highlighting the need to fully integrate climate risks into investment policy. In line with the Paris Climate Agreement, we have aligned our equity and corporate bond portfolio with 'net zero' by 2050.

Z-score 2022

The z-score is calculated each year and shows the difference between the portfolio's actual return and benchmark return and is a comparison measure. A positive figure means that investments have outperformed the market; for a negative figure, the opposite is true. In the calculation, costs are also taken into account. The z-score for the year 2022 is -/-0.08%.

We also set the Fund's cumulative performance test each year. The cumulative performance test is determined over a five-year period. If the performance test measured over five years is below zero, we have underperformed.

If that is the case, employers are no longer bound by our compulsory affiliation. That means that, in that case, they may choose to transfer their pension scheme elsewhere under certain conditions. Our cumulative performance test over the period 1 January 2018 to 31 December 2022 is 0.49.

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. In 2022, we also appointed two Board members as portfolio holders for ESG and IT. These Board members take the lead in and are responsible for preparing management decision-making on overarching policies. They also actively contribute within the Fund to integration, consistency and promoting attention and expertise of their subject. The profile for the joint Board members has been updated accordingly. In 2023, they will indicate exactly how they will fill the portfolio holder position.

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 officer role are vested in one Board member. This is the RAC key role holder, Mr P. de Groot. 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 holder was an external specialist, Mr M. van der Veen. 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 and strategic objectives and the Fund's risk attitude are the guiding principles for the extent to which we consider financial and non-financial risks acceptable. 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 critical.

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. This framework is the foundation for our decisions.

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 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, 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 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 achieve at least maturity level 3, i.e. 'sufficient' - structured and formalised. We have already largely 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 2022, 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 2022. 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 2022, we separately considered strategic continuity risks in anticipation of the transition to the Wtp.

Operational risks are monitored structurally by the committees. We also updated the IT policy in 2022 in line with DNB's Good Practice Information Security. 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 set up of the second line and the cooperation with the first line enables us to rely on sufficient internal expertise and countervailing power on all topics for our decision-making. This allows us to rely fully on our own governance with an additional positive effect on the quality of our decision-making.

In 2022, 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 do lead to the need to review the appropriateness of our risk management.

4.3 Developments 2022

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 here include the Wtp, developments at PGGM, developments in the financial markets, ESG and socially responsible investing and the situation in Ukraine. 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 and 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 the financial markets, low interest rates, volatility in the stock exchanges and Russia's invasion in Ukraine that led to a gas crisis, we ranked 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 Fund and we therefore hedge part of this risk. The policy was set on the basis of an ALM study reviewed in 2020. In the first quarter of 2023, another ALM study will be conducted in which the interest rate risk hedging percentage will also be redefined. Based on the results of the 2020 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 year-end equalled 50.2%. There is a range around the target rate within which the factual hedging rate should be. This range has been set at +/- 4%. As at year-end, therefore, there was an undershoot of the set range 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 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 Columbia Threadneedle on the basis of 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 Columbia Threadneedle elaborates on interest rate positions and sensitivities. We conducted interest rate risk management in 2022 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 55% versus 45% for 2022. 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 performance reporting.

Developments in liquid investments at PGGM
PGGM decided to close its investment funds in 2021. PGGM's decision resulted in us transferring our liquid investments at PGGM to newly appointed asset managers. The transition of most of these investments, i.e. developed market equities, investment grade credits and emerging market debt LC, was effected in November and December of 2022. The transition of investments in emerging-market equities was carried out as at 31 January 2023. We are monitoring the completion of this transition.

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 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 the provision of information being disrupted, resulting in financial and/or reputation damage of the Fund. The most important continuity risks we have identified relate to outsourced processes and specifically to 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 2022, with regard to the continuity risk and in consultation with APG, we paid close attention to managing risks that may arise in response to ransomware attacks.

4.4 Key uncertainties and 2023 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 also confront us with uncertainties.

In 2023, we will continue to pay attention to developments regarding the new pension system and movements in the financial markets. ESG risks, integrity risks, IT and cybersecurity risks and data quality will also continue to have our attention.

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 Dutch House of Representatives has approved the Wtp. We are closely monitoring developments regarding political decision-making.

We started preparing for the Wtp in 2021. This project was continued in 2022. Many interdependencies do still exist, involving various stakeholders. We anticipate risks in the fields of communication to participants, governance and pension administration of the scheme.

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 pension scheme. 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 regular governance and pension administration continue as usual.

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 with the establishment of a structured transition process. Risks concerning social partner decision-making, implementation of the new scheme and outsourcing are high. We perceive specific outsourcing risks among which:

- the implementation of Festina Finance's IT infrastructure at APG;
- the bundling function between asset management, the pension administration and the custodian to administer movements in pension capital of participants and make them comprehensible to them;
- ensuring data quality within all the processes and moving pension entitlements from the old to the new pension scheme;
- the availability and competences of people throughout the chain.

Continuity statement

The Fund assumes the continuity principle when preparing the annual accounts. The sector 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 in the coming year (2023) that will take effect in 2023. The policy funding ratio and the current funding ratio at the end of 2022 relative to the required capital are sufficient to assume continuity. The Fund is no longer in deficit. In the event that the Fund does not meet the (minimum) equity capital requirement, a recovery plan is drawn up that includes any additional measures. Moreover, we have formulated policies to manage the liquidity risk and this is monitored in the Investment Advisory Committee based on regular investment reports. We refer to the asset management chapter for the Z-score and performance test. We have processes to determine the Fund's potential liquidity needs and liquidity risks. We recently extended the pension administration agreement with APG until at least after transition to the new system. The agreements with the asset managers have a minimum term of one year. Supervision of outsourcing parties is carried out in accordance with the Fund's outsourcing policy. We monitor the biggest risks on a quarterly basis via the strategic risk dashboard. 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. In 2020, we again demonstrated our representativeness, making the pension scheme applicable to all employers and employees falling within 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.

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. In 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 necessitates faster change. 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 has revealed an upward trend since 2014. The increase continues on a limited basis in 2022. By the end of 2022, there were 10,313 participants. A decrease in the number of former participants is expected in 2023 due to the planned automatic value transfers of small pensions created before 2018.

The number of pension beneficiaries rose to 13,872. There are 25,392 former participants who left our sector before their pension entitlements became payable. Nor have they transferred their pension entitlements to any new pension provider. 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 1,340 to 1,299 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 firms participate in the Fund on a voluntary basis. Statistics Netherlands has over 5,000 architectural firms registered in 2023, most of them with one person working (self-employed persons). There are about 2,000 active self-employed persons in the sector.

Invested assets

Invested assets fell to over €4 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 retirement 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 term of office has a duration of four years, with possibly two reappointments. Below you can view the composition of the Board as of 31 December 2022:

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	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 Vakmensen
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 June 2022, Mr De Groot and Mr Soederhuizen were appointed for a second term of four years. From 1 September 2022, Mr De Vaan was appointed for his final term of four years. From 1 January 2023, Ms Van Leeuwen was appointed for a second term of four years. DNB approved these four reappointments.

In 2022, we said goodbye to Mr Van Nunspeet. We had appointed him as a trainee from Pensioenlab. Mr Van Nunspeet has researched the implications for the Fund if the compulsory affiliation scheme is dropped. We strongly support Pensioenlab and wish to contribute to their 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. In September 2022, we appointed Mr Spoelstra as a trainee from Pensioenlab. He is exploring communication opportunities to get young people more involved in the Fund.

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 of the Dutch Pension Funds.

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. The outcome of 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 2022:

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 those 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. From 2022, the day-to-day management is also in charge of the management role in the Wtp programme.

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 and 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. In 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, reviews recommendations of proposed decisions against the risk frameworks and provides the Board with solicited and unsolicited advice on risk management and outsourcing policy.

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 and Disputes Committee
We have drawn up a complaints and disputes procedure that is easily accessible to everyone and can be found on the website. Our aim is to improve the service provision of our Fund. If a complainant disagrees with a decision, they can take the complaint to the national Pensions Ombudsman or to the civil courts. The Complaints and Disputes Committee consists of three independent members: Ms Berrich (chair), Mr Bodewes and Mr Prins. The regulations can be found on the website.

A complaint was received on 28 January 2022 regarding a divorce matter. This complaint was handled by the committee on 29 April 2022. The committee found that the participant and the ex-partner were informed incorrectly, incompletely and without reserve about pension settlement, the amount of the pension accrued during the marriage and the amount of the settled pension from the retirement date. We have compensated the person concerned as per the advice of the Complaints and Disputes Committee. Both the participant and the ex-partner have been informed of this situation.

We are examining whether the Dutch Federation of Pension Funds' Code of Conduct on dealing properly with complaints is cause to amend or update the procedure.

The Supervisory Board

The Supervisory Board is our internal regulator and 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 2022 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

We appointed Mr Valkenburg as a member of the Supervisory Board from 1 July 2022 on the binding nomination of the Accountability Body. He succeeded Mr Bongers who stepped down as a member of the Supervisory Board after eight years, the maximum term of office. We thank Mr Bongers for his critical view towards the Fund. He was involved in our Fund from the establishment of the Supervisory Board on 1 July 2014.

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 of Dutch Pension Funds. 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 2022, 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 B. van den Bos, vice-chair (1950)	ANBO	1 November 2023
Mr M. Kuijt (1955)	Elections	1 January 2026
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 of Dutch Pension Funds. A term of office has a duration of four years, with one possible reappointment. We are happy to have been able to appoint and welcome Ms Vester and Mr Kuijt to the Accountability Body. We thank Mr Groeneveld and Mr Termond for their long-standing commitment to our Fund. We are also pleased that FNV has nominated Mr Vink for a second and final term. We have agreed to this reappointment.

Due to Mr Groeneveld stepping down from 1 July 2022, Ms Borgert was appointed chair as of the same date. Continuity is secure with that composition of the Accountability Body. 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. In doing so, we create countervailing power within the bodies.

5.2 Remuneration policy 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 works out for each individual member. The annual fees for Mr Groenveld and Mr Valkenburg relating to entry and exit during the year under review were not paid in full.

We pay the trainee we appointed from Pensioenlab €410 per month as remuneration.

We commissioned Montae to conduct an independent study whether our remuneration policy is in line with the market. We see no reason to revise our remuneration policy, with the exception of adjusting the basic standard for time spent of 0.2 fte (one day a week) in the future and indexation of remuneration in line with the Dutch Standards for the Public and Semi-Public Sector Senior Officials (Standard Remuneration) Act (*Wet normering topinkomens*). We have also clarified some aspects of the remuneration policy. The Accountability Body has issued a positive advice for this and the Supervisory Board approved the decision.

Annual fee per position (in euros, excluding VAT)	Period	FTE DNB	Paid 2022	Annual fee 2021	Annual fee 2022	Hourly rate
Board						
G. T. J. Meulenbroek, chair	01/01 to 31/12	0.3	46,080	46,080	46,080	80
R. G. Nagtegaal, deputy vice-chair	01/01 to 31/12	0.2	30,720	30,720	30,720	80
H. W. T. de Vaan, vice-chair	01/01 to 31/12	0.3	46,080	46,080	46,080	80
J. G. E. van Leeuwen, deputy vice-chair*	01/01 to 31/12	0.2	28,400	21,440	30,720	80
M. M. E. P. Groenen	01/01 to 31/12	0.2	30,720	30,720	30,720	80
P. de Groot	01/01 to 31/12	0.2	38,600	38,600	38,600	100
I. Slikkerveer*	01/01 to 31/12	0.2	28,400	21,440	30,720	80
A. Soederhuizen	01/01 to 31/12	0.2	38,600	38,600	38,600	100
Supervisory Board						
H. G. I. M. Peters, chair	01/01 to 31/12	0.2	22,500	22,500	22,500	80
M. A. Bongers	01/01 to 01/07	0.1	7,500	15,000	15,000	80
P. G. E. van Gent	01/01 to 31/12	0.1	15,000	15,000	15,000	80
F. R. Valkenburg **	01/04 to 31/12	0.1	11,250	15,000	15,000	80
Accountability Body						
E. Borgert, chair ***	01/01 to 31/12	N/A	13,950	9,300	13,950	50
B. van den Bos	01/01 to 31/12	N/A	9,300	9,300	9,300	50
G. J. Groeneveld	01/01 to 01/07	N/A	6,975	13,950	13,950	50
M. Kuijt	01/01 to 31/12	N/A	9,300	9,300	9,300	50
D. Verweij	01/01 to 31/12	N/A	9,300	9,300	9,300	50
W. E. Vester	01/01 to 31/12	N/A	9,300	9,300	9,300	50

* Due to an expansion of duties and responsibilities, Ms Van Leeuwen's and Mr Slikkerveer's annual remuneration has been brought in line with the time spent with effect from 1 April 2022.

** Mr Valkenburg took office on 1 July 2022, but the onboarding process started on 1 April 2022.

*** Ms Borgert was appointed chair of the Accountability Body from 1 July 2022. In connection with the onboarding process as chair, she has already received the chair's remuneration from 1 January 2022.

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 supports the Supervisory Board and the Accountability Body in the performance of their duties, and the Executive Office performs the Fund's secretarial services. From 2022, 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. We have made arrangements with APG regarding the new price model. We have outsourcing agreements with Columbia Threadneedle, PGGM, Syntrus Achmea Real Estate & Finance and Bouwinvest Real Estate Investment Management B.V. for asset management. From the beginning of 2023, all the investments we had at PGGM have been managed by Amundi Asset Management, State Street Global Advisors, Fidelity and UBS Fund Management.

6 Supervisory Board

In accordance with Article 15 of its Articles of Association, Stichting Pensioenfonds voor de Architectenbureaus (the Fund) has had a Supervisory Board in place since 1 July 2014. In 2022, the Supervisory Board consisted of Mr Bongers (Risk), Mr Van Gent (Asset Management) and Ms Peters (Governance). With effect from 1 July 2022, Mr Valkenburg succeeded Mr Bongers following a binding nomination by the Accountability Body. Mr Valkenburg attended the meetings of the Supervisory Board as an observer from his proposed appointment by the Board.

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 and balanced consideration of interests 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 2022:

- Communication;
- PGGM transition and all the resulting asset management actions;
- Risk management;
- Future of Pensions Act;
- Balanced consideration of interests in premium and accrual rate decision as of 1 January 2023, and
- The policy on socially responsible investing.

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.

The Supervisory Board gave the following regulatory approvals in 2022:

- The Board's proposed decision to adopt the annual accounts and annual report for the year 2021; the Supervisory Board believes that the Board provides adequate insight into governance issues in the management report.
- The proposed decision to appoint Mr Meulenbroek as chair of the Board for two years with effect from 1 January 2022.
- The proposed decision to reappoint Mr Soederhuizen with effect from 1 June 2022;
- The proposed decision to reappoint Mr De Groot with effect from 1 June 2022;
- The proposed decision to reappoint Mr De Vaan with effect from 1 September 2022;

- The proposed decision to appoint Ms Van Leeuwen on behalf of the employees for a second term with effect from 1 January 2023.
- The proposed decision to amend the Board profile to reflect the addition of portfolio holders in IT and ESG.
- The proposed decision to appoint Ms Borgert as chair of the Accountability Body with effect from 1 July 2022.
- The proposed decision to appoint Ms W. E. Vester on behalf of the employers as a member of the Accountability Body with effect from 1 July 2022.
- The proposed decision to appoint Mr Vink on behalf of the employees for a second term as a member of the Accountability Body with effect from 1 January 2023.

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 the open dialogue and pleasant cooperation in 2022.

The Supervisory Board thanks Mr Bongers for his expert and committed contribution to the Fund in the past eight years, warmly welcomes Mr Valkenburg to the Fund and looks forward to a fruitful cooperation.

Culemborg, 15 March 2023

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

Board response

We thank the Supervisory Board for its pleasant cooperation and the close commitment its members show the Fund. We highly value the recommendations from the Supervisory Board. We appreciate the constructive and committed way in which the Supervisory Board monitors and assesses our work and challenge the Supervisory Board to act as an activating sparring partner, especially concerning the Wtp and strategic choices. We look forward to working together in the coming years.

7 Accountability Body

In accordance with Article 14 of the Articles of Association of Stichting Pensioenfonds voor de Architectenbureaus, the Accountability Body came into effect on 1 July 2014 as successor to the Participants' Council, which was dissolved in June 2014. In doing so, the Accountability Body has been given additional tasks and powers. In the first six months of 2022, the Accountability Body consisted of Ms E. Borgert, Ms D. Verweij, Mr B. van den Bos, Mr G. J. Groeneveld (chair), Mr M. Kuijt and Mr S. Vink. Due to the expiry of his second term, Mr G. J. Groeneveld was succeeded on 1 July 2022 by Ms W. E. Vester. Ms E. Borgert assumed the role of chair with effect from 1 July 2022.

In 2022, the Accountability Body met eleven times, including three times in the presence of a representative of the Board. Three meetings were held with the Supervisory Board and three were held by the chairs of the bodies. There were four seminars for the Accountability Body in 2022, three of them together with the Board and the Supervisory Board. The Accountability Body also met once with the annual report working group. Some of the meetings were held digitally.

A delegation of the Accountability Body went through a selection procedure to fill an upcoming vacancy on the Supervisory Board from 1 July 2022.

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 a large part of its recommendations was addressed by the Board in 2022.

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, among other things, on the basis of the annual report, defined policy choices and the findings of the Supervisory Board. The Accountability Body establishes to which extent the Board has taken into account the interests of all stakeholders in the Fund in a balanced manner when making its decisions.

The Accountability Body gave five recommendations in 2022. This covered the following topics:

Topic	Period	Nature of recommendation
1. Communication policy plan 2022-2024	January 2022	Positive
2. One-off additional supplement on 1 September 2022	June 2022	Positive
3. Adjustment of pension administration regulations	November 2022	Positive
4. Supplementation resolution on 1 January 2023	November 2022	Positive
5. Composition of the premium and the amount of the premium components;	November 2022	Positive

The Supervisory Board has rendered account to the Accountability Body. Based on the 2022 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 with 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 was functioning well in 2022 and that the Board sought to improve the existing governance structure by splitting up committees and adding key portfolios.

The Accountability Body asks the Board to continue to pay attention to the composition of the Board, as three members will soon reach their maximum term of office. Then, a lot of knowledge and experience will leave the Fund.

Outsourcing: The Accountability Body believes that, with regard to the outsourcing policy, the Board is in control. Departures from the outsourcing policy have only been made in occasional cases.

Reports on the ESG policy and its communication to participants still need some improvement.

The Accountability Body suggests the Board considers continuing to adhere to the procedures of the outsourcing policy as much as possible even with smaller outsourcings. If, for reasons of its own, it is necessary for the Board to depart from the procedures, this should be substantiated. The Accountability Body recommends that the Board continuously evaluate the procedures of the outsourcing policy and adjust them if necessary, especially in relation to the Wtp, cybersecurity, quality assurance, and cost control.

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 2022 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 substantive and/or informative, but above all procedural. 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. The transition of the PGGM funds went smoothly. The Accountability Body would like to compliment the Board on the process carried out and the result achieved.

The Accountability Body recommends that the Board give timely consideration to the potential impact of the Wtp on asset management. For participants, it is important that the Fund is committed to investing on the basis of ESG objectives. The Accountability Body draws special attention to ESG reporting and its communication to the participants. From the Risk Preference Survey, the ESG objective 'health and well-being' emerged as one of the two most important objectives, alongside 'climate change'. The Accountability Body recommends that the 'health and wellness' objective be included as a focus area as well.

Supplements: The Accountability Body is positive about the granting of the supplements (1.48% on 1 September 2022 and 7.33% on 1 January 2023) that can be permanently funded from the assets above a policy funding ratio of 105%, subject to the Fund's supplement policy and based on current legislation. In doing so, the Board took a balanced consideration of the interests of all the participants into account.

The Accountability Body recommends that the Board continue to exercise care regarding the communication of decisions to the participants. In particular, decisions regarding supplements require transparent elaboration and clear explanation, especially in relation to the transition to the new pension contract.

Integrated risk management: The key role holder Risk Management, Actuarial and Compliance and the Risk Committee have acquired a clear place and task in the overall policy design of the Fund. There is a proactive response and action towards the Board and committees. In the coming year as well, as a result of the entry into force of the Wtp, the necessary attention of the risk committee and the key role holder is required. Monitoring and subsequently recording activities arising from the risk management annual calendar will have to provide insight into their progress and handling.

Communication: The Accountability Body is positive about the follow-up 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 regular provision of information, digital and otherwise, to the participants on the Wtp, continuing to organise live meetings with participants and using the input gathered there to re-evaluate the mission and vision.

Future: The Accountability Body is positive about the future being included in the Board's strategic calendar as a topic. The Board has taken a proactive stance in the Wtp process and reserves sufficient time to discuss strategic issues with each other.

The Accountability Body recommends continuing to monitor the risks to the continuity of the Fund in 2023, including by continuing discussions with the social partners about the new pension contract and future developments in the architectural sector.

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.

Harderwijk, 25 May 2023

E. Borgert (chair)
B. van den Bos (vice-chair)
M. Kuijt
D. Verweij
W. E. Vester
S. Vink

Board response

We thank the Accountability Body for this management summary and concur with your words about the pleasant cooperation. Your input in our discussions and your recommendations are highly appreciated and add value to our administrative decision-making. We would also like to continue this cooperation with you in the coming years. We are pleased with your largely positive assessment. In it, we read appreciation for the work we have done and the results achieved. We will provide feedback on your recommendations in the usual way.

II. ANNUAL ACCOUNTS

In this chapter, the Board of Stichting Pensioenfonds voor de Architectenbureaus presents the annual accounts for the 2022 financial year ending on 31 December 2022. 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)

		31-12-2022	31-12-2021
ASSETS			
Investments at the risk of the pension fund	(1)		
Property investments		476,108	431,404
Equities		1,187,760	2,389,475
Fixed-income securities		2,348,394	2,656,438
Derivatives		391,259	307,499
Other investments		237,340	189,628
		4,640,861	**5,974,444**
Receivables, prepayments and accrued income	(2)	11,969	6,582
Cash at bank and in hand	(3)	10,024	10,861
		4,662,854	**5,991,887**
LIABILITIES			
Foundation capital and reserves	(4)	734,915	1,071,284
Technical provisions at the risk of the pension fund	(5)	3,519,301	4,616,283
Other liabilities, accruals and deferred income	(6)	408,638	304,320
		4,662,854	**5,991,887**

	31-12-2022	31-12-2021
Funding ratio based on FTK (in %)		
Current funding ratio (in %)	120.9	123.2
Policy funding ratio	125.0	118.8

2 Statement of income and expenditure

(Amounts in thousands of euros)

			2022		2021
INCOME					
Premium contributions at the risk of the pension fund (from employers and employees)	(7)		74,280		64,792
Investment results at the risk of the pension fund	(8)		-1,377,406		212,610
Other income	(9)		40		580
			-1,303,086		**277,982**
EXPENDITURE					
Pension benefit payments	(10)		118,512		114,236
Pension administration costs	(11)		4,464		3,947
Movement technical provisions at the risk of the pension fund	(12)				
Pension accrual		96,576		90,225	
Supplements		306,748		54,475	
Interest addition		-22,496		-26,155	
Withdrawal for pension benefits and pension administration costs		-121,811		-117,197	
Movement in market interest rates		-1,387,517		-314,819	
Movement in actuarial assumptions		34,511		-1,501	
Movement from transfer of rights		-7,575		-246	
Other movements in technical provisions		4,582		4,309	
			-1,096,982		-310,909
Balance of transfers of rights	(13)		7,234		295
Other expenditure	(14)		55		46
			-966,717		**-192,385**
Balance of income and expenditure			**-336,369**		**470,367**

Appropriation of the balance of income and expenditure

(Amounts in thousands of euros)

	2022	2021
General risks reserve	-192,412	517,562
Volatility reserve	-143,957	-47,195
	-336,369	**470,367**

3 Cash flow statement

(Amounts in thousands of euros)

		2022	2021
Cash flow from pension activities			
Premium contributions received for the risk of the pension fund		73,411	65,609
Incoming value transfers		3,865	3,096
Other income received		40	580
Pension benefits paid		-118,413	-114,165
Outgoing value transfers		-11,270	-2,801
Pension administration costs paid		-4,394	-3,605
Other expenses paid		-55	-46
Total cash flow from pension activities		**-56,816**	**-51,332**
Cash flow from investment activities			
Received on investments sold		6,995,540	1,640,452
Paid on investments acquired		-6,481,646	-1,393,925
Direct investment returns received		56,310	56,900
Other income and expenditure on investments		-287,748	30,214
Change in cash collateral		-222,188	-282,309
Asset management fees paid		-4,289	-4,278
Total cash flow from investment activities		**55,979**	**47,054**
Movements in cash at bank and in hand		**-837**	**-4,278**

		2022	2021
Cash at bank and in hand as at 1 January		10,861	15,139
Movement in funds		-837	-4,278
Cash at bank and in hand as at 31 December	**(3)**	**10,024**	**10,861**

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 7 June 2023.

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

Actuarial assumptions

With regard to 2022 reporting year, the Board decided to change several assumptions used, actuarial and otherwise, to determine the provision for pension liabilities. The changes and the effect of the change in accounting estimate on the provision for pension liabilities are:

- the application of recent survival principles due to the transition from Projections Life Table AG2020 to Projections Life Table AG2022 (increase provision €24.6 million);
- the application of the new mortality experience (adjustment factors) to the Projections Life Table AG2022 (increase provision €10.8 million)
- the application of updated partner frequencies based on Statistics Netherlands data from 2022 (decrease provision €0.9 million).

Interest rate term structure

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.

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 2022 causes an increase in the provision of €48.1 million and is part of the item Movement market interest rate.

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. In the annual accounts, the switch to UFR-50 is recognised as a subsequent event.

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 as at 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 an investment cannot be reliably determined, valuation is based on amortised cost.

Market quotations may be used for part 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 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 required capital 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 2022 was calculated based on the Projections Life Table AG2022 published by the Royal Dutch Actuarial Association (*Koninklijk Actuarieel Genootschap*), start column 2023 (2021: Projections Life Table AG2020, start column 2022). 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 published by Statistics Netherlands in 2022 of the Dutch population (2021: based on 2016 marriage data of Statistics Netherlands).

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 2.9% (2021: 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).

Funding ratio

The current funding ratio (hereinafter referred to as the 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 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 movements in the value of investments, including exchange rate differences, are recognised as indirect investment returns in the statement of income and expenditure. 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 of 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

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
Acquisitions	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**

2021	Property investments	Equities	Fixed-income securities	Derivatives	Other investments	Total
Position as at 1 January 2021	395,171	2,063,702	2,940,721	-6,699	115,111	5,508,006
Acquisitions	15,350	58,000	1,277,737	-	42,838	1,393,925
Sales	-7,838	-282,138	-1,405,369	56,218	-1,325	-1,640,452
Other movements	2,649	6,128	-58,241	281,179	20,241	251,956
Value movements	26,072	543,783	-98,410	-324,081	12,763	160,127
	431,404	**2,389,475**	**2,656,438**	**6,617**	**189,628**	**5,673,562**
Plus: Derivatives with a negative value	-	-	-	300,882	-	300,882
Position as at 31 December 2021	**431,404**	**2,389,475**	**2,656,438**	**307,499**	**189,628**	**5,974,444**

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 does occur within the investment funds. The investment funds may make part of their investments available for securities lending. Based on look-through in the investment funds, securities lending is applicable. The size of the positions at the end of 2022 is €2,840 (2021: €22,228. Collateral obtained at the end of 2022 amounts to €3,095 (2021: €23,506).

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 (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. This includes 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 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**

	Quoted market prices	Independent valuations	NPV calculations	Other method(s)	total
As at 31 December 2021					
Property investments	-	-	-	422,789	422,789
Equities	-	-	-	2,383,347	2,383,347
Fixed-interest securities	1,035,452	-	-	1,612,406	2,647,858
Derivatives	-	-	217,631	-	217,631
Other investments	-	-	-	169,388	169,388
	1,035,452	**-**	**217,631**	**4,587,930**	**5,841,013**

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	31-12-2022	31-12-2021
Indirect property	468,566	422,789
Invested values	**468,566**	**422,789**
Investment debtors	7,542	8,615
	476,108	**431,404**

Equities

The equities can be specified as follows:

specification by class	31-12-2022	31-12-2021
Equities	999,042	-
Equity investment funds	150,541	2,334,975
Private equity	35,160	48,372
Invested values	**1,184,743**	**2,383,347**
Investment debtors	3,017	6,128
	1,187,760	**2,389,475**

Fixed-income securities

Fixed-income securities can be specified as follows:

specification by class	31-12-2022	31-12-2021
Government bonds	1,642,954	824,042
Mortgage funds	410,364	487,048
Bond investment funds	274,971	1,336,741
Asset-backed securities	2,002	-
Loans on promissory note	-	27
Invested values	**2,330,291**	**2,647,858**
Investment debtors	18,103	8,580
	2,348,394	**2,656,438**

Derivatives

Derivatives can be specified as follows:

specification by class	31-12-2022	31-12-2021
Foreign exchange derivatives positive value	25,739	3,043
Interest rate derivatives positive value	85,312	293,282
Invested values	**111,051**	**296,325**
Investment debtors	280,208	11,174
	391,259	**307,499**

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	31-12-2022	31-12-2021
Infrastructure	202,456	169,388
Invested values	**202,456**	**169,388**
Cash at bank and in hand	38,639	20,240
Investment creditors	-3,755	-
	237,340	**189,628**

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 €38,639 (year-end 2021: €20,240). 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

	31-12-2022	31-12-2021
Receivables on employers	6,657	5,813
Asset management transaction costs receivable	4,450	-
Prepaid expenses	798	726
Pensions	28	20
Value transfers	24	23
Other	12	-
	11,969	**6,582**

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.

Further specification of receivables on employers:

	31-12-2022	31-12-2021
Employers	6,685	5,862
Provision for doubtful debts	-28	-49
	6,657	**5,813**

An amount of €21 was withdrawn from the doubtful debt provision in 2022 (2021: €23).

3. Cash at bank and in hand

	31-12-2022	31-12-2021
ABN AMRO	10,015	10,851
Citibank	4	5
ING	5	5
	10,024	**10,861**

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 2022, the Fund has a credit line with ING Bank nv of €4 million. It is not in use at the end of 2022.

Liabilities

4. Foundation capital and reserves

Overview of movements in equity capital

	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**

	Volatility reserve	General risks reserve	Total
Position as at 1 January 2021	893,082	-292,165	600,917
From appropriation balance of income and expenditure	-47,195	517,562	470,367
Position as at 31 December 2021	**845,887**	**225,397**	**1,071,284**

Solvency

	31-12-2022	in %	31-12-2021	in %
Pension capital	4,254,216	120.9%	5,687,567	123.2%
Less: technical provisions	3,519,301	100.0%	4,616,283	100.0%
Equity capital	**734,915**	**20.9%**	**1,071,284**	**23.2%**
Less: equity capital requirement	701,930	19.9%	845,887	18.3%
Freely available capital	**32,985**	**1.0%**	**225,397**	**4.9%**
Minimum equity capital requirement	148,194	4.2%	194,462	4.2%
Funding ratio		120.9%		123.2%
Policy funding ratio		125.0%		118.8%

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

The policy funding ratio is the average of the 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 2021 (of 118.8%) was higher than the required funding ratio on that date (118.3%). On 31 December 202, there was no longer a reserve deficit, meaning that the recovery plan ended on 31 December 2021. Therefore, no recovery plan has been prepared for the 2022 financial year.

On 31 December 2022, the policy funding ratio is again higher than the equity capital requirement. 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 2023 financial year either.

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

	2022	2021
	%	%
Funding ratio as at 1 January	123.2	112.2
Premium	-1.1	-0.8
Benefit payments	0.6	0.3
Supplements	-11.5	-1.5
Movement in interest rate term structure	40.5	7.9
Return on investments	-29.5	4.8
Change of assumptions	-1.4	-
Other causes and cross impact	0.1	0.3
Funding ratio as at 31 December	**120.9**	**123.2**

The funding ratio on 31 December 2021 was 123.2%.

Due to the difference between the premiums received and the actuarially required buy-in for new entitlements during the year, the funding ratio decreased by 1.1 percentage points.

The pension payments had an increasing effect on the funding ratio of 0.6 percentage points.

The supplement of 1 September 2022 (of 1.48%) together with the supplement of 1 January 2023 (of 7.33%) had a reducing effect on the funding ratio of 11.5 percentage points.

The reduction in the provision due to increased interest rates during 2022 produced an increase in the funding ratio of 40.5 percentage points.

The factual return on the investment portfolio resulted in a decrease in the funding ratio of 29.5 percentage points.

The change in actuarial assumptions caused the funding ratio to fall by 1.4 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 2.3 percentage points to 120.9% in the 2022 financial year.

5. Technical provisions at the risk of the pension fund

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

	31-12-2022	31-12-2021
Provision for pension liabilities	3,512,581	4,610,007
Provision for extension risk non-contributory participation	5,882	5,487
Savings fund conscientious objectors	838	789
	3,519,301	**4,616,283**

Movement overview technical provisions

	2022	2021
Position as at 1 January	4,616,283	4,927,192
Pension accrual	96,576	90,225
Supplements	306,748	54,475
Interest addition	-22,496	-26,155
Withdrawal for pension benefits and pension administration costs	-121,811	-117,197
Movement in market interest rates	-1,387,517	-314,819
Movement in actuarial assumptions	34,511	-1,501
Movement from transfer of rights	-7,575	-246
Other movements in technical provisions	4,582	4,309
Position as at 31 December	**3,519,301**	**4,616,283**

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

		31-12-2022		31-12-2021
	quantity	amount	quantity	amount
Participants	10,313	832,532	10,050	1,192,319
Former participants	25,392	1,199,511	25,185	1,715,303
Pension beneficiaries	13,872	1,480,538	13,715	1,702,385
Others		6,720		6,276
	49,577	**3,519,301**	**48,950**	**4,616,283**

Included under Others are:

- Provision for extension risk non-contributory participation €5,882 (2021: €5,487).
- Savings fund for conscientious objectors €838 (2021: €789).

Brief description of the pension scheme

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

The retirement pension in 2022 equals 1.50% 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 insured on a risk basis for partner's and orphan's pensions.

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 29 June 2022, the Board decided to make use of the extended statutory possibility to grant a one-off additional supplement, as a result of which all participants, former participants and pension beneficiaries were granted a supplement of 1.48% on 1 September 2022.

In addition, based on the policy funding ratio as at 30 September 2022, the Board decided to grant a 7.33% supplement in the financial year to all participants, former participants and pension beneficiaries on 1 January 2023.

A 1.20% supplement was granted on 1 January 2022.

6. Other liabilities, accruals and deferred income

	31-12-2022	31-12-2021
Derivatives with negative value	405,134	78,694
Taxes and social charges	2,134	2,039
Costs	1,357	1,203
Benefit payments	13	1
Debt relating to collateral received	-	222,188
Value transfers	-	170
Premiums yet to be processed	-	25
	408,638	**304,320**

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	31-12-2022	31-12-2021
Foreign exchange derivatives negative value	403,481	1,335
Interest rate derivatives negative value	1,653	77,359
	405,134	**78,694**

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 2022, the collateral management position concerns a net receivable of €275,742 (2021: €222,188 debt). Year-end 2022, collateral worth €299,492 in liquid assets (2021: €0) and €79,066 in securities (2021: €130,726). At the end of 2022, the Fund had received €23,750 (2021: € 222,188) 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 2022, four members of the Accountability Body (2021: three) paid premiums to the Fund.

One Board member (2021: one) and two members of the Accountability Body (2021: two) are pension beneficiaries and receive pension benefits from the Fund. In addition, one Board member (2021: one) and one member of the Accountability Body (2021: 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 2023 is approximately 3.8 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 has investment and payment liabilities at the balance sheet date.
At the end of 2022, these are the following liabilities:

- 7.2 million euros in private equity;
- 6.9 million euros in infrastructure.

Significant subsequent events

UFR adjustment

Since 2012, DNB's interest rate term structure for pension funds has been determined using the Ultimate Forward Rate (UFR). In 2022, the Parameters Committee 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 of the Parameters Committee with effect from 2023. The impact on the funding ratio of the transition to UFR50 on 1 January 2023 has been estimated at a 0.5 percentage point decrease.

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.

	31-12-2022	31-12-2021
Technical provisions	3,519,301	4,616,283
Buffers:		
S1 Interest rate risk	162,559	63,613
S2 Marketable securities risk	515,658	667,249
S3 Currency risk	95,718	150,365
S4 Commodity risk	-	-
S5 Credit risk	144,536	206,586
S6 Underwriting risk	99,684	136,585
S7 Liquidity risk	-	-
S8 Concentration risk	-	-
S9 Operational risk	-	-
S10 Active management risk	-	-
Diversification effect	-316,225	-378,511
Total S (required buffers)	**701,930**	**845,887**
Equity capital requirement (Article 132 Pensions Act)	4,221,231	5,462,170
Pension assets (total assets - liabilities)	4,254,216	5,687,567
Surplus	**32,985**	**225,397**

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 next.

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.

	31-12-2022		31-12-2021	
	Value of balance sheet item	Duration	Value of balance sheet item	Duration
Fixed-income securities (before derivatives)	2,665,049	6.2	2,475,088	10.2
Fixed-income securities (after derivatives)	2,351,374	14.4	2,702,170	21.3
Technical provisions	3,519,301	18.1	4,616,283	20.4

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 2022:

Type of contract	Expiry date	Contract size
Interest rate swaps	2023-2029	571,000
Interest rate swaps	2030-2039	594,773
Interest rate swaps	2040-2049	653,534
Interest rate swaps	2050-2059	308,504
Interest rate swaps	2060-2069	192,582

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

	31-12-2022	in %	31-12-2021	in %
Remaining maturity <1 year	111,878	4.8	270,666	10.4
Remaining maturity >1 years <5 years	1,084,862	47.1	712,707	27.2
Remaining maturity >5 years	1,108,984	48.1	1,632,524	62.4
	2,305,724	**100.0**	**2,615,897**	**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 indexation 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 is not the case at the end of 2022 and 2021.

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	31-12-2022	in %	31-12-2021	in %
Residential property	320,853	68.0	309,164	63.5
Retail shops	58,079	12.3	57,531	11.8
Offices	-	-	80	-
Participating interests in immovable property companies	93,237	19.7	120,240	24.7
	472,169	**100.0**	**487,015**	**100.0**

Specification of property investments by region	31-12-2022	in %	31-12-2021	in %
Europe	437,367	92.6	428,348	87.9
North America	25,098	5.3	41,021	8.4
Asia and Oceania	8,356	1.8	15,871	3.3
Developed markets	**470,821**	**99.7**	**485,240**	**99.6**
Emerging markets	1,348	0.3	1,775	0.4
	472,169	**100.0**	**487,015**	**100.0**

Specification of equities by sector	31-12-2022	in %	31-12-2021	in %
Information technology	298,933	25.4	555,256	24.2
Consumer goods	226,153	19.2	459,742	20.0
Financial institutions (including banks and insurers)	185,590	15.8	331,232	14.4
Healthcare	178,946	15.2	262,131	11.4
Industry	125,477	10.7	244,341	10.7
Telecommunications	74,903	6.4	208,767	9.1
Raw materials	38,828	3.3	98,870	4.3
Utilities	30,114	2.6	57,789	2.5
Energy	9,448	0.8	73,230	3.2
Other	6,951	0.6	4,401	0.2
	1,175,343	**100.0**	**2,295,759**	**100.0**

Specification equities by region	31-12-2022	in %	31-12-2021	in %
North America	723,130	61.5	1,418,333	61.8
Asia and Oceania	194,926	16.6	433,181	18.9
Europe	215,438	18.3	398,441	17.3
Developed markets	**1,133,494**	**96.4**	**2,249,955**	**98.0**
Emerging markets	41,849	3.6	45,804	2.0
	1,175,343	**100.0**	**2,295,759**	**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 2022 is €1,518,021 (2021: €2,531,078).

Control measures: The investment portfolio is hedged for 69% (2021: 67%) by the currency derivatives. At the end of the financial year, the value of outstanding currency derivatives is €24,053 (2021: €1,773).

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 2022	Net position after hedging 2021
EUR	2,388,537	1,068,530	3,457,067	5,025,023
USD	917,163	-916,664	499	12,226
JPY	63,473	-66,829	-3,356	18,505
GBP	58,885	-62,699	-3,814	-4,489
HKD	46,157	-	46,157	85,832
CAD	25,699	1,235	26,934	58,794
CHF	32,149	-	32,149	59,752
AUD	18,678	-	18,678	55,569
Other	355,817	480	356,297	550,042
	3,906,558	**24,053**	**3,930,611**	**5,861,254**

The foreign currency position by investment class at the end of 2022 is:

	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**

At the end of 2021, the foreign currency position by investment class was distributed as follows:

	Property investments	Equities	Fixed-income securities	Derivatives	Other investments	Total
EUR	425,938	205,372	2,344,320	1,912,542	136,851	5,025,023
USD	41,328	1,375,777	2,560	-1,455,444	48,005	12,226
JPY	4,241	137,593	-	-127,148	3,819	18,505
GBP	1,059	84,748	-	-112,781	22,485	-4,489
HKD	6,048	79,103	-	-	681	85,832
CAD	156	57,145	-	-	1,493	58,794
CHF	416	56,874	-	-	2,462	59,752
AUD	2,592	41,947	-	-	11,030	55,569
Other	5,237	257,200	269,017	534	18,054	550,042
	487,015	**2,295,759**	**2,615,897**	**217,703**	**244,880**	**5,861,254**

The table below shows the contract size of currency derivatives at the end of 2022:

Type of contract	Expiry date	Contract size
Forward foreign exchange contract EUR/USD	13-01-2023	939,787
Forward foreign exchange contract EUR/USD	09-03-2023	2,600
Forward foreign exchange contract EUR/GBP	13-01-2023	82,439
Forward foreign exchange contract EUR/JPY	13-01-2023	70,050

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 field 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	31-12-2022	in %	31-12-2021	in %
Europe	1,895,348	82.2	2,172,834	83.1
North America	252,777	11.0	222,529	8.5
Asia and Oceania	102,654	4.4	134,013	5.1
Developed markets	**2,250,779**	**97.6**	**2,529,376**	**96.7**
Emerging markets	54,945	2.4	86,521	3.3
	2,305,724	**100.0**	**2,615,897**	**100.0**

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

	31-12-2022	in %	31-12-2021	in %
AAA	418,415	18.2	529,581	20.3
AA	336,434	14.6	393,184	15.0
A	345,864	15.0	383,035	14.6
BBB	429,161	18.6	526,932	20.1
< BBB	184,393	8.0	86,379	3.3
No rating	591,457	25.6	696,786	26.7
	2,305,724	**100.0**	**2,615,897**	**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 are 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 2022, this concerns the following items (percentage relative to the balance sheet total at year-end 2022: 13%, year-end 2021: 10%, respectively):

Fixed-income securities	31-12-2022	31-12-2021
Government bonds the Netherlands	257,366	259,978
Government bonds France	190,429	151,481
Government bonds Germany	141,703	162,278

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 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 for now.

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 62.3 years (2021: 60.6 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)

	2022	2021
Premium contributions from employers and employees	74,278	64,795
Amortisation of premium receivables	-18	-25
Movement provision for doubtful debts	20	22
	74,280	**64,792**

The total contribution from employer and employees is 24.5% (2021: 23.0%) of the wage bill.

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

	2022	2021
Pure cost-covering premium	120,859	112,561
Smoothed cost-covering premium	72,438	62,241
Actual premium	74,278	64,795

The pure cost-covering premium is based on the market interest rate (nominal interest rate term structure of 31 December 2022 published by DNB).

The actual premium has been recognised as income. The actual premium excludes movements in premium receivables and includes the surcharge for non-contributory participation of €3,039 (2021: €2,843).

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:

	2022	2021
Actuarially required premiums	101,292	94,765
Surcharge for pension administration costs	1,031	644
Solvency surcharge (equity capital requirement)	18,536	17,152
	120,859	**112,561**

The composition of the smoothed premium is as follows:

	2022	2021
Actuarially required premiums	38,249	33,357
Surcharge for pension administration costs	1,031	644
Solvency surcharge (equity capital requirement)	7,000	6,038
Conditional elements	26,158	22,202
	72,438	**62,241**

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

2022	Direct investment returns	Indirect investment returns	Asset management costs	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**
General expenses allocated from pension administration costs	-	-	-1,130	-1,130
	56,310	**-1,429,427**	**-4,289**	**-1,377,406**

2021	Direct investment returns	Indirect investment returns	Costs asset management	Total
Property investments	10,839	26,072	-234	36,677
Equities	-	543,783	-1,262	542,521
Fixed-interest securities	20,655	-98,410	-1,586	-79,341
Derivatives	21,675	-324,081	-251	-302,657
Other investments	3,731	12,624	-86	16,269
	56,900	**159,988**	**-3,419**	**213,469**
General expenses allocated from pension administration costs	-	-	-859	-859
	56,900	**159,988**	**-4,278**	**212,610**

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 €15,570 (2021: €16,600). In 2022, an amount of €4,450 (2021: 0) in transaction costs was recovered. On balance, these costs amount to €11,120 in 2022 (2021: €16,600).

Taking this into account, the investment costs total €15,409 (2021: €20,878). These costs comprise €10,464 in management fees (2021: €9,717), €-1,189 in performance-related fees (2021: €4,370), €5,004 in transaction costs (2021: €5,932) and €1,130 in overheads allocated from pension administration costs (2021: €859).

9. Other income

Other income comprises interest income collection €28 (2021: €13), VAT recovered €12 (2021: €562), and other income €0 (2021: €5).

10. Pension benefit payments

	2022	2021
Retirement pension	96,832	93,111
Partner's pension	20,346	19,570
Occupational disability	383	401
Orphan's pension	144	155
Commutations	807	999
	118,512	**114,236**

The item commutations relates to the commutation of pensions lower than €520.35 (2021: €503.24) per annum in accordance with Article 66 of the Pension Act (amounts stated are denominated in euros).

On 29 June 2022, the Board decided to make use of the extended statutory possibility to grant a one-off additional supplement, as a result of which all the participants, former participants and pension beneficiaries were granted a 1.48% supplement on 1 September 2022.

In addition, in the financial year, the Board decided, based on the policy funding ratio on 30 September 2022, to take a decision to grant a 7.33% supplement to all the participants, former participants and pension beneficiaries on 1 January 2023. A 1.20% supplement was granted on 1 January 2022.

11. Pension administration costs

	2022	2021
Administrative costs	3,086	2,919
Governance costs	781	605
Costs of Executive Office	766	563
De Nederlandsche Bank	251	257
Consultancy costs	487	245
Accountant costs	80	74
Supervisory Board	49	66
Federation of Dutch Pension Funds	29	29
Dutch Authority for Financial Markets	23	21
Other costs	42	27
	5,594	**4,806**
Of which allocated to costs of asset management	-1,130	-859
	4,464	**3,947**

Independent auditor's fees

As in 2021, 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 costs are allocated to the financial year):

	2022		2021	
	PwC* Accountants N.V.	Other PwC network**	PwC* Accountants N.V.	Other PwC network**
Examination of annual accounts and reporting statements	80	-	74	-
Other audit mandates	-	-	-	-
Tax advisory services	-	17	-	23
Other non-audit services	-	-	-	-
	80	**17**	**74**	**23**

* PricewaterhouseCoopers Accountants N.V.

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

Remuneration of Board members

Neither in 2022, nor in 2021, the pension fund has 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 €375 (2021: €346) and reimbursements of travel expenses of €22 (2021: €6).

Supervisory Board

Costs relating to the Supervisory Board consist of fees for internal supervision activities. In 2022, these costs were €49 (2021: €66).

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

	2022	2021
Pension accrual	96,576	90,225
Supplements	306,748	54,475
Interest addition	-22,496	-26,155
Withdrawal for pension benefits and pension administration costs	-121,811	-117,197
Movement in market interest rates	-1,387,517	-314,819
Movement in actuarial assumptions	34,511	-1,501
Movement from transfer of rights	-7,575	-246
Other movements in technical provisions	4,582	4,309
	-1,096,982	**-310,909**

Interest addition

In the financial year, interest was added to the provision for pension liabilities by -0.486% (2021: -0.533%). This is the one-year interest rate from the interest rate term structure as at 31 December 2021.

Movement in market interest rates

Due to the change of the UFR methodology (as of 1 January 2022), the provision for pension liabilities in 2022 increased by €48,084 (2021: €75,091 increase). The regular movement in the interest rate term structure resulted in a decrease in the provision for pension liabilities by €1,435,601 (2021: €389,910 decrease). Due to the movement in market interest rates, the provision for pension liabilities therefore decreased on balance by €1,387,517 (2021: €314,819 decrease).

Movement in actuarial assumptions

	2022	2021
Introduction of new survival tables	24,565	-
Change in correction factors	10,808	-
Change in loading for disbursement costs	-862	-
Change in loading for orphan’s pension	-	-1,501
	34,511	**-1,501**

Other movements in technical provisions

	2022	2021
Change due to probability systems and other		
Mortality	1,831	3,355
Occupational disability	1,515	2,689
Changes	1,236	-1,735
	4,582	**4,309**

13. Balance of transfers of rights

	2022	2021
Incoming value transfers	-3,866	-2,671
Outgoing value transfers	11,100	2,966
	7,234	**295**

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' contribution-free pension entitlements accrued up to the date of dismissal. The lump sums received are used to buy additional entitlements.

	2022	2021
Movement technical provision due to transfer of rights		
Addition to technical provisions	4,021	2,355
Withdrawal from technical provisions	-11,596	-2,601
	-7,575	**-246**

The result on value transfers is as follows:

	2022	2021
Incoming pension liability	-155	-316
Outgoing pension liability	496	364
	341	**48**

14. Other expenditure

This comprises interest costs (€55; 2021: €46).

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 2022 annual accounts at its meeting on 7 June 2023.

On behalf of the Board and Supervisory Board,

7 June 2023, Harderwijk

Board
G. T. J. Meulenbroek, chair
H. W. T. de Vaan, 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 operational memorandum.

The proposal for the appropriation of the balance of income and expenditure for 2022 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 2022 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 materiality at €26,000. I arranged with the accountant to report any misstatements found above €1,750.

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.
.

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 2022, the pension fund used the 'Decree on granting supplements in special circumstances' dated 7 June 2022 (Official Gazette 2022, 211) when deciding to grant a supplement on 1 September 2022. In doing so, the pension fund substantiated that the conditions set out in the Decree were met.

In accordance with the calculation rules and assumptions described, adequate technical provisions, as a whole, have been established.

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

Subject to the foregoing, I am satisfied that Articles 126 to 140 inclusive of the Pensions Act have been complied with.

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 considered to be satisfactory.

The fact that the possibilities of realising the supplements are limited has been taken into consideration.

Amsterdam, 12 June 2023

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

Independent auditor's report

To: the Board of Stichting Pensioenfonds voor de Architectenbureaus

Report on the annual accounts 2022

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 2022 and of the balance of income and expenditure for 2022 in accordance with Title 9 Book 2 of the Dutch Civil Code in force in the Netherlands.

What we audited

We have audited the 2022 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 2022;
- the statement of income and expenditure for 2022;
- 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*).

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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 chapter '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, the Risk Management, Actuarial and Compliance (RAC) function and the compliance officer. No signs of actual, alleged or suspected fraud that could lead to a material misstatement ensued.

As part of our risk identification process relating to material misstatements in the annual accounts due to fraud, we considered fraud risk factors related to fraudulent financial reporting, improper appropriation of assets, and bribery and corruption. We evaluated whether these factors were indicative of the presence of the risk of material misstatement due to fraud.

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

Identified fraud risks	*Our audit procedure and observations*
Breaching 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 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 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. 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 and tested the operation of the 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 2022 annual accounts of the investment fund. For part of the investment portfolio, we reviewed the work performed by the asset manager's in-house auditor. 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. We also noted correspondence with regulatory bodies and remained alert to indications of 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.
If this was the case, we reassessed our evaluation of the risk of fraud and its impact on our audit procedure.

Audit approach going concern

The Board has prepared the annual accounts under the going concern assumption. Our procedures for evaluating the Board's assessment of going concern included obtaining audit evidence for the going concern risk and the going concern assumption used by the Board in determining amounts and explanatory notes in the financial overviews.

Based on the audit evidence obtained, we determined whether events and circumstances existed that might cast reasonable doubt on whether the pension fund could continue as a 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 the foreseeable future, i.e. at least 12 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 management;
  - 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 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 about 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 which means that we may not detect all the material misstatements during our audit.

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, 12 June 2023
PricewaterhouseCoopers Accountants N.V.

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

Annex to our audit report on the 2022 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 Vakmensen;
- CSO;
- ANBO.

2. External parties

The Fund worked with the following external parties in 2022:

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 N.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 Netherlands 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 function

Sprenkels B.V.

Role holder key role internal audit

Mazars

Compliance work

Sprenkels B.V.

Confidential adviser

Nederlands Compliance Instituut B.V.

3. Pension scheme details

	2022	2021	2020	2019	2018
Defined-benefit agreement	Average wage	Average wage	Average wage	Average wage	Average wage
Retirement pension accrual rate	1.500%	1.390%	1.738%	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	81,663	80,041	78,223	76,382	74,876
State pension offset	15,162	14,789	14,383	14,044	13,767
Maximum pension base	66,501	65,252	63,840	62,338	61,109
Actual pension premium compulsory scheme	24.50%	23.00%	23.00%	23.00%	23.00%
Employer share	13.48%	12.65%	12.65%	12.65%	12.65%
Employee share	11.03%	10.35%	10.35%	10.35%	10.35%
Increase of pensions in payment	01-01-2022: 1.20% 01-09-2022: 1.48%	0.00%	0.00%	0.53%	0.10%
Increase of pension rights participants and former participants	01-01-2022: 1.20% 01-09-2022: 1.48%	0.00%	0.00%	0.53%	0.10%

4. Ancillary positions

The Board members fulfilled the following relevant ancillary activities in 2022:

M. M. E. P. Groenen
- DGA MG Advies B.V.
- DGA GLS Architectuur I 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
- Interim director DPS
- Chair of the supervisory board of pension fund Pensioenfonds Delta Lloyd
- Member of the Supervisory Board of Woningborg
- Chair of the Association Internal Regulators Pension sector (*Vereniging Intern Toezichthouders Pensioensector*)

J. G. E. van Leeuwen
- Employed at FNV
- Member of the board of PNO Media
- Member of the board of occupational pension fund Bpf Zoetwaren (until 1 October 2022)
- Prospective board member 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 the supervisory committee social plan Agrifirm
- Chair of Shareholders foundation Stichting AT Osborne
- 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)

H. W. T. de Vaan

- Employed by CNV Vakmensen
- Member of the board of occupational pension fund Bedrijfstakpensioenfonds BPL
- Participant working group Compensation related to the pension agreement of the Ministry of Social Affairs and Employment
- Member of PGGM Client Council
- Member of SAREF Client Council

Members of the Accountability Body fulfilled the following relevant ancillary activities in 2022:

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

D. Verweij

- Office manager at LEVS

W. E. Vester

- Member of the board/operational manager Rijnboutt
- 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 2022:

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

The independent members of the Complaints and Disputes Committee fulfilled the following relevant ancillary activities in 2022:

L. Berrich
- No relevant ancillary positions

B. J. Bodewes
- Chair of disputes committee of occupational pension fund BPF Schilders

F. Prins
- Consultant at BSG
- Prospective mentor at Stichting Mentorschap Haag en Rijn
- Consultant at Ortec
- Consultant Monitoring Committee Code of the Dutch Pension Funds

5. Composition of the Executive Office

Composition of Executive Office at the end of 2022:

R. van Asselt, risk management specialist
H. Andringa, asset management specialist
N. van Blitterswijk, asset management specialist
M. Bonekamp, asset management specialist
P. O. Bos, director
E. M. Bosman, Board consultant
M. Doelman, pension management specialist
R. Goris, asset management specialist
M. Heijs, employee risk management
D. Jongkind, employee risk management
H. Kuiper, communications specialist
E. Lock, specialist risk management
S. Schoenaker, employee risk management

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.

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 funding ratios over the last twelve months.

Funding ratio: the value of the pension assets expressed as a percentage of the value of the pension liabilities. The funding ratio is considered an indicator of the degree of certainty that committed pensions can actually be paid out.

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.

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.

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 not qualify as ecologically sustainable according to EU taxonomy	☐ 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 social objective:**__%	☒ 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 invested in 3 excluded companies and in investment funds with limited exposure to excluded companies. PfAB has no direct influence on the exclusion policy of these investment funds.

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, underlying asset managers 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 funds, active share ownership was managed by PGGM in the period 01-01-2022 to 01-11-2022. From 1 January 2023, active share ownership across the portfolio will be managed by Columbia Threadneedle Investments (CTI).

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.

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 31/12/2022 for discretionary mandates.
2. Number of companies the engagement provider is in an engagement process with on behalf of PfAB	170
3. Number of engagement processes that achieved milestones towards improving corporate behaviour	15
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: 153 Developed Markets Benchmark: 321 Emerging Markets Portfolio: 74 Emerging Markets Benchmark: 141

	Developed Markets and Emerging Markets Portfolio: 84 Developed Markets and Emerging Markets Benchmark: 163 As at 31/12/2022.
5. CO_2 intensity of the corporate bond portfolio (weighted average carbon intensity: tonnes CO_2e (scope 1 and 2)/million USD turnover)	Portfolio: 110 Benchmark: 123 As at 31/12/2022.
6. The CO_2 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: 200 Benchmark: 294 The CO_2 intensity relates to the second half of 2022, as at 31/12/2022, because in the first half 2022 there was no exposure to high-yield corporate bonds.
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 first 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
Property fund	*Other*	*10.14*	*Europe*
Mortgage fund	*Other*	*9.75*	*The Netherlands*
PGGM Infrastructure Fund	*Other*	*4.78*	*The Netherlands*
Netherlands 3.75 42	*Government*	*1.71*	*The Netherlands*
NL GOV 2 15JUL24	*Government*	*1.64*	*The Netherlands*
DE GOV 1.5 15MAY24	*Government*	*1.54*	*Germany*
FR GOV 2.25 25MAY24	*Government*	*1.38*	*France*
FR GOV0 25FEB24	*Government*	*1.21*	*France*
NL GOV0 15JAN24	*Government*	*0.86*	*The Netherlands*
NL GOV 2.75 15JAN47	*Government*	*0.80*	*The Netherlands*
Microsoft	*Technology*	*1.25*	*United States*
DE 2.5% 04/07/44	*Government*	*0.59*	*Germany*
NL GOV 4 15JAN37	*Government*	*0.57*	*The Netherlands*
APPLE INC	*Technology*	*0.55*	*United States*
KREDITANSTALT FUER WIEDERAUFBA 0 4JUL24	*Government*	*0.54*	*Germany*

The percentages are based on the position as at 31-12-2022 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?

Investments

#1 Aligned with E/S characteristics 97.55%

#2 Other 2.45%

#1 Aligned with E/S characteristics includes the investments of the financial product that are used to meet the ecological 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?

Economic Sector	*Sum of market value (%)*
Other	*27.76*
Government	*23.43*
Financial companies	*13.35*
Technology	*7.66*
Health care	*5.60*
Consumer discretionary	*4.70*
Industries	*4.17*
Communication	*3.73*
Basic consumer goods	*3.49*
Utilities	*2.08*
Materials	*1.90*
Energy	*1.25*
Property	*0.88*

The percentages are based on the position as at 31-12-2022. 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:

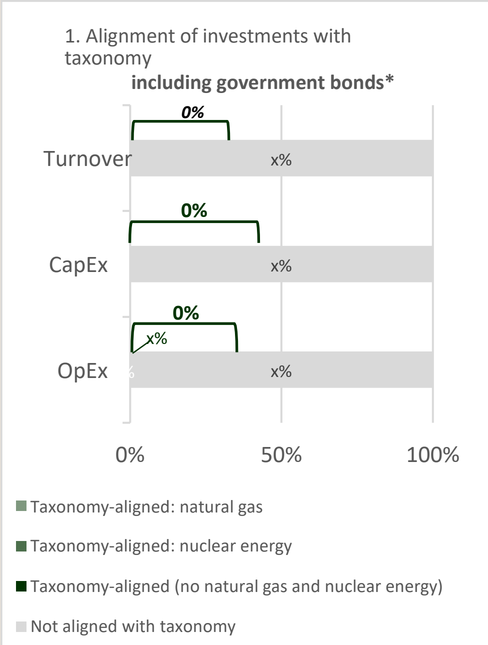
☐ In natural gas ☐ In nuclear energy

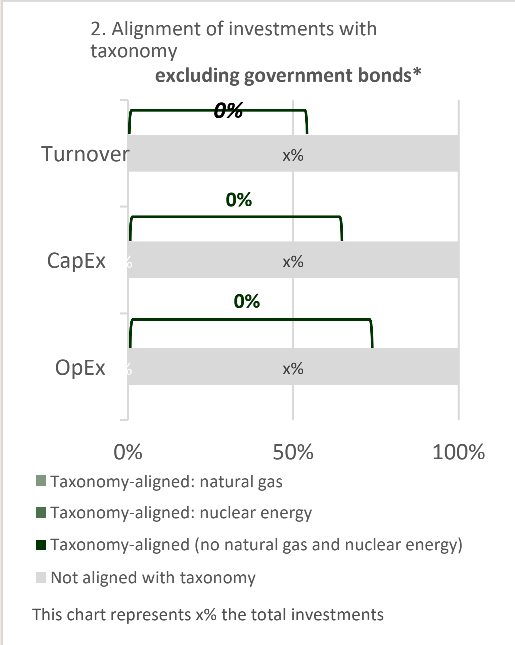
☒ No

[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 first 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 01-11-2022. From 1 January 2023, engagement will be 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.