MARS pensioenfonds

Stichting Mars Pensioenfonds
Veghel

Annual Report
2016

Stichting Mars Pensioenfonds
Established in 1964

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

CONTENTS

Unless clearly stated otherwise all amounts are in thousands of euros

THIS PAGE IS INTENTIONALLY LEFT BLANK

INTRODUCTION BY CHAIRMAN

During 2016 the financial position of MPF and all other pension funds was most of the year under pressure as a result of a sharply falling interest rate, which kept going till the 4th quarter of the year, when the trend reversed. Interest rates at the end of the year were again close to where they were at the beginning of 2016, and the Funding Ratio returned to roughly 125%. However the 12 months moving forward Policy Funding ratio decreased from 125% to 117%.
Our investment return in 2016 was very good at 7.5% which was 1.3% above our benchmark and this obviously strengthened the financial position of the Fund.
Fortunately, the situation during the first months of 2017 has even more improved as a result of slightly higher interest rates and positive market returns. The Policy Funding Ratio [12 months moving average] has gone above 120% and the funding ratio above the required solvency margin of 131%.

As a result of the Policy Funding Ratio of MPF being below the required solvency level, we had to submit a formal Recovery Plan to DNB. This is a normal annual process as long as we are in that situation. The Recovery Plan shows that on a standardized basis we are above the required solvency ratio within 4 years. The recovery plan has been approved by DNB.

In close consultation with the Investment Committee the Fund has worked on a new ALM which has resulted in a slightly adjusted investment mix.
We are also developing plans what should happen when interest rates return to more long term equilibrium levels and our investment returns remain strong. When our financial position has reached certain levels it may be wise to recognize this in the way we invest and hedge more against liabilities. The Pension Board recognizes that we need to have plans ready to be able to execute swiftly when our financial position improves further.

The most important legal change in 2016 was the implementation of a new law on improved DC plans [Wet Verbeterde Premieregeling]. In short this means that members of a DC plan are no longer obliged to purchase an annuity [lifelong pension] at a fixed interest rate, but that it is possible to buy a variable annuity based on investment returns. In this case the investments of the DC capital continue, and this will have an impact on the ongoing annuity that will be variable.
The annuity is expected to develop at a higher level, but can go up and down.
All pension plan changes are approved by the company with agreement of the Works Councils and subsequently the pension fund is requested to implement the change. As from last year the works councils have an approval right [instemmingsrecht] instead of an advisory right [adviesrecht].

The challenges for the Pension Board remain high. There is continuous pressure from new pension legislation and further regulations [Pension Code, FTK, Feasibilty tests, Risk Management, etc].
During 2016 it became apparent that a new vacancy in the Pension Board needed to be filled on the employee side.
Jack van Lith had indicated that 2016 would be his last year. Jack's last Board meeting was finally in March 2017. In the meantime we were training a new Pension Board member, Harold van Heesch, who has been member of the investment committee of the ASP [MSP] Plan since 2013. Harold is now aspirant Pension Board member on behalf of the associates and we expect that we will introduce Harold to DNB as new Pension Board member in the second half of 2017.

We work together with all stakeholders, creating a future-proof situation for MPF. In 2016, the attention of the Pension Board mainly focused on strengthening the governance structure of MPF. This means effective succession planning for the Pension Board and all other governance bodies of MPF especially the Accountability Council, the IC and the Compliance Officer.
Hence, we work on an MPF Talent Pool which is widely communicated and is also well responded by potential members among the associates.
Janet van de Broek resigned as Compliance Officer and we are still in the process of filling the vacancy. This is expected to be done before July 1 2017.
Part of the strengthening of our governance structure was the appointment of new legal advisors after an extensive market review. Nauta Dutilh have become the new advisors as from 2017. They will attend all Pension Board meetings and provide us with legal input to all activities that need legal advice.

Finally the Board also focussed on the strengthening of the administrative execution of our plans and the processes at TKP, and between Mars and TKP. We will continue to do this as well as to regularly review the feasibility and consistency of our Plan Rules in good consultation with the company.

REPORT OF THE PENSION BOARD

1 KEY FIGURES

	2016	2015	2014	2013	2012
Members and retirees					
Active members	1,411	1,419	1,422	1,427	1,389
Deferred members	1,126	1,199	1,188	1,160	1,158
Retirees	1,206	1,160	1,129	1,126	1,037
Retirees per type					
Old age pension	902	872	847	833	774
Partner- and orphan pension	330	288	282	283	255
Pensions					
Cost covering contribution	30.0%	29.0%	29.9%	34.6%	35.3%
Smoothed cost covering contribution	16.9%	19.8%	18.9%	20.7%	21.0%
Actual contribution	25.0%	22.8%	20.0%	25.0%	25.0%
Execution- and administration costs	1,947	2,221	2,258	2,483	1,849
Benefit payments	30,300	29,300	27,900	26,700	25,400
Interest and Indexation					
Active members (ARP interest)	3.56%	3.63%	4.64%	5.62%	5.59%
Inactive members, conditional indexation	0.02%	1.14%	1.93%	0.60%	0.29%
Assets and solvency					
General reserve	290,800	270,300	250,800	243,900	106,200
Minimum general reserve	47,800	44,100	42,300	35,400	36,500
Regulatory own funds	367,700	352,100	272,200	247,800	221,900
Actuarial Accrued Liabilities at the risk of the pension fund	1,125,400	1,051,000	1,019,000	852,700	878,900
Funding ratio	125.0%	124.9%	124.6%	128.6%	112.1%
Market Value of assets	1,455,000	1,329,000	1,328,000	1,134,000	999,000
Investment returns	108,000	79,800	187,100	124,000	120,000
Investment portfolio					
Real estate investments	122,400	195,500	175,400	116,900	52,300
Equity	865,800	704,400	690,700	613,700	464,500
Fixed income	319,000	261,800	216,900	286,000	387,900
Other investments	148,000	167,000	196,200	117,600	94,200
Investment results					
Total portfolio	7.5%	6.6%	17.2%	12.1%	13.5%
Benchmark Return	6.3%	4.7%	17.3%	8.8%	13.0%
Average return per year					
Last 5 years	11.2%	9.4%	9.8%	11.1%	3.8%
Last 10 years	6.5%	6.8%	8.5%	8.4%	8.8%
Investments for risk of the participants (ASP and ARP)	41,800	34,900	16,900	12,800	7,700

Unless clearly stated otherwise all amounts are in thousands of euros

2 GENERAL INFORMATION

2.1 Legal structure

Stichting Mars Pensioenfonds (hereinafter: Mars Pension Fund or MPF) was established in 1964 and has its statutory seat in Veghel, Taylorweg 5. Mars Pension Fund is registered in the Trade Register of the Chamber of Commerce under number 41081174. The Articles of Association were last changed in July 2014.

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

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

2.2 Statutory objectives

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

Mars Pension Fund has defined in 2015 a mission, vision and a strategy that are part of the ABTN. In this annual report, a summary of the mission, vision, strategy and of the risk attitude is included.

Mission
Mars Pension Fund executes the pension agreements the sponsoring companies have entered into with their (former) associates and have entrusted to the Pension Fund.

Important principles to the Pension Fund are:
- Quality
- Responsibility
- Mutuality
- Efficiency
- Freedom

Vision
As of the start of the financial crisis the economic circumstances for pension funds are difficult. The asset returns are under pressure and the continuing decreasing interest rates cause an increase of liabilities. As a consequence the pension sector in the Netherlands is subject to change which causes new uncertainty. The characteristics of the Pension Fund will also change in the future due to the closed nature of the final pay plan and the increasing size of the ARP- and ASP-plan.

The Pension Fund wants to execute the pension promise of Mars to its (former) associates in an optimal way in these circumstances by:
- Meeting the expectations and balancing the risks of all stakeholders;
- Complying to laws and regulations;
- Executing the pension plans in a cost efficient way;
- Maximizing the conditional indexation / pension result and minimizing the long-term cost of the fund to the sponsoring companies by maximizing the asset returns subject to the risk tolerances of the sponsoring companies and fiduciaries and stakeholders;
- Communicating clearly and openly with its stakeholders in order to keep them informed of developments in the fund and the consequences for the participants and other stakeholders.

Strategy
The Strategy describes actions to realize the Mission and the Vision.
The Strategic Principles of the Pension Fund are:
- The Pension Fund has frequent contact with the sponsoring companies about the content of the pension plans, strategic issues and the investment policy;

- In order to represent the interests of all stakeholders as well as possible in the pension fund, diversity is sought in the governing bodies of the Pension Fund - within the practical possibilities;
- The organization of the Pension Fund consists of:
    - A Pension Board in which various specific areas of expertise are present
    - A professional Pension Office which is responsible for several operational duties
    - An Accountability Council and governance oversight via Internal Supervision by appointing the Review Committee;
- Both the Pension Board and Pension Office are supported by various external experts whenever appropriate;
- The Pension Board delegates the responsibility for the investment policy partly to an Investment Committee in which board members and representatives of the sponsoring companies are participating. The basis for the investment policy is described in the investment beliefs. Another Investment Committee provides advice regarding the ASP plan: the Advisory Committee Investment Structure ASP;
- The organizational structure of the Pension Fund ensures that:
    - Processes are efficient and controlled
    - Policies are designed in a balanced and careful way
    - Risks are weighted and adequately managed
    - The ambitions of the Pension Fund can be achieved.

In 2016 these actions described above were met. For example:

- Contact with the sponsoring companies on items like: the (future) possible changes of the pension plans, the contribution, the dispensation from BPF, the Talent Pool and future of MPF.
- MPF was successful in 2016 of filling the vacancy of AC member on behalf of members and identifying an aspirant PB member and an aspirant AC member. However, suitability and capability of these candidates prevailed over the gender or age of the candidate. The aspirant PB member is a member of the ARP/ASP plan, which will bring more diversity in the PB regarding pension plans.
- The organization of the Pension Fund is the same. The areas of expertise and the competency teams are updated regularly and at least when a new PB member is appointed.
- The structure of the IC and the IC-ASP is still applicable.

Risk attitude
The objectives, policy principles and risk attitude of the Pension Fund are results of the mission, vision and strategy of the Pension Fund. The risk attitude describes the risk appetite and risk tolerance of the Pension Fund as agreed with the stakeholders and is part of the ABTN and the AFA.

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

ABTN and AFA
The ABTN, one of the most important documents of MPF, provides insight into the operation of Mars Pension Fund and gives a description of the policies pursued by the Pension Fund. The ABTN was last modified on 8 December 2016 and applies from 31 December 2016.

The Administrative and Financial Agreement specifies mutual responsibilities, powers, entitlements and financial, and other obligations between Mars Pension Fund and the companies listed below:

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

In 2016 Wrigley Europe became part of the Company and on 19 July 2016 the AFA with MPF was signed. Wrigley Europe did not have any associates in 2016.

2.3 Organisation

2.3.1 Pension Board

Mars Pension Fund is governed by a Pension Board. The Pension Board consists of six members: i.e. three employer and three member representatives from which one is elected by the retirees and two by active members.
The Pension Board appoints one of its members as chairman. The Pension Board's composition must meet the criteria specified in the so-called Plan of Capability (*Geschiktheidsplan*) of Mars Pension Fund. The Pension Board shall pass resolutions by a simple majority vote unless the Articles of Association (*Statuten*) require otherwise. Each Pension Board Member may authorise another Pension Board Member in writing to represent him during a Pension Board meeting, including the authority to vote. A Pension Board Member may not represent more than one other Pension Board Member. Valid resolutions may only pass if at least four Pension Board Members are present or represented at the meeting, of which two being member representatives and two employee representatives.

As of 31 December 2016 the Pension Board has the following members:

On behalf of employers:

Name	Job title in Pension Board	Job title	Year of appointment	Year of stepping down
Mrs M. de Mars	Board member	Retiree	1988	2018
Mrs R. Steenbergen	Board member	Investment Control Manager EMEA	2016	2020
Mr W. van Ettinger	Chairman of the Board	Self Employed	1997	2018

The employers have nominated Mrs R. Steenbergen for Pension Board member on behalf of the employer. The Pension Board has appointed Mrs. R. Steenbergen in the March 2016 meeting after DNB approval.

On behalf of employees:

Name	Job title in Pension Board	Job title	Year of appointment	Year of stepping down
Mr W. van de Laar	Board member	Technology Manager Bars Global Scale Team	2003	2020
Mr J. van Lith	Secretary	Secretary Works Council	2003	2016

The term of Mr J. van Lith ended 31 December 2015, but Mr. J van Lith agreed to stay on for another year in order to provide sufficient time for the vacancy to be filled. DNB approved the reappointment. His term ended formally as from 16 March 2017. In the meeting of 21 June 2016 Mr. H. van Heesch was approved as aspirant PB Member. He will be trained as successor of Mr. J. van Lith. In the December 2016 meeting Mr. W. van de Laar agreed on extending his PB membership with one more term of maximum 4 years. After no objection from the members and after agreement of DNB, this has been confirmed in the first 2017 meeting (March).

On behalf of the pension beneficiaries:

Name	Job title in Pension Board	Job title	Year of appointment	Year of stepping down
Mr H. Faassen	Board member	Retiree	2014	2018

Pension Board members are appointed for a four year period as from 1 July 2014. After 1 July 2014 Pension Board members can be reappointed with a maximum of two periods after 1 July 2014.

2.3.2 Executive Board

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

Unless clearly stated otherwise all amounts are in thousands of euros

The Executive Board consists of:

Name	Job title
Mr W. van Ettinger	Chairman of the Pension Board
Mrs S. Tonnaer	Director of MPF
Mr W. de Korte	EMEA Investments Manager

2.3.3 Pension Office

The Pension Board has delegated the operational duties to the Pension Office which is led by a director. The Pension Board has specified that the Plan of Capability also applies to the director. The responsibilities of the Pension Office are:

- The day-to-day management of the Fund;
- The implementation and dissemination of the policy set by the Pension Board to all relevant parties involved;
- Preparing recommendations to the Board with assistance from the Pension Office and the Fund's advisors;
- The outsourcing of the administrative activities after Pension Board approval;
- Mars Pension Fund's management reporting.

The Pension Office is part of an internal Mars service group called the European Treasury & Benefits Centre (ETBC). Investment activities are also coordinated by the ETBC. A service level agreement has been agreed between the Pension Fund and the ETBC. The Pension Office manages its responsibilities by frequent meetings and the use of a dashboard, annual activity calendar and a condensed reporting and decision tool.

The Pension Office consists of:

Name	Job title
Mrs S. Tonnaer	Director
Mr W. de Korte	EMEA Investments Manager

2.3.4 Accountability Council and Review Committee

Accountability Council (*Verantwoordingsorgaan*)
In 2008 the Pension Board has established a Supervisory Board (*Verantwoordingsorgaan*). As from 1 July 2014 the name is changed to Accountability Council and the number of topics on which the Accountability Council must be consulted, has increased. The Accountability Council's role is to critically review the Pension Board's range of policies. A separate section is included in the Annual Report that reflects the Accountability Council's findings.

At the end of 2016 the Accountability Council consists of:

Name	Job title	Year of stepping down	On behalf of
Mr I. Langer	Benefits Director S&F	2019	Employer
Mr P. van Bree	European Activity Manager Bars CEE	2019	Employees
Mr A. Van Gestel	Retiree	2017	Retirees

The Talent Pool campaign in 2015/2016 resulted in a new member on behalf of the employees: Mr P. van Bree and an aspirant member: Mrs J. Vermeulen for the Accountability Council. Mr P. van Bree has been appointed as new Accountability Council member in the PB meeting of 21 June 2016. In that same meeting the PB approved the continuation of Mr I. Langer as member of the AC on behalf of the employer (after binding nomination by the Employer) with another term of 3 years.

Review Committee (*Visitatiecommissie*)
The Pension Board has again decided to have a review done by a Review Committee (*Visitatiecommissie*) in 2017 covering the year 2016. Like last year, the review was performed by three members of Stichting ITP. The Accountability Council was asked for advice on the selection of the supplier for the Review Committee. The AC advised positively on ITP as provider and the appointment of the individuals. A separate section is included in the Annual report that reflects the Review Committee's findings. The Review Committee focuses on adequate risk control, processes and reviews whether the interests of all stakeholders are taken into account in a balanced way.

Unless clearly stated otherwise all amounts are in thousands of euros

2.3.5 Administration

As from 1 January 2014 TKP is responsible for the full administration, including the member administration, the investment administration of the Associate Selection Plan (ASP) of the ASP/ASP Pension Plan, and the financial administration and payroll. In 2015 TKP has implemented the plan changes 2015 into their administrative systems. However, after analysis of several cases of disabled members, MPF started in 2016 a thorough review and recalculation of all disabled members that will be finalized in 2017. During 2016 one formal complaint from a member was registered.

2.3.6 Investment Committees

The Pension Board has established two Investment Committees: the Investment Committee for the assets of the Final Pay and the ARP plan, and the Advisory Committee Investment Structure ASP for the ASP plan. Committee members are appointed by the Pension Board.

As from January 2012 the Investment Committees of the Mars European pension plans have been harmonised. MPF's Investment Committee has as from mentioned date the same members as the other six Investment Committees in Europe. The Investment Committee's responsibilities are to advise the Pension Board on all investment matters and to appoint and monitor investment managers and performance for the final pay schemes and the cash balance plan. The responsibilities have been documented in an Investment Committee Charter.

At the end of 2016 the Investment Committee was composed of the following members:

Name	Job title	Details
Mr W. van Ettinger	Retiree (before: Director Treasury & Benefits EMEA)	Also Chairman of the Pension Board
Mr R. Lottermann	Retiree (before: President Asia Pacific)	
Mr A. Parton	Commercial VP Global Petcare	
Mr J. Price	Retiree (before: VP Operations Europe Mars Petcare and Main Meal Food)	
Mr W. Rigler	VP S&F Multi Sales	
Mr F. Nieuwland	Chief Investment Officer	Chairman
Mr H. Fleige	Financial Planning & Analysis Director, Global Petcare Finance Support	

In 2016, Mr. F. Bambang Oetomo left Mars and resigned as member of the Investment Committee. The vacancy was filled by Mr H. Fleige as from June 2016, upon appointment by the PB of MPF.

The Advisory Committee Investments ASP provides the Pension Board with both asked and unasked advice related to the investments of the Associate Selection Plan (ASP) which is part of ARP/ASP Pension Plan.

On 31 December 2016 the Advisory Committee Investment Structure ASP for the defined contribution plan is composed of the following members:

Name	Job title	Details
Mr H. Van Berkel	Investment Manager	Company representative and Chairman IC-ASP
Mr B. Kanis	Activity Manager ITR	Member representative
Mr H. van Heesch	Process Area Operator	Member representative
Mr M. De Vries	Sr Technologist R&D	Member representative
Mr J. Janssen	Treasury Operations Manager	Member representative

Members are appointed by the Pension Board, taken into account that two members at the most will be appointed after consultation with the employer. No changes in membership in 2016.

2.3.7 Investment Managers

The main investment managers, ranked by value, are Lasalle IM, GMO, Blackstone, PEM, Marathon, Lazard, Neuberger Berman and GLG Partners. The investment manager for the Associate Selection Plan is Vanguard. All available funds for investment by members are index funds.

Unless clearly stated otherwise all amounts are in thousands of euros

2.3.8 External Advisors

Advice	Third party
Advisory Actuary	Willis Towers Watson, Eindhoven
Tax Advisor	PricewaterhouseCoopers Belastingadviseurs N.V.
Legal Advisors	Onno Blom advocaten, Amsterdam Stibbe N.V., Amsterdam Hogan Lovells, London
Monitoring and Controls	Secor Investment Advisors LLP, London
Communication Advisor	TKP Groningen
ALM Advisor	Willis Towers Watson, Amsterdam
Strategic Asset Allocation	Willis Towers Watson, Secor Investment Advisors LLP, London
Tactical Asset Allocation	Secor Investment Advisors LLP, London
Manager Selection	Secor Investment Advisors LLP, London
Transition Management	Secor Investment Advisors LLP, London, Russell Implementation Services
Private Equity	Performance Equity Management (PEM), Greenwich. Secor Investment Advisors LLP, London
Hedge Funds	Blackstone, New York, Secor Investment Advisors LLP, London
Property Investments	LaSalle Investment Management (LIM), London

Audit and control	Third party
Independent auditor	PricewaterhouseCoopers Accountants N.V.
Certifying actuary	Willis Towers Watson

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

3 FINANCIAL INFORMATION

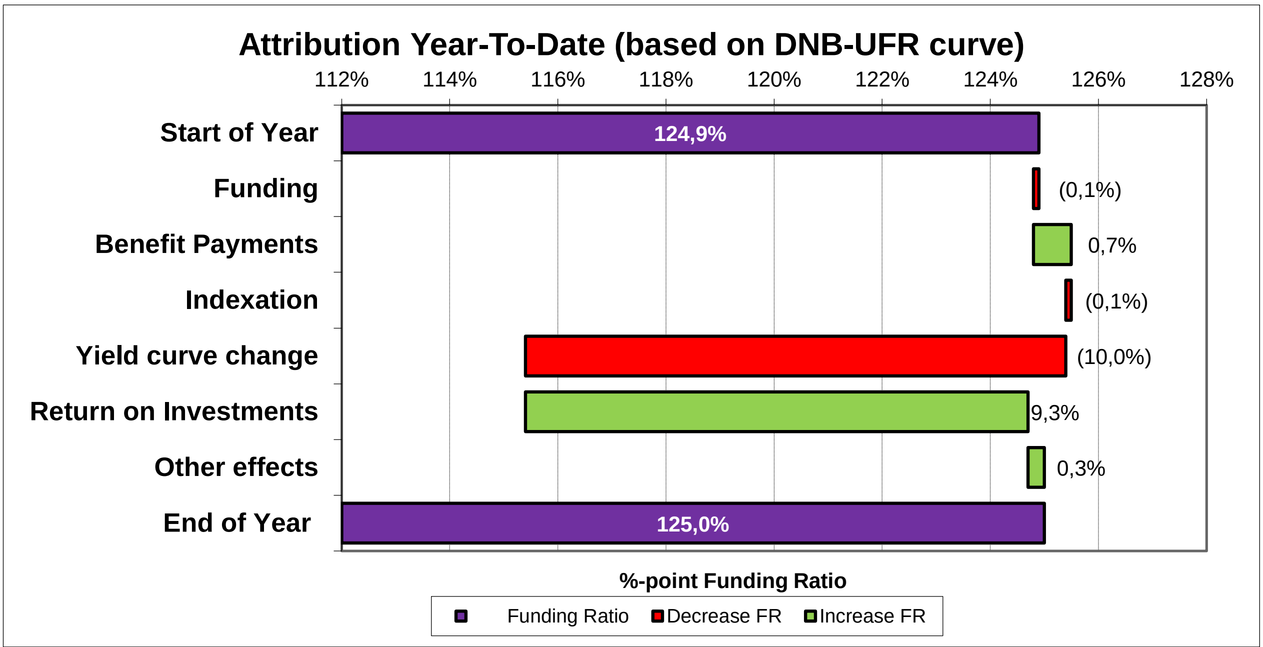
3.1 Funding Ratio

The most important indicator of the financial position is the funding ratio. This is the ratio between the assets of the pension fund and the liabilities. The funding ratio of MPF at year end 2016 is 125.0%.

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

	Funding Ratio	Ongoing Solvency Margin Ratio
31 December 2012	112.1%	125.2%
31 December 2013	128.6%	129.1%
31 December 2014	124.6%	126.7%
31 December 2015	124.9%	132.4%
31 December 2016	125.0%	131.3%

During 2016 the funding ratio changed considerably, but the funding ratio at the end of 2016 was almost equal to the funding ratio at the end of 2015. These changes were caused by changes in the applied interest rates for calculating the pension liabilities and the development of the investments. Overall the impact of the developments in 2016 is shown in the next figure:



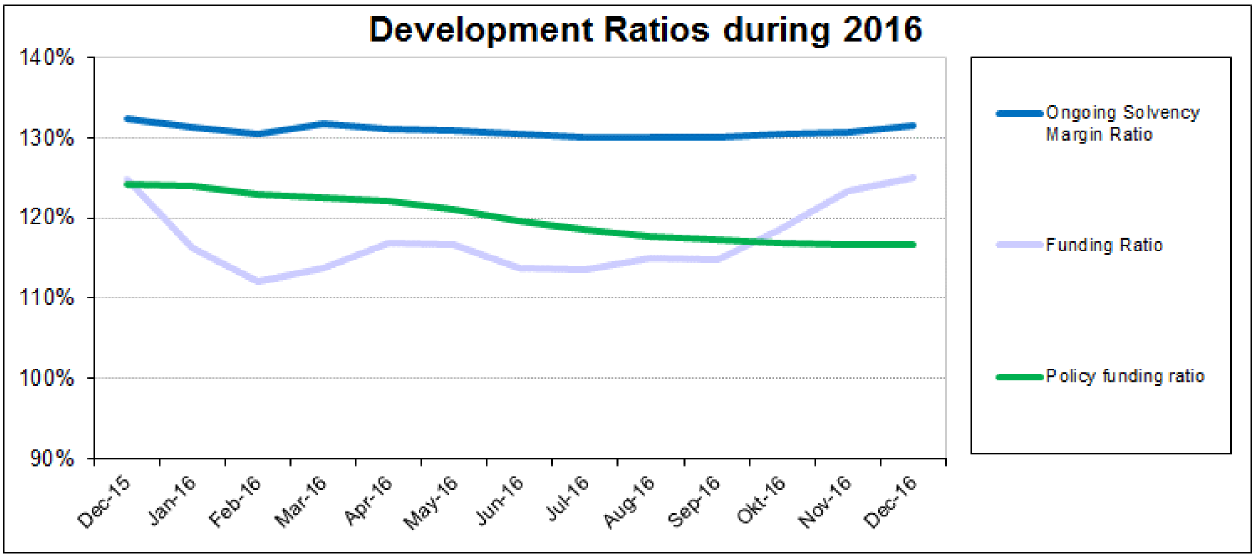
The investments developed positively and made a positive contribution of approximately nine percent to the funding ratio.

3.2 Policy Funding Ratio

In 2015 the Policy Funding Ratio (PFR) has been introduced. The PFR is the average of the Funding Ratios over the past twelve months. The PFR is relevant to determine if the pension fund is allowed to index or to execute transfers of pension rights. Due to the development of the funding ratio during the year 2016 the PFR decreased from 124.2% to 116.6%.

In the next figure the development of the ratios during 2016 are shown.

Unless clearly stated otherwise all amounts are in thousands of euros

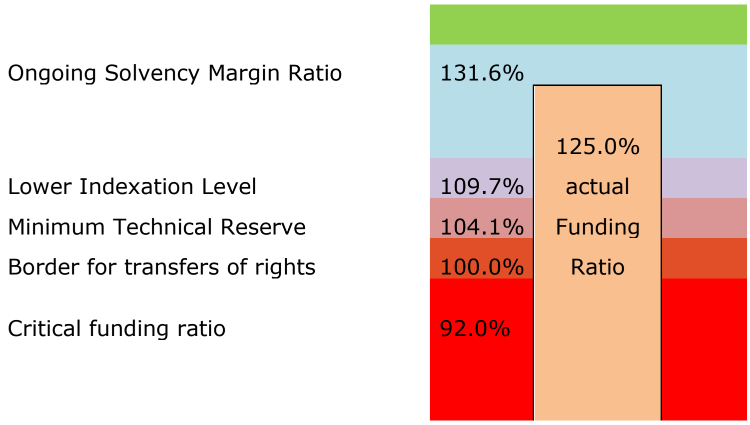


3.3 Relevant ratios

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

- The **funding ratio for future proof indexation** at 31 December 2016 is approximately 116.6%. The new FTK determines that pension funds are only allowed to give full indexation according to their indexation policy if the Policy Funding Ratio is more than the funding ratio for future proof indexation. Below that level only partial indexation is allowed.
- The **Ongoing Solvency Margin Ratio** (OSMR) at year end 2016 is 131.6% (31 December 2015 132.4%). This ratio depends on the actual risk profile of the pension fund. The OSMR is an important ratio for the financial position of the pension fund. If the policy funding ratio is below the level of the OSMR, the pension fund has a deficit. As a consequence the pension fund is required to issue a recovery plan.
- The **Target Indexation Limit** (TIL) is the maximum of the funding ratio for future proof indexation and the OSMR and equals 131.6% at the end of 2016. When the Policy Funding Ratio is at or above this limit, MPF will give a full indexation according to the indexation policy of MPF.
- The **Lower Indexation Level** (LIL) is also relevant for indexation. If the policy funding ratio is below this level, indexation of pension rights is not allowed anymore. For MPF the LIL is equal to 109.7% at the end of 2016.
- The **Minimum Technical Reserve** (MTR) is 104.1%. A reduction of pension rights is required if a pension fund has a Policy Funding Ratio that is for a consistent period of five years lower than the MTR.
- The **100%-border** is significant for transfers of pension rights. If the policy funding ratio is below this level, pension funds are not allowed to pay amounts to or receive amounts from other pension funds. Although the policy funding ratio of MPF is beyond this level, other pension funds can be in a situation that transfer of rights cannot take place.
- The **Contribution Cut Limit** is the maximum of the funding ratio for future proof indexation and the OSMR plus 5% and equals 136.6% at the end of 2016. When the Policy Funding Ratio is at or above this limit, MPF is allowed to reduce the contribution to be paid by the employer.
- The **critical funding ratio** is the lowest possible Funding Ratio at which the pension fund can recover within the legally required period without any additional contributions from the employer and without reduction of the pension rights. This critical funding ratio is calculated at 92% at the beginning of 2015.

In the next scheme an overview of all relevant ratios is set out (as at 31 December 2016):



3.4 Recovery Plan

Because the Funding Ratio at 1 January 2016 was below the Ongoing Solvency Margin Ratio, MPF was required to issue a recovery plan. In this plan was set out how the Funding Ratio could develop in the next twelve years given a set of assumptions. This recovery plan shows that MPF can, on the very short term, not give full indexation, but on the longer term it is expected that this can be compensated. It should be taken into account that this projection is based on assumptions and that the actual realisation can differ from this projection. The recovery plan has, according to instructions, been sent to DNB before 1 April 2016 and has been approved by DNB.

As a consequence of the financial position at 31 December 2016 MPF was required to send an updated recovery plan to DNB before 1 April 2017. MPF has fulfilled this requirement. The updated recovery plan shows comparable results as the original recovery plan.

Feasibility test

According to the new regulations pension funds are obliged to perform an annual feasibility test as of 1 January 2015. This test should show that the expected pension results are within the financial limits for the long term as defined in the risk attitude (see paragraph 4.2). This risk attitude including the financial limits for the long term are developed by Mars Pension Fund together with the stakeholders. In 2015 Mars Pension Fund performed the initial feasibility test. The test showed that:

- the contribution policy is sufficiently realistic and achievable over the test horizon;
- Mars Pension Fund has sufficient capacity for expected recovery within the recovery plan horizon;
- the expected pension result at fund level is sufficiently in line with the established lower limit in the risk attitude; and
- the pension result at fund level in a negative scenario does not deviate too much from the expected pension result at fund level.

As of 2016 an annual feasibility test should be performed. This test should show that the expected pension result at fund level is sufficiently in line with the established lower limit and whether the pension result at the fund level in a negative scenario does not deviate too much from the expected pension result at fund level.

In June 2016, the annual feasibility test was performed. The results of this annual feasibility test fulfilled the determined lower boundaries.

3.5 Costs

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

3.5.1 Execution- and administration costs

The execution- and administration costs are specified in the Annual Accounts (11.7 Notes to the statement of income and expenses – note 17).

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

	2016	2015
Annual execution- and administration costs	1,947	2,221
Costs per member in euros: active members and retirees	744	861
Costs per member in euros: active members, retirees and inactive members	521	587

As MPF has a high standard on member administration and communication, it results in relatively high costs compared to other pension funds. The costs for 2016 include EUR 350 thousand on VAT. Compared to 2015 the cost level decreased due to lower advisory costs due to less fiscal and regulatory changes.

3.5.2 Investments costs

The table below shows the investment related costs incurred by the Pension Fund in 2016.

	Costs outside the funds (in bps)	Costs inside the funds (in bps)	Total costs (in bps)	2015
Management fees	0.20%	0.31%	0.51%	0.61%
Advisory fees	0.12%	0.00%	0.15%	0.13%
Other fees	0.05%	0.12%	0.17%	0.15%
Performance fees	0.04%	0.11%	0.15%	0.11%
Total	**0.41%**	**0.54%**	**0.94%**	**0.99%**
2nd layer costs			0.55%	0.51%
Transaction costs			0.19%	0.16%
Total			**1.69%**	**1.66%**

The percentages in the table represent all investment-related costs excepted for the operational costs for real estate, but including the costs for real estate management.

The total investment related costs are EUR 32.1 million and consist of EUR 11.5 million operational costs for real estate and EUR 20.6 million other investment costs. In the annual accounts only direct costs have been accounted for (EUR 16.6 million). The indirect costs (EUR 15.5 million) have been derived from the investment results.

The costs are reported on a so called look-through basis: all direct costs (invoices paid by the Pension Fund) as well as all costs charged indirectly through the funds that the Pension Fund invests in. These are costs related to Management fees, Advisory fees, Performance fees and Other fees (which include custody fees, legal fees, administrative / audit costs).

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

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

MPF has a high investment costs structure, however, one should always consider this together with the Risk profile, Investment strategy and performance of the Pension Fund.

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

Unless clearly stated otherwise all amounts are in thousands of euros

The key drivers that MPF believes to drive investment success:

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

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

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

The Pension Board believes that the costs involved with implementing MPF's investment strategy are justified by the longer term excess performance.
The Pension Board will continue to monitor the costs, with the input from the Strategic Advisor, ETBC and the Investment Committee.

3.6 Pension Plans

On 1 January 2015 the law "Wet verlaging maximumopbouw- en premiepercentages pensioen en maximering pensioengevend inkomen (Witteveenkader-2015)" came into effect. As a result Mars has introduced a new (adjusted) final pay pension plan (hereafter: Final Pay Pension Plan) and a new (adjusted) ARP/ASP plan, applicable as of 1 January 2015.

All active members were converted to these new plans. For those members who were already a member of the pension plan before 1 January 2004, this new final pay plan called "Final Pay Pension Plan" applies. For those members who became a member on or after 1 January 2004, the defined contribution plan called "ARP/ASP pension Plan" applies.
The distribution of the active members (including disabled members) at 31 December is:

	2016	2015
ARP/ASP Pension Plan	726	685
Final Pay Pension Plan	685	738
Sum of total	**1,411**	**1,423**

<u>BPF Sweets (Stichting Bedrijfstakpensioenfonds voor de Zoetwarenindustrie)</u>
MPF has a dispensation for the mandatory participation for Mars Veghel in the pension plan of BPF Sweets. BPF Sweets requested an updated test of equality in 2015 in order to maintain the dispensation. In 2015 a qualitative analysis was done and in 2016 the quantitative analysis was performed; result was

Unless clearly stated otherwise all amounts are in thousands of euros

both the Final Pay plan and the ARP/ASP plan were at least equal to the pension plan of BPF. BPF Sweets confirmed this in a letter on 13 January 2017.

Indexation of the accrued pensions of the members of the Final Pay Plan

The decision for the indexation per 1 January 2017 was made on 10 November 2016 based on the Policy Funding Ratio at the end of September 2016 (117.2%). The indexation per 1 January 2017 is included in the AAL year-end 2016.

Indexation for retirees and deferred members in January 2017
As the Policy Funding Ratio at the end of September 2016 is below the OSMR (or TIL), the partial indexation will be 0.02% in line with the indexation policy. This is based on the following:
The CPI is 0.07%. The target indexation is 75% of this CPI: 0.05%. As the Wage index (1.47%) is higher than the target indexation, this does not further limit the target indexation. As there is no retained wage indexation over the previous years, no catch up for wage index is given. So the full target indexation according to the policy is 0.05%. Based on the Policy Funding Ratio, the partial factor is 35.6% which results in an indexation of 0.02% per 1-1-2017. The Policy Funding Ratio does not give room for catch-up indexation, which becomes at a total of 2.78% (was 2.75%).

Indexation EOP and EPP 2014 and 2006 for active members
This indexation is unconditional and based on the CBS wage index for Food & Beverage industry private sector and will be 0.74% on 1 January 2017, based on the full period of September-September.

Indexation EOP and EPP 2015 for active members
This indexation is conditional (depending on the Policy Funding Ratio) and based on the CBS wage index for Food & Beverage industry private sector based on the full period of September-September. Based on the Policy Funding Ratio, the partial factor is 35.6%, which results in an indexation of 0.26%.

For both the active and inactive members in the ARP/ASP Pension Plan, the (annualised) interest on the ARP Plan is conditional and depending on the means available. Means are 'depot' and actual interest made by MPF in previous year. MPF strives for an indexation of CPI plus 3%. In the first half of 2016, the actual return on assets was enough to give an interest of the Price Index plus 3%. The interest for both active and inactive members was 3.60% for the period 1 January 2016 until 30 June 2016. In the second half of 2016 the actual return on assets was slightly negative. For active members the 'depot' is used to grant the CPI plus 3%, which resulted in 3.51% interest for the second half of 2016. For inactive members the 'depot' is used for the minimum of 0%, which resulted in 0% interest for the second half of 2016. For active members the total yearly return is 3.56% for 2016. For the inactive members the total yearly return is 1.80% for 2016.

3.7 Actuarial

In this section we summarise the actuarial report.

	31 December 2016	31 December 2015
Market Value of Assets at risk of the pension fund	1,414,167	1,321,307
Market Value of Assets at risk of the members	41,827	34,891
Market Value of Assets Total	1,455,324	1,356,198
Actuarial Accrued Liabilities at the risk of the pension fund	1,123,387	1,050,994
Actuarial Accrued Liabilities at the risk of the members	41,827	34,891
Actuarial Accrued Liabilities Total	1,165,214	1,085,885
Actual Funding Ratio	125.0%	124.9%
Ongoing Solvency Margin Ratio	131.6%	132.4%
Minimum Technical Reserve	104.1%	104.1%

During the financial year 2016 the Actuarial Accrued Liabilities at risk of the pension fund (AALPF) increased with 72,393. An important reason for this change is the yield curve change. The Market Value of Assets at risk of the pension fund increased by 92,860 during 2016.

The profit and loss account (P/L) shows a positive result of 20,467 leading to the general reserve increasing from 270,313 to 290,780 at the end of 2016. The Funding Ratio increased during 2016 from 124.9% to 125.0%. Because the Ongoing Solvency Margin Ratio (OSMR) is 131.6%, there is a reserve deficit per 31 December 2016.

Unless clearly stated otherwise all amounts are in thousands of euros

The cost covering contribution on market value is determined at 24,591. The smoothed cost covering contribution equals 13,833. The actual contribution was 21,824. For more information we refer to Chapter 8.

The structural contribution for the employers remained 20% of the salary sum of all active members. In case the Policy Funding Ratio is below the Legally Required Solvency Ratio, the contribution will increase to a maximum of 25%, unless the resulting actual contribution would not be cost-covering or would be insufficient for timely recovery according to the recovery plan. In case the smoothed cost covering contribution is higher than 25%, the contribution will be equal to the smoothed cost covering contribution. In case the Policy Funding Ratio is lower than the Minimal Technical Funding Ratio (104.1%), the maximum percentage of 25% is not applicable and the annual contribution will the maximum of 20% and the smoothed cost covering contribution plus one fifth of the extra contribution necessary to recover to at least 104.2%. When the Policy Funding Ratio is higher than the so called Contribution Cut Limit (CCL a lower contribution is possible. More details are provided in the actuarial section.

In the meeting of 10 November 2016, the Pension Board decided about the 2017 indexation and the 2017 contribution. As the Funding Ratio as per end September 2016 was below the Legally Required Solvency Ratio the Pension Board decided to set the contribution for 2016 at 25% of the pensionable salary sum of all active members. This is the normal contribution of 20% plus an additional contribution of 19.9% because of the level of the Funding Ratio, but maximized at 25%. The smoothed cost covering contribution 2016 was below this 20%, so the actual contribution of 25% is cost covering.

3.8 Administrative and Financial Agreement

The Administrative and Financial Agreement (AFA) was updated in 2016, with:

- The changed definition of AAL, including the AAL for risk of the member (AALM);
- The description of the lower indexation limit changed because of this: (sum of 110% AALPF + 101 % AALM)/AAL;
- The risk attitude, in order to be in line with the corrected risk attitude in the ABTN (already corrected in 2015 but not yet in the AFA);
- The possibility to buy a variable annuity outside MPF on retirement date for the ARP and ASP plan.

In 2016, a separate AFA with Wrigley Europe BV. was signed. In 2016, Wrigley Europe BV. had not any associates in service yet.

4 RISK SECTION

This section describes the risk attitude, the risk management processes, and the most important risks within Mars Pension Fund. The section concludes with the in control statement of the Pension Board for 2016.

4.1 Risk attitude

In 2015 Mars Pension Fund has developed together with the stakeholders a risk attitude for the Pension Fund. This is a requirement from the Dutch Pensions Act, and it relates to investment risk. Important elements of the risk attitude are:

- Investment risk should be taken to achieve the ambitions of Pension Fund. Both the sponsoring companies and the Pension Fund believe that investment risk is rewarded with a higher expected return;
- the sponsoring companies accept that investment risk might result in high additional contributions in the short term in case of shortages, because expectations are that in the long term this investment risk results in higher returns and therefore on average higher indexation results and lower company contributions (due to contribution reductions);
- the Pension Fund accepts that investment risk might result in limited indexation in the short-term, because expectations are that in the long term this investment risk results in higher returns and therefore a better indexation including repair of missed indexation and benefit reductions.

This risk attitude is translated in financial limits for both the short and the long term as determined in the ABTN and AFA of MPF.

A feasibility test is performed every year. This test monitors whether the expected pension result is still consistent with the original expectations, based on the actual financial position of the Pension Fund and the new economic circumstances. The annual feasibility test is conducted to assess whether the expected pension result at fund level is sufficiently in line with the established lower limit and whether the pension result at the fund level in the negative scenario does not deviate too much from the expected pension result at fund level. The results of the tests in 2015 and 2016 are above the lower limits.

The Pension Board acknowledges that this risk attitude is only related to financial risks. The Pension Board has started to define a risk appetite for non-financial risks with the risk analysis in 2016. Having clearly defined risk appetites for the identified most important risks helps to make well- founded strategic and tactical decisions and to account for those decisions. Furthermore it helps to manage expectations. Also it helps to bring actual risk levels in line with the risk appetite and to give insight in relations between different risks.

4.2 Risk management processes

Risk management should ensure that the Pension Board can control the (impact of) risks of Mars Pension Fund. Effective management of financial and non-financial risks can help the Pension Board to fulfil the mission, vision and strategy of Mars Pension Fund.

Dutch pension funds are legally required to implement policies to permanently manage financial and non-financial risks.
Mars Pension Fund has several risk management processes and policies in place. The formal policies are laid down in the policy documents of Mars Pension Fund such as the ABTN, AFA, the Outsourcing Plan, the Integrity Plan and the Risk Policy statement. The director of Mars Pension Fund, together with the Pension Office, is responsible for the development and execution of the risk management policies and regularly reports about the processes and policies to the Pension Board.

The Pension Board determines the policies, takes decisions and oversees adequate implementation of these decisions. The Pension Board is also responsible for the execution and the effectiveness of the measurements taken to decrease risks. The Pension Board considers the integration of risk management in the organization of Mars Pension Fund to be very important and has taken several steps the past years to analyze the non-financial risks; defining the risk appetite, financial impact or impact on reputation, the effectiveness of the control measures and if additional action is needed. The risk categories were: environment, legal, outsourcing, IT and integrity. The overall risk management policy regarding the financial risks of the Pension Fund was already documented in a Risk Policy statement that identifies the key risk for the Pension Fund and how those risks will be managed.

Next step is to map the interrelations between the risks identified (integral part of risk management) and to document the integral risk management policy, which is planned for the second half of 2017.

It is the Pension Board's belief that the behavior of the Pension Board and insiders and associated persons of the Plan is important for effective risk management. The Pension Board cultivates this by giving feedback on their own and other's performance, creating awareness of one's behavior and open communication. Furthermore all associated persons, members of staff (including all members of the Pension Board) of MPF, are obliged to sign the Code of Conduct of MPF and an annual confirmation. The Compliance Officer of MPF reviews the control measures taken.

4.3 Risk categories

The Pension Board has identified several risks and related control measures. The most important 2 non-financial risk categories and the 2 most important financial risks are presented in this annual report.

Non-financial risks

Risk category	Risk description	Control measures
Legal	The risk that MPF fails to implement laws and regulations (on time)	Pension Board and Pension Office keep themselves well aware of all legal changes, with help of legal advisors and other consultants. The Compliance Officer monitors on a regular basis PB decisions against regulatory framework (assisted by a lawyer).
Environment, legal	No capable candidates for succession PB members	The Pension Board and Pension Office maintain a regular contact with the employer. In 2016 a Pension Talent pool has been created, in which process several potential candidates for succession were identified. Since 2016 MPF is working with aspirant members for both the Pension Board and the Accountability Council to ascertain appropriate candidates being available in case of succession requirements.

Financial risks

Risk category	Risk description	Control measures
Interest rate risk	The risk of a high negative impact on the funding level of interest rate changes	The interest rate risk is partially covered by the interest rate hedge. This is comprised of the interest rate swaps and the bonds portfolio. The Pension Board has adopted a policy interest rate hedge of 50% of the indexed liabilities and a dynamic target hedge table depending on the level of the real interest rate (the interest rate hedge will increase with increases in the level of the real interest rate). On a regular basis ALM studies are conducted to assess the appropriate level of "mismatch risk" given the maturity of the Pension Fund, the relationship with the sponsoring companies and the available buffers. The net impact of the interest rate change on the funding level is reported on a monthly basis by Willis Towers Watson and the quarterly Trustee reporting from the Pension Office. At the end of 2016 an interest rate shock of -1% will result in a decrease of the funding ratio to 108.9%.
Market risk	The risk of asset value reduction	To mitigate this risk, the investment portfolio is diversified over a range of asset classes, currencies and investment managers and is invested through a range of well diversified pooled funds. In the Investment Policy Statement overall investment risk is controlled by defined limits to asset class weightings as well as volatility in funded status. Undesired risk such as concentration risk,

		counterparty risk, etc. are being managed by IMA's and investment guidelines. All of the above is being monitored on an overall portfolio level by the Strategic Advisor and reported at least quarterly and immediately in case of breach of these limits. At the end of 2016 an equity shock of -25% will result in a decrease of the funding ratio to 102.1%.

More detailed information about these financial risks is given in chapter 12.7 of the annual accounts.

4.4 In control statement 2016

With the in control statement 2016 MPF makes an explicit statement about the quality of the internal risk management processes and policies. This reflects the importance MPF attaches to controlled pension administration and a transparent accountability about this. MPF chooses to focus the in control statement on the external financial reporting.
The Pension Board declares with respect to the external financial reporting that with a reasonable degree of assurance the internal risk management processes and policies have worked in such a way in 2016

5 INVESTMENT SECTION

5.1 Investment Policy and Strategy

The long-term investment policy for the Pension Fund was established following the strategy review and ALM-study in 2013. The table below also shows the interim policy allocation (which takes into account that alternatives may deviate from their policy allocations) and the actual asset allocation at the end of 2016.[1]

	Long Term Investment Policy	31-12-2016 interim policy	End 2016 Asset Allocation	Minimum	Maximum
Equities	**45.0%**	**44.7%**	**46.5%**	**35.0%**	**55.0%**
Developed Equities	36.0%	35.8%	38.2%	-	-
Emerging Market Eq.	9.0%	8.9%	8.3%	-	-
Fixed Income	**25.0%**	**26.8%**	**25.2%**	**5.0%**	**45.0%**
Bonds	15.0%	16.8%	15.2%	5.0%	25.0%
Diversified HY Bonds	10.0%	10.0%	10.0%	0.0%	20.0%
Alternatives	**30.0%**	**27.2%**	**27.2%**	**5.0%**	**40.0%**
Property	15.0%	9.0%	9.0%	5.0%	25.0%
Private Equity	5.0%	7.8%	7.8%	0.0%	10.0%
Hedge Funds	5.0%	5.4%	5.4%	0.0%	10.0%
Private Credit	5.0%	5.0%	5.0%	0.0%	10.0%
Cash	**0.0%**	**1.3%**	**1.1%**	**0.0%**	**5.0%**
Hedges					
Currency	61.0%	59.5%	58.9%	0.0%	70.0%
Interest Rate	50.0%	16.0%	16.0%	11.0%	60.0%
Inflation	0.0%	0.0%	0.0%	0.0%	75.0%

Over time, the Policy Portfolio has evolved to incorporate a wider range of attractive asset classes, benefitting from improved diversification and exposure to evolving investment opportunities. The interim policy includes the substitution rules for Alternatives that deviate from their Long Term Investment Policy allocations.

The LDI program, which started in 2012 with a Strategic coverage target of 50%, is based on a dynamic table dependent on current interest rates. The primary goal of the LDI strategy is to reduce the Fund's funded status volatility. The collateral required for the LDI strategy is reflected in the actual asset allocation of cash per end of the year. The results of the ALM Study and the Investment Strategy review indicate that the funded status volatility would be reduced from around 12% currently, to 8% when a 50% interest rate hedge has been implemented.

5.2 General Financial Market Developments 2016 and Outlook 2017

Equity markets experienced sharp declines at the start of 2016, reflecting investors' concerns related to China, oil prices, and weak growth. In mid-February the downward trend reversed as investors' fears abated, and equity markets began an upwards move that would see many indices reach record highs by the end of the year. The US election result had a mixed impact on global equity markets: expectations for strong US growth and fiscal stimulus drove US equities upwards, while possible concerns around protectionism and potentially unfavourable trade policies led to some transitory weakness in emerging markets.
Global Equity returned 11% in Euro terms. In contrast to 2015, in 2016 Emerging Markets Equity (14.5%) on a relative basis outpaced Developed markets (8%) for the year, in particular EAFE markets (4.0%).

[1] Sources: Investment Policy Statement Stichting Mars Pensioenfonds November 2013
Exposure Report Stichting Mars Pensioenfonds December 2016 – Secor IA

Unless clearly stated otherwise all amounts are in thousands of euros

For most of the year, deflationary concerns drove strong performance in the bond markets. This trend was magnified following the Brexit referendum result in June, with the perception that rates would remain lower for longer pushing sovereign bonds to rally further. In turn, lower yields drove a search for yield which benefitted the EMD and high yield debt markets. However, towards the end of the summer, strengthening global growth, stronger oil prices, and an accompanying rise in inflation expectations resulted in rising sovereign bond yields. The US election result – and prospects for fiscal stimulus under the new US administration – put additional upward pressure on yields, particularly in the US.
As a result Fixed Income returns were positive for the year. High Quality returned 6.2%, High Yield debt (16%) and Emerging Market debt markets (13%) returned even more positive results.

The global economy is expected to experience slightly stronger growth in 2017 (3%+), largely reflecting firming in investment and Brazil and Russia exiting their respective recessions. This outlook is supported by improving consumer and business indicators, stimulative fiscal policies across major developed countries, and continuing aggressive monetary policies in most major developed markets (with the notable exception of the US). While there appears to be a high probability that the global economy will remain resilient in 2017, unfolding events related to the new US administration, Brexit and forthcoming elections in Europe could potentially provide either negative or positive surprises.

5.3 Return on investments

The investment portfolio of the Pension Fund outperformed the benchmark by 1.3%, achieving a net performance of 7.5% versus a net benchmark return of 6.3%[1].

Over the course of 2016, the Plan moved from performance reporting based on a Market based benchmark to performance reporting based on a Passive Investable Alternative Benchmark. The PIA benchmark reviews the active approach to investing of the Plan relative to the passive alternative.

The table below shows the detailed performance versus Passive Investable benchmarks for all the main components of the policy mix. For the main asset categories as defined by DNB, the performance has been as follows[2]:

	Portfolio	PIA Benchmark	Relative Performance
Public Equities	10.3%	10.3%	0.0%
Fixed Income	10.7%	2.4%	8.3%
Discretionary Mandate	9.3%	9.4%	-0.0%
Property	-7.1%	1.3%	-8.4%
Private Equities	9.2%	7.1%	2.2%
Private Credit	5.8%	2.4%	3.4%
Hedge Funds	3.7%	2.0%	1.7
Total return mandate investments	**7.3%**	**6.0%**	**1.3%**
Plan Level Currency Hedge	-0.5%	-0.5%	0.0%
Plan Level LDI	0.8%	0.8%	0.0%
Plan Level TRH	0.0%	0.0%	0.0%
Total return (including overlays)	**7.5%**	**6.3%**	**1.3%**

The 2016 positive absolute return was driven by sustained increases in equity and bond markets. A key factor was the accommodative global monetary policies, which have been in place since the financial crisis and have supported asset prices and helped push government bond yields to record lows.
The falling rate environment was positive for the bond returns, however, had a negative impact on the LDI hedge in place and as a result also the tactical underweight to Global Fixed Income (in place till July) provided a negative contribution to the relative performance.
Also the overweight to European Equities in lieu to US Equities has not provided a positive contribution.
The Plan outperformed the PIA benchmark, primarily as a result of the strong performance of the specific and more sophisticated asset class benchmarks relative to their passive counterparts.

1 Over the course of 2014, the Plan moved from gross performance reporting to net performance reporting, with the goal to provide a more accurate representation of the value added by active management.
2 Source: Mellon Performance Report Mars Pension Fonds December 2016

Unless clearly stated otherwise all amounts are in thousands of euros

Active Management had a negative impact on relative performance. Public Equity and Private Credit managers struggled over the year though positive performance from Private Equity and Hedge Fund managers offset this somewhat.

The average portfolio weight compared to the average PIA benchmark weights have been as follows[1][2]:

Asset Category	Benchmark	Average Portfolio weight	Average Policy Weight
US Equity	MSCI US Net Div (unhedged)	8.4%	8.0%
Emerging Markets	MSCI Emerging Mrkt Net Div index (unhedged)	5.6%	8.0%
EAFE Equities	MSCI EAFE Net Div Index (unhedged)	8.9%	4.8%
Global Equity	Total Equity Benchmark	13.4%	13.4%
Global Bond	Barclays Global Aggregate index (EUR Hedged)	8.9%	12.7%
Diversified Credit (High Yield / EMD)	Barclays Global Aggregate index (EUR Hedged)	10.3%	10.0%
GMO Discretionary	80% Total Equity Benchmark & 20% JPMorgan Global Gov Bond Index (unhedged)	10.8%	12.0%
GMO Global Return	80% Total Equity Benchmark & 20% JPMorgan Global Gov Bond Index (unhedged)	0.2%	0.0%
Property	AREF IPD FoF index	12.1%	12.1%
Private Equity	Cambridge FoF Vintage Year Weighted	7.3%	7.3%
Private Credit	Barclays Global Aggregate Index (EUR Hedged)	4.9%	4.9%
Hedge Funds	HFRX Equal Weighted Index (EUR Hedged)	7.1%	5.8%
Cash / Plan Level Overlays	LIBID 1 Week Bid Index (EUR)	2.3%	1.2%
Total	**Total Plan Benchmark**	**100.0%**	**100.0%**

In the longer term, the Pension Fund outperformed relative to the PIA and Market benchmarks, please see the table below[3]:

Year	Portfolio (Net)	PIA Benchmark (Net)	Market Benchmark (Net)
2016	7.5%	6.3%	8.8%
2015	7.0%	5.2%	5.0%
2014	17.2%	15.2%	17.3%
2013	11.6%	8.4%	8.0%
2012	12.9%	9.9%	11.2%
2011	-0.4%	-0.3%	0.2%
2010	8.5%	8.4%	8.4%
2009	21.9%	20.4%	20.4%
2008	-20.8%	-24.1%	-24.0%
2007	5.6%	5.5%	5.2%
2006	11.3%	11.3%	11.2%
Average last 5 years	11.2%	8.9%	10.0%
Average last 10 years	6.5%	4.8%	5.3%

[1]Source: BNY-Mellon Performance Report Stichting Mars Pensioenfonds December 2016

[2] Total Equity Benchmark = 0% MSCI EAFE Net Div + 40% MSCI US Net Div + 20% MSCI EM Net Div (all unhedged)

[3] Portfolio return from the previous year can be restated, for instance due to performance data of illiquid assets being available with a 1 or 2 quarters leg. Benchmark returns can be restated, for instance due to changes in the choice of the asset class benchmarks or benchmark calculation methodology.

Unless clearly stated otherwise all amounts are in thousands of euros

Measured over a longer period of five and ten years, the average return for the Pension Fund lies above the PIA and Market benchmark.

5.4 Sustainability

Full focus of the Pension Board is on compliance to regulatory requirements in this regard. In the coming years the Pension Board will investigate possibilities to further integrate the aspects of environment, climate, human rights and social impact of investments. Beyond that, managing Investments to the defined Risk/Return profile is considered to be in the best interest of the Plan and its stakeholders.

6 PENSIONS

Mars Pension Fund manages 2 sets of plan rules for the active deferred members and retirees. A brief description of these plan rules is provided in the section below.

6.1 Developments in Legislation and Regulations

On October 31, 2016 the Dutch government announced further increases in the state pension (AOW) and retirement age. These increases are a result of a retirement rule as defined in fiscal legislation. The rule states that an increase in the remaining life expectancy of a 65-year old individual may lead to an increase in AOW age and retirement age. A consequence is that the AOW age will be 67 years and three months in 2022. From 2023 the AOW age will be linked to life expectancy. The retirement age for pension accrual in the second pillar will be increased to 68 years as of January 1, 2018. This retirement age is expected to see a further increase to 69 years around 2025.

The increase in retirement age implies also that fiscal maximum accrual will be adapted in order to accommodate a higher retirement age. As such, fiscal maximum accrual in DB plans and fiscal maximum DC ladders will be lowered as of January 1, 2018.

Act improved Defined Contribution Schemes
This legislation came into effect as of September 1, 2016. From this date forward, retiring participants in a DC pension plan must be offered the choice between a fixed annuity or variable pension benefits. A number of underlying topics are subject to a transition period in 2017. One such topic, relevant for pension funds that execute DC pension plans in particular, is the requirement concerning life cycle investment strategies. Funds must offer a life cycle investment strategy as of January 1, 2018, unless the fund in question can demonstrate that other instruments are sufficiently employed to gradually reduce investment risk and interest rate risk towards retirement age. The Act improved Defined Contribution schemes emphasizes the prudent person rule in Defined Contribution pension plans.

Mars Pension Fund does not offer variable annuities at retirement itself for the ARP pension plan, but allows participants to purchase this product at retirement with external insurers. Mars Pension Fund is currently investigating how to bring the ARP/ASP pension plan in line with the Act as of January 1, 2018.

6.2 Final Pay Plan

The Final Pay Pension Plan is a final pay defined benefit plan, which has been in effect since 1 January 2015. This plan applies to the closed group of associates who were already active members of the 2000 Pension Plan before 31 December 2003, and born on or after 1 January 1950.

Old age pension	1,657% of pensionable salary including the average shift percentage minus offset
Partner’s pension	70% of accrued old age pension, in case of death it is assumed that the membership would have continued
Orphan’s pension	14% of accrued old age pension
Disability benefit	Full disabled: 75% of pensionable salary minus social security ceiling. Continuation of pension accrual on costs of the Pension Fund
Offset (franchise)	As from 1 January 2016: EUR 20,286.28 As from 1 January 2017: EUR 20,300.41
Employee contribution	0%
Normal retirement age	67
Flexible options	Early or postponed retirement, purchase of temporary retirement pension, exchanging partner’s benefit for additional old age pension or vice versa

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

In 2016 reimbursement for members with smaller pension rights took place. This reduced the number of members with deferred rights.

Unless clearly stated otherwise all amounts are in thousands of euros

6.3 ARP/ASP Pension Plan

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

A) Associate Retirement Plan (ARP) (*Medewerker Uittredings Plan MUP*)
B) Associate Selection Plan (ASP) (*Medewerker Selectie Plan MSP*)

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

	ARP	**ASP**
Type	Individual defined contribution plan with no individual investment choices	Individual defined contribution plan with investment module
Employee contribution	No	Compulsory contribution of 2.2% plus voluntary contribution with an age related maximum
Employer contribution	Age related	Equal to voluntary contribution of employee
Offset (Franchise) As from 1 January 2016: As from 1 January 2017:	 EUR 13,890.02 EUR 13,925.48	 EUR 13,890.02 EUR 13,925.48
Addition of interest	CPI + 3% (which is conditional and depending on the return made by MPF)	Not applicable
Investment choice	Not applicable	Either Life Cycle mix or free choice
Fixed or variable annuity	Choice of member	Choice of member
Fixed annuity	At retirement with the Pension Fund or insurance company (choice of member)	At retirement with insurance company
Variable annuity	At retirement with insurance company	At retirement with insurance company
Death during active membership	Risk based partner pension of 1.33% of the pensionable earnings (excluding offset of EUR 20,286.28 for 2016) for each year of membership that has been achieved until 1 January 2015 plus 1.16% of the pensionable earnings (excluding offset of EUR 20,286.28 for 2016) for each year of membership that can be achieved after 1 January 2015. Balance flows to Pension Fund.	Balance flows to the Pension Fund, surviving benefits comes via ARP
Death before retirement as deferred member	Surviving dependants can use balance to buy annuity with the Pension Fund	Surviving dependants can use balance to buy annuity with the Pension Fund
Disability	Full disabled: disability pension of 75% of pensionable salary minus social security ceiling. Continuation of contributions on costs of the Pension Fund	Continuation of contributions for costs of the Pension Fund, disability pension is not applicable as it comes via ARP
Normal retirement age	67	67
Flexible options	Early or postponed retirement, purchase of temporary retirement pension, size of partner's benefit and old age pension	Early or postponed retirement, purchase of temporary retirement pension, size of partner's benefit and old age pension

Unless clearly stated otherwise all amounts are in thousands of euros

6.4 Indexation Policy and Interest Addition

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

The annual adjustment/indexation ambition is determined as:

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

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

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

The Additional Pension entitlements for active members resulting from the conversions in 2006 and 2014 will be unconditionally adjusted annually according to the wage index. There is no financial reserve for the indexation, but the contribution for this indexation is part of the unconditional accrual in the cost covering contribution.
The Additional Pension entitlements for active members resulting from the conversion in 2015 will be conditionally adjusted annually according to the wage index. This indexation depends on the financial situation of MPF.

ARP/ASP Pension Plan
The balance on the Pension Accrual Account of the ARP is increased by the addition of interest during active and inactive membership. The interest additions occur on a daily basis and in such a manner that the interest additions on an annual basis are at a maximum equal to a percentage amounting to "CPI all households" plus 3%. This will never exceed an addition of interest more than 13% on an annual basis. The interest addition is depending on the actual interest made by MPF. The minimum addition is 0%.
The Pension Board decides every six months whether or not, and to what extent indexation will be granted. There is no contribution paid for this interest addition.

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

The Balance of the ASP is developing according to the investment results.

The partner pensions and orphans pensions of members that have died during active service are indexed according to the indexation policy for the final pay schemes.

6.5 Reinsurance

The Pension Fund has a reinsurance contract for the death-in-service and disability-in-service risks with Zwitserleven. That contract ended as per 31 December 2016. In 2016, a new contract was negotiated with Zwitserleven. The contract period is from 1 January 2017 until 31 December 2019. This reinsurance can be seen as a catastrophe-risk-coverage because it is based on stop-loss insurance with a net retention of 2.2 Million Euro which is approximately 200% of the risk premium. Declaration is possible 24 months after the contract period.

7 GOVERNANCE AND COMPLIANCE

The Pension Board had 4 physical and formal Pension Board meetings in 2016, and 1 Day Away session. The Competency Teams of the Pension Board were involved with 'their' topics during the whole year with several meetings and telephone conferences. Besides this, part of the Pension Board participated in the tripartite meeting on behalf of the year end close. In 2016 there were 8 Walk In sessions (internal training sessions for members of the Pension Board and Accountability Council and Talent Pool members). Besides the physical meetings, regular and ad-hoc conference calls were organised to deal with specific topics and to monitor the dashboard.

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

7.1 Governance and governance committees

The Pension Board uses a dashboard and balance sheet management reports in order to have an adequate oversight of the status and development of all activities. During 2016 Pension Board members have attended several meetings organised by the Pensioenfederatie, DNB and external experts in order to maintain their expertise and also attended the internal training sessions, the "Walk In sessions".

The sustainability of Mars Pension Fund going forward is a topic the Pension Board will continue to review. One of the main challenges Mars Pension Fund faces is to find adequate, available and motivated (future) members for the Pension Board, Accountability Council, Advisory Committee ASP and Investment Committee. That's why the Pension Board organised a Pension Talent Pool Campaign. This started in 2015 and in 2016 the Talent Pool consisted of 6 members. Some of the members filled in a vacancy or will do so in short time:

- 1 AC member on behalf of the members ;
- 1 AC aspirant member
- 1 PB aspirant member
- 1 member joined the IC-ASP
- 2 members are engaged in general training, and have no formal role within MPF yet.

In 2014 the Pension Board has started with the recommendations from the Code Pension Funds and has continued to work with these recommendations in 2015 and 2016. An overview of the recommendations that were not yet, or only partly applied, can be found in 7.6.

In November 2016, during the so-called Day Away meeting, the Pension Board performed some (self) evaluation of the Competency Teams. Each competency team presented their involvement and activities in the past year and evaluated this. The PB is content with the WoW with the Competency teams as it increases involvement and development in the specific competencies. The Pension Board also updated the Competency Teams Matrix and the Capability Matrix.

Pension Board members are appointed to areas of expertise defined by DNB. These Competency Teams are the "first contact" Board members for these areas. They have developed thorough knowledge of their area, and also manage the area in more detail and advise other Pension Board members on their topics. The roles and responsibilities of the Competency Teams are as follows at the end of 2016:

Topic	Scope	Pension Board Members
Legal	Pension Law Governance	Mr W. van Ettinger Mr H. Faassen
Actuarial	Actuarial Accrued Liability Contribution ALM / CA	Mr H. Faassen Mr W. van Ettinger
Investments	Strategic Assets Allocation	Mr W. van Ettinger Mrs M. de Mars
Administration	Member administration Financial administration Pensioners payroll	Mr W. van de Laar Mrs R. Steenbergen
Communication	Pension Communication	Mr W. van de Laar Mr H. Faassen
Governance	Governance	Mrs M. De Mars Mr W. van Ettinger
Outsourcing	Outsourcing	Mrs R. Steenbergen Mr W. van Ettinger

Unless clearly stated otherwise all amounts are in thousands of euros

Mr H. van Heesch, aspirant PB member will join the meetings/telephone calls of the communication competency team and investment competency team as part of his training.

7.2 Duty of Care (Zorgplicht) ARP/ASP Plan

Members of the ARP/ASP Pension Plan have the possibility to opt-out from the Life Cycle Mix and choose their own investment mix. Opting out is only possible after completing a questionnaire to help members learn and understand what their investment profile is. Members need to answer the questions and find out their investment profile before they can opt out. The current website www.marspensioen.nl supports the members in their choice and keeps a record of member's investment profiles. At the end of 2016 1-2% of the members had chosen for opting out. In 2015, the Pension Board has investigated whether the current questionnaire and risk profiles meet the requirements of the Duty of Care legislation. Although MPF meets the key elements of the Duty of Care legislation, we will see in 2017 what improvements can be made when implementing the expected act on variable pension benefits, thus meeting current and future duty of care requirements.

7.3 Communication

In December 2016 the Pension Board approved of the new Communication Action plan 2017. The Strategic Communication plan for the period 2016-2018 is in place.

During 2016 the new legislation on Pension Communication is on the agenda of the Pension Board. The preparations for "Pensioen123" had started in 2015 and were finalized before the deadline of 1 July 2016.

The members of the ARP/ASP plan were informed about the *Wet Verbeterde premieregeling* and the option to choose for a variable annuity. The members of this plan within the derisking phase (around age 57 and older) received an additional letter informing them that the current life cycle derisks in the 10 years before retirement age and that this fits with a fixed pension. However, if they want to choose a variable pension, complete derisking is not in line with that so they should think about staying in the life cycle or choose the self-select option. As MPF does not have a variable life cycle yet. These members were offered a workshop on this topic by a pension expert of Kröller Boom or a session by telephone.

During 2016 the planner was further updated and some of the process letters reviewed.

UPO's were send out before the deadline except for some groups of members;

1. The disabled members
2. The members of the ARP/ASP plan that were divorced after 1 January 2015;
3. The members of the final pay plan with a negative partner pension.

The members of the last two groups have received their UPO later in 2016. AFM was informed about this in May 2016 (see paragraph 7.5). Group 2 and 3 received their UPO in week 1 2017. The disabled members have not received the UPO yet, as the calculation method is currently thoroughly analysed.

7.4 Legal

The draft plan rules for the ARP/ASP Pension Plan were reviewed in 2015 by the Tax Authorities resulting in some comments and additional changes. The proposed plan rules were approved by the Pension Board in 2015. Formal approval of the final ARP/ASP plan rules by both the employer and the Tax Authorities was received in 2016. Due to changes in the plan rules regarding the Law "Verbeterde Premieregeling", a new request for approval was done with the Tax Authorities and the confirmation was received on 21 November 2016.

Due to change in the definition of AAL (including AAL for risk of member), the following documents were updated in 2015:

- the ABTN
- The AFA

The Pension Board performed a market review for a legal advisor of MPF in 2016, resulting in the formal appointment of NautaDutilh as the new legal advisor in the PB meeting of 16 March 2017.

7.5 Supervisory Authorities

There were no penalties from DNB received during 2015 or 2016 and DNB has not given any instructions to the Pension Fund. DNB approved the request for a waiver on article 137-2 PW in order to use a different indexation limit and received confirmation from DNB on 22 September 2016. In 2016 there were no formal meetings with DNB and reports were submitted within the legal timeframe.

MPF reported on 30 September 2016 to AFM that some groups (see Paragraph 7.3) did not receive their UPO in time. AFM replied by email on 6 October that they would like to know how the groups were informed about this, where members could get information in the meantime and to inform the AFM when they have received an UPO. AFM was informed in 2016 after two of the groups received their UPO that these groups have received their UPO later in 2016. In 2017 AFM asked some additional questions about the group that did not receive the UPO yet, the disabled members.

7.6 Code of Conduct

The Pension Fund complies with most of the principles in the Code Pension Funds. Although, in some situations the principles are not (yet) completely met. In 2016, these principles are:

Principle number	Subject	Explanation why the principle is not completely met
4	The board of trustees will ensure there is a contingency procedure so it can take action in emergency situations.	The duties and powers and decision making process of the AoA apply to not for an emergency situation only but for all situations. A specific contingency procedure will be prepared in 2017 and become part of the Pension Board rules.
36	The board of trustees should ensure the service providers have a whistleblower procedure. If a whistleblower procedure is in place, those who are financially dependent on the service provider can report any irregularities within the organization without their endangering their position. This could relate to irregularities of a general, operational and/or financial nature.	MPF is currently in process of getting the full picture which service providers have currently a whistleblowers procedure and which not (yet).
39	At least once every four years, the board of trustees will assess the performance of the auditor and actuary. The board will discuss the outcome of these assessments with the auditor or actuary. The board will also inform the internal supervisors and the VO or BO of the outcome of these assessments.	The Pension Board has not actively informed the Accountability Council of the outcome of these assessments. The minutes of the Pension Board meetings and the monthly dashboards however, are also accessible for the members of the Accountability Council. In 2017 this information sharing obligation has become part the 2017 year plan.
49	The board of trustees will compile a specific profile for each position on the board; this will stipulate the requirements for suitability and the estimated time needed to fulfil for the function.	A specific profile for each position on the Pension Board is still work in progress. So far, the general part (applicable for all PB members) is compiled. Included in the general part is the requirement for suitability and estimated time needed to fulfill the function. The attachment for the combination of outsourcing and administration competency team is also ready.
65,66,68,69,70,71	Diversity in bodies MPF	With regard to its bodies and their respective composition and appointment procedures, MPF has a policy in which it takes into account diversity with regard to age and gender after suitability and diversity in location and pension plan. It is

Unless clearly stated otherwise all amounts are in thousands of euros

		currently in the process of describing this policy in diversity rules which will be included in the Capability Plan and the job profiles for the Pension Board and the Accountability Council.

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

Principle number	Subject	Explanation why the principle is met
18	In its annual report, the board of trustees must unambiguously and clearly describe the mission, vision and strategy of the pension fund. In addition, it should describe whether and the extent to which the pension fund has achieved its objectives.	The Pension Board has defined a mission, vision and strategy that are part of the ABTN. In the annual report a summary of the mission, vision and strategy is included and is described how the strategic principles were met in a year.
20	In its annual report, the board of trustees must report the costs of administering the pension scheme.	The execution- and administration costs and the investment costs are part of the annual report, taken into account the 'Recommendations regarding administration costs' by the Pension Federation.
21	In its annual report, the board of trustees will report the degree of compliance with the code of conduct and this Code, as well as providing an evaluation of the board's performance.	Part of the annual report process is the letter of the Compliance Officer to the board of the Pension Board members, and so monitoring the compliance with the Code of Conduct (CoC) and with the law and the effectiveness of internal rules and procedures. In the annual report is reported if any incidents happen in a year. The annual confirmation of all relevant parties with the CoC is accessible for all Pension Board members and members of the AC. The compliance with the Code Pension funds is explained in the annual report as from 2014. The PB regularly evaluates the performance of the PB as a whole, the individual members or the Competency Teams. This evaluation will be mentioned in the annual report.
27	The board of trustees will lay down its considerations concerning sustainable investments and ensure these are available to stakeholders. In this regard, the board will also take account of good corporate governance.	Full focus of the Pension Board is on compliance to regulatory requirements in this regard. In the coming years the Pension Board will investigate possibilities to formulate a policy on the aspects of environment, climate, human rights and social impact of investments.
41	The board of trustees must ensure there is an adequate internal complaints and disputes procedure, which is easily accessible to stakeholders. In its annual report, the board will elaborate on the way complaints have been dealt with and set out any ensuing changes to the schemes or processes.	MPF had a complaints & disputes policy that can be downloaded by every member via the website of MPF. And Pension Board members can find it in MPF's online portal (eMPF). In the quarterly report from the administrator (TKP) there will be an overview of complaints in that quarter and how they are dealt with. This report is also accessible for each Pension Board member on eMPF. And the number of complaints is also an item on the monthly dashboard.

7.7 Compliance Officer

In July 2016 Mrs J. van den Broek resigned as Compliance Officer of Mars Pension Fund. The main compliance responsibilities are:

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

The main provisions in the Code of Conduct are:

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

MPF has a vacancy for the role of Compliance Officer. The monitoring of compliance with the Code of Conduct was meanwhile performed by the Pension Office; i.e. the signing of the Code of Conduct for new members and the annual confirmation regarding main provisions of the Code of Conduct for every associated person. In 2016, no incidents were reported.

A project was started end 2016 to find a new external Compliance Officer. Some steps were already taken in the market review of possible candidates. But in 2017, the PB expressed their preference for an internal Compliance Officer.

8 ACTUARIAL SECTION

The actuarial analysis of the 2016 result is shown in the next table:

	2016		2015	
Contributions and costs				
Employer contributions	17,659		16,302	
Employee contributions*	1,351		1,250	
Accrual of benefits (including surcharge for future costs)	-16,380		-17,096	
Contribution surcharge for costs	1,883		1,875	
Available for costs out of provision	608		589	
Execution and administration costs	-1,947		-2,221	
		3,174		669
Return and yield curve change				
Return on investments	108,022		79,750	
Interest addition provision	619		-1,780	
Yield curve change	-93,300		-44,692	
Exclusion 3-months averaging	-		11,843	
Transition fixed UFR to flexible UFR	-		-22,516	
		15,341		22,605
Other results				
Result on benefit transfers	-23		281	
Result on other actuarial assumptions	1,946		-76	
Other income	17		44	
Indexation	-244		-2,583	
Change in mortality assumptions	-415		-	
Corrections	671		-1.492	
		1,952		-3,826
Result		**20,467**		**19,478**

* The employee contribution is excluding ARP and excluding the company match

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

	EUR
Cost covering contribution	24,591
Smoothed cost covering contribution	13,833
Actual contribution	21,824

Cost covering contribution (CCC)

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

The CCC equals EUR 24,591.

Smoothened Cost Covering Contribution (SCCC)

Unless clearly stated otherwise all amounts are in thousands of euros

The Financial Assessment Framework provides the possibility to mitigate contributions. This can be done by using an interest rate that is based on an ongoing average over the past (with a maximum of 10 years) or by using an expected return. The Pension Fund has opted mitigation based on an expected return using the strategic investment mix of the Pension Fund. The SCCC is calculated by using a term structure of expected returns for the actuarial interest rate based on the interim mix of MPF in combination with the legal maximum parameters as prescribed in the Resolution Financial Assessment Framework ("Besluit FTK"). This term structure of interest rates corresponds to a single expected return of approximately 6.0%.The SCCC equals EUR 13,833.

Actual contribution

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

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

The pension fund receives a total contribution that consists of employer and employee contributions. The employee contribution is equal to the compulsory and voluntary ASP contributions. The employee contributions in 2016 add up to 1.65% of total pensionable salary for all pension plan members. The employer contribution in 2016 according to the contribution policy is equal to 25%.

In 2016 the actual total contribution to the pension fund equals 21,824. This total actual contribution is less than the Cost Covering Contribution (market value) but more than the Smoothened Cost Covering Contribution.

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

The minimum regulatory own funds are derived from the required margin per risk and amount to 47,774. The Minimum Technical Reserve amounts to 104.1% of the total AAL (including risk of the pension fund and risk of the members). The Funding Ratio equals 125.0%. Based on these figures the pension fund is not in a situation of a funding deficit.

Ongoing Solvency Margin Ratio

The Ongoing Solvency Margin Ratio (OSMR) is defined in the 'Decree in relation to the Financial Assessment Framework for pension funds'. The regulatory own funds are the market value of assets that a pension fund needs to maintain a state of equilibrium. In a state of equilibrium the own funds are at such a level that the pension fund's assets will exceed its obligations with a 97.5% probability in one year's horizon. The amount of the own funds and hence of the regulatory own funds in the state of equilibrium depends on the pension fund's risk profile. The OSMR is determined by using the standard model, as defined by the supervisor DNB. The standard model defines several types of risk (i.e. market risk, interest risk) and calculates the (negative) effect of this risk on the regulatory own funds. The calculations of the standard model depend on market conditions and therefore fluctuate over time. Due to the introduction of the nFTK in 2015 the calculation of the OSMR has been changed, which has resulted in an increase of the OSMR.

The regulatory own funds are derived from the required margin per risk and amount to 367,733. The Ongoing Solvency Margin Ratio amounts to 131. 6% of the AAL. The actual Funding Ratio equals 125.0%. Based on these figures the Pension Fund is still in a situation of a reserve deficit.

The conclusion of the certifying actuary on the financial position is that the financial position is not sufficient.

9 REPORT BY THE REVIEW COMMITTEE

9.1 Report

A Review Committee, comprising 3 independent experts appointed by the board of the pension fund, carried out a third annual review in April/May 2017 of documents and procedures of the pension fund. The review also involved interviews with representatives of the Board, accountability council and Pension Office.

The Review Committee looked at seven different areas of the operation of the pension fund: management decision making, governance, financial-economic management, investment management, communication, outsourcing and risk management.

The Review Committee was, in general, satisfied as to how the recommendations from the previous Review Committee had been tackled.

The Review Committee continues to form a good impression of the qualities and steering capacity of the board and the members of the Pension Office. As the Pensions Board recognises these capacities cannot be taken for granted. Monitoring of vulnerability in particularly vital areas remains a priority. The pension fund is under control.

The Review Committee has drawn up a few recommendations which it believes it would be advisable for the Pensions Board to implement. It is expected that these recommendations will be followed up.

The main recommendations are:

1. Hold a periodic review of the workings of the Pensions Board.
2. Appoint a compliance officer.
3. Describe outsourcing and communication policy in more detail in the report and accounts and the ABTN.
4. Ensure that the de-risking project is carried out with extreme care, taking particular account of illiquid assets.
5. Make sure adequate steps have been taken to deal with the law 'Improved Premium Arrangement'.
6. Add to the website information concerning the financial crisis plan and the recovery plan.
7. Bring the negotiations with TKP to a good conclusion.
8. Ensure that a proper management of financial and non-financial risks is established and documented.

9.2 Response Pension Board on report of the Review Committee

The Pension Board would like to thank the Review Committee for its observations. The Pension Board is of the opinion that a good review was delivered and that the subsequent discussions we have had with the members of the Review Committee were constructive and useful. We are pleased with the opinion by the Review Committee that the Pension Board is in control. The Pension Board would like to comment briefly on the main points raised by the Review Committee.

1. Hold a periodic review of the workings of the Pension Board – We evaluate the pension board meetings at the end of every meeting. The WoW of the Pension Board are reviewed every year in the Day Away. We will ensure the annual evaluation is formally documented.

2. Appoint a Compliance Officer – The vacancy is planned to be filled before 1 July 2017

3. Consider describing sourcing and communication policy in more detail in accounts and the ABTN – We have clear outsourcing policies and communication policies that are described in the outsourcing plan and communication plan. It was a decision of the Pension Board to just briefly summarize these policies in the ABTN.

4. Ensure the de-risking is carried out with extreme care, taking account of illiquid assets. That is a very good point that we will feedback to the Investment Committee. De-risking will be a gradual and carefully executed process.

5. Make sure adequate steps have been taken to deal with the law 'Improved DC''- The first phase of this new law was implemented in 2016. We are working on the further implementation in the course of 2017.

6. Add to the website information concerning the financial crisis plan and the recovery plan- We will do this.

7. Bring the negotiations with TKP to a good conclusion – This is a key priority for 2017

8. Ensure a proper management of financial and non-financial risks is established and documented- The PB has completed an extended risk analysis on the non-financial risks. The financial risk analysis was already done before. The final documentation is planned for the second half of 2017.

9.3 Follow- up on recommendations last year.

The main recommendations were:

1. Update the competencies/suitability plan;
2. Carry out more frequent ALM studies;
3. Target a reduction in unit cost;
4. Achieve the deadline for compliance with communication law;
5. Develop a SRI policy;
6. Make a back-up plan to use in the event that SECOR has to be replaced;
7. Continue to give body to finding candidates for the pension board and accountability committee;
8. Work with a longer-term contract when outsourcing the administration;
9. Draw up an integral risk management document/plan.

1. Update the Suitability Plan – The Pension Board agrees. This is a priority during 2016.
Update: The Suitability Plan was not updated in 2016. The competency team matrix and the Capability Matrix were updated beginning 2017, as was the job profile and the list of internal and external trainings. This has not been finalized by the PB yet, as further adjustments in line with requirements Code PF are planned in the second half of 2017.

2. Carry Out more frequent ALM studies – The Pension Board will discuss this during the upcoming ALM. Regular attention to the ALM aspects is required. To this objective we agree. Especially taking into account the risk side of the investments and our interest rate management. However we do not believe that liabilities change to such a degree that full ALM studies should be carried out more often than once in every 3 years.
Update: The PB still believes once every 3 years is sufficient, unless there are major changes in Plan rules, funded status and/or dynamics and status of financial markets.

3. Target a reduction in Unit Cost--The Review Committee makes a fair point as to the expenses of the Pension Fund which are driven by relatively high investment management costs, when compared to most other pension funds. Also our advisory costs such as actuarial and legal are relatively high. The administrative costs are also substantial. We are aware of this as well as of the reasons why this is. The Mars Fund follows a high conviction/ambition investment strategy, delivering superior investment returns. In addition the Mars plans are of a particular complexity given the plans ambitions on many fronts which implies that they are more expensive to manage. At the same time we realize that cost management is very important. We have for example taken part in benchmark studies, which are only partially effective as we are so different in our approach. At the moment we are targeting savings in the area of VAT treatment which should bring costs to a lower level. Where we can we will try to save costs by a good division of work between internal and external resources which are more expensive.
Update: we have started a project with TKP to reduce complexity in the administration in order to decrease costs and risk of errors. We are still in the process of targeting savings in the VAT area.

4. Communication – We will achieve the deadline for compliance with the communication law.
Update: This was accomplished on time.

5. Develop a SRI Policy – This will be dealt with in the second half of 2016 and should lead to a clear policy framework in 2017.

Update: This started in the second half of 2016 and will be worked out further in 2017. In 2016 more information was shared on potential approaches to implementing an SRI policy. In 2017 steps will be taken to define a set of ESG believes.

6. Make a back-up plan for Secor- This is a European wide target that ETBC are working on at our request.
   Update: This work is rescheduled by one year as part of a reprioritisation of projects. This was enabled by an ongoing strengthening of the SECOR business, which has reduced the urgency somewhat (but of course not the importance)

7. Succession Planning for Pension Board and Accountability Council – This is a key priority for 2016, which is well underway now with new candidates for both governance bodies and aspirant members. A talent pool is being developed.
   Update: The campaign in 2016 was successful and resulted in an aspirant PB member, an AC member, an aspirant AC member and 3 Talents. Internal and external trainings have been attended in 2016.

8. Outsourcing contracts – The recommendation to consider longer term contracts for administration is under review right now.
   Update: The TKP contract will need to be renewed in 2018. Depending on the arrangements to be agreed on later this year, the contract term will be decided. A long term relationship with the administrator is preferred.

9. Draw up an Integral Risk Management Plan – The Pension Board will work on this in 2016 and review how it can be included in our existing risk management procedures.
   Update: The PB has completed an extended risk analysis on the non-financial risks. The financial risk analysis was already done before. The final documentation is planned for the second half of 2017.

10 REPORT BY THE ACCOUNTABILITY COUNCIL

10.1 Report

Introduction

The Accountability Council (AC) has been put in place to be compliant with the rules for good pension fund governance. The roles and responsibilities of the Council are written in the bylaws of the pension fund and the rules of the Accountability Council. The Pension Board has to give account to the Accountability Council.

The Accountability Council consists of representatives of active members in the pension fund, pensioners and sponsors.

The Pension Board has to give account with respect to the policy setting, the policy execution and compliance with principles for good pension fund governance as set by the "Stichting van de Arbeid". The Pension Board has regular interactions with the Accountability Council with respect to the policies and achieved results.

The accountability to the Accountability Council is mainly driven by the question whether the Pension Board has made their policies and decisions in a balanced way, taking the interest of all stakeholders into account.
Based on the annual accounts, the report of the Review Committee ("Visitatiecommissie") and other documents, the Accountability Council members assess the work done and policy decisions for the future made by the Pension Board (PB). The Accountability Council is entitled to consult the Pension Board members and the Review Committee.

The Accountability Council has the right to advise on a number of subjects in relation to the AC itself and the structure of the internal governance:
- The compensation scheme for the Pension Board, Accountability Council members and other bodies within MPF;
- The structure of the internal governance;
- The MPF complaints and disputes procedure;
- The MPF communication and information policy;
- Transfer of the liabilities or acquisition of liabilities;
- Liquidation, merger or split of MPF;
- The termination, change of the administration & financial agreement;
- Change of the legal form of MPF;
- Merger of MPF with another pension fund;
- Selection of members of the Review Committee;
- Structure and level of the actual pension contribution (percentage).

An external actuary and a pension lawyer advise the Accountability Council when necessary to allow them to execute their jobs in the best possible manner.

The Accountability Council has considered the comments it made during past years as well as the corresponding responses from the Pension Board in its report. In addition, it has also considered the proposed policies of the Pension Board for the coming year.

Activities/Sources for Accountability Council's Judgment

- The Pension Board & MPF Director have had 6 joint informal meetings with the Accountability Council with respect to the policies and achieved results. In these so-called Walk-in sessions, Pension Board and AC get information on latest developments and agenda-topics from the Board. These Walk-in sessions are also an excellent platform for internal training e.g. on investment principles and terminology. An open atmosphere allows all to add freely to the discussions.
  At the end of September there was a joint AC/PB meeting on year-closure + agenda setting for 2017.
- External Conferences: the AC has had ample opportunity to attend relevant external conferences regarding pensions in the Netherlands as organized by e.g. the DNB and the Pensioen Federatie. These provide the opportunity to learn and to see the position of MPF in the Dutch national context.

- External Training has been attended and successfully completed by Mr. P. van Bree and Mrs. J. Vermeulen on the Accountability Council and by Mr. A. van Gestel on Pension Fund Governance ("Geschiktheidsniveau A").
- In close consultation with the Pension Board the AC has adopted a document describing the Ways of Working as of 2017 onwards. This includes the responsibilities of the AC, different roles within the AC and the co-operation with the Pension Board.

With regard to the findings of the Accountability Council in the 2015 annual report

We note that The Pension Board has made good progress in its response to the comments made by the Accountability Council last year.

We are pleased that the annual check on matching payments with rights has been carried out in 2016 as well as the start of the check of the calculations of disabled members' pensions.

The work on risk analysis for both financial and non-financial risks has significantly progressed both in quantity and quality / depth and we commend the Pension Board for this.

Finally, we again note the ongoing strong relationship maintained between the Pension Board and the plan sponsors as well as the good working relation with the Works Councils.

PB requests for AC advise during 2016

The AC has provided the following advices to the Pension Board upon their request:

Advice request topic	Date PB advice request	Date AC advice	AC advice
Talent Pool	29-4-2016	2-5-2016	Positive
Contribution	2-11-2016	17-11-2016	Positive
Communication Plan	6-12-2016	19-12-2016	Positive
Changes in UPO	13-12-2016	15-12-2016	Positive
Changes in AFA	13-12-2016	16-12-2016	Positive

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

With regard to the findings of the Accountability Council on the 2016 annual report

In summary the Accountability Council continues to find that the Pension Board of Stichting Mars Pensioen Fonds (MPF) is proactive and engaged in the management of the fund. It seeks appropriate professional advice and works well with strong and committed sponsors to serve the interests of the beneficiaries of the Pension Fund.

The Pension Board operates with a clear annual plan and is responsive to the findings of both the Accountability Council and the Review Committee.

We have the following observations regarding this year's annual report:

- Through the Talent Pool initiative succession options for the Pension Board members and related governance bodies have been identified. This is a great achievement and helps to manage one of the most significant challenges in providing good governance for the plan.
  The AC is experiencing the benefits of being at full strength and even having a candidate AC member on board who is also fully engaged with the AC's activities.
- The AC is supportive of the de-risking project for the final salary scheme of the Pension Board and would like to highlight the need for timely preparation.
- The Pension Board has clear policies in place and the correct mechanisms to execute these policies.
- The Pension Board is making every effort to recognize the interest of all stakeholders
- We commend the Pension Board for the appointment of the Review Committee this year, and urge them to fully consider their findings and finally, as we did last year, we observe that the Pension Board maintain a close working relationship with the sponsor. We are pleased with this approach and ask that the Pension Board continue their efforts in this area.

- We also recognise the ongoing considerable effort made by the Pension Board to ensure that the Accountability Council are consulted on all relevant matters.

Unless clearly stated otherwise all amounts are in thousands of euros

AC Recommendations for 2017

The Accountability Council would like the Pension Board to consider the following areas in 2017.

- The annual report
  - Firstly de-complexity of the pension administration. To get the maximum from this, the AC encourages the Pension Board to be bold in decision making and to be prepared to make big changes in the execution of the pension plans. The Pension Board also need to make sure they include the sponsor in this matter.
  - Secondly the AC commends the work done on risk analysis in 2016 and recommends the Pension Board to work further on incorporating the non-financial risks in 2017 and to make this routine way of working with the developed dashboard.
  - Thirdly the AC encourages the Pension Board to expand the current succession planning for leadership roles in the Pension Board.
  - Finally in line with the RC recommendation the AC would like to emphasize the need to appoint a new Compliance Officer to ensure a governance structure at full strength.

10.2 Response Pension Board on report by the Accountability Council

The Pension Board would like to thank the Accountability Council [AC] for its observations and recommendations. Before going into the individual recommendations the Pension Board would like to commend the AC for institutionalizing its Ways of Working which are making a solid impression to the Pension Board. Secondly equally impressive are the training initiatives taken by individual members of the AC. In addition members of the AC are involved with the so-called Walk In sessions that also have a training content. The Pension Board is pleased with the AC recognition of the Talent Pool. However we should keep in mind that the Talent Pool is specifically geared towards creating succession options for all governance bodies on the associate side. We would like to help create succession options on the employer side. Finally we would like to confirm our interest to continue to work positively together with the AC, our sponsors and Works Councils of Veghel and Oud Beijerland.

As to the 4 recommendations made we would like to comment as follows:

- Decomplexity Pension Administration- A team consisting of representatives of the Pension Office, the Pension Board, the sponsors and TKP have worked hard to come up with an extensive list of recommendations to de-complex the pension execution ranging from relatively small to relative large impact. The Pension Board is prepared to make big changes in the execution of the pension plans in close consultation with the sponsors. The good news is that we have identified a number of improvement possibilities that can be implemented. Unfortunately the total impact of these possible improvements is relatively small. The core of the complexity is namely driven by the specific pension promises made by the sponsors with its associates. Especially the final pay nature of one of the plans and the Cash Balance nature of the other plan create complexity in an environment of Average Career Plans and pure DC. In addition there are numerous additional elements to the benefits promise that cause additional complexity. So the relatively bigger de-complexity impact would come from benefit design changes, which may not be opportune at this point in time, and in any case outside the remit of the Pension Board. We will endeavour to implement whatever is in our mandate, and will inform the social partners of the potential impact of design changes so that these can be included once social partners review their future plans.

- Risk Management – It is our intention in 2017 to finalize an effective framework capturing all financial and non-financial risks. Now that all relevant risk analyses have been completed we are reviewing all risk mitigating policies that we have either in place or that we still need to tidy up. Most of the required policies are in place. Subsequently this needs putting into an effective framework with regular monitoring by means of an enhanced Dashboard and regular risk and policy reviews to keep the analytics fresh.

- Succession Planning- We will continue to work on Succession Planning with the Talent Pool. For creating succession options on the employer representative side we will regularly connect with the sponsors. It worries us, that so far the Sponsor has not identified any succession candidate for their representation in the Pension Board. In any case we are now well advanced to present Mr. H. van Heesch as new Pension Board member representing active associates to DNB in the second half of 2017. This is the direct consequence of our new way of working on succession.

- Appoint new Compliance Officer- The goal is to replace Mrs. J. van de Broek as Compliance Officer by July 1, 2017.

10.3 Follow-up on issues from last year

In the annual accounts 2015 the AC mentioned some points of attention in their report. In this section we give the follow-up of these points of attention:

- The Pension Board has worked on analysing the non-financial risks in 2016 and defining the top 4 of non-financial risks. These are added in the dashboard. In 2017 the Pension Board will work further on the integration of the risks plus the documentation (the framework) plus further improvement of the dashboard.
- No additional audit/check on benefits is done (other than the YE close audit) in 2016. The latest check was in 2015 and the next additional check will be done as soon as the disabled member administration is correct. In 2016 the annual check on the financial versus the member administration was done (matching payments with rights) and the check of the calculation of disabled members has started in 2016.
- We have continued in 2016 to work closely with the plan sponsor and Works Councils.

11 LOOKING FORWARD

11.1 Pension Fund Governance

In 2014, the Pension Board started with the recommendations from the Code Pension Funds and is still proceeding with the recommendations. The Pension Board will continue to review the sustainability of Mars Pension Fund going forward and will keep considering other governance and execution alternatives.
In 2015 and 2016, special attention has been given to succession planning by the Pension Board. A Pension Talent Pool campaign started in 2015 and let in 2016 to six members that are being trained and perform different roles within MPF. As from 16 March 2017 there is a vacancy for a Pension Board member on behalf of the members. The aspirant member (part of the Talent Pool) is being trained to fulfil this role in 2017. In 2017, the Pension Board plans on updating the Capability Plan.

In 2017, the, the Pension Board will continue to find a succession for the role of Compliance Officer, now focussing on an internal candidate.

In 2017 at least the following documents will be submitted to DNB:

- A recovery plan 2017;
- A Feasibility Test 2017.

On 7 February 2017 the legislative proposal "verzamelwet pensioenen 2017" was submitted to the Dutch parliament. Among other things, the proposal requires company pension funds with assets under management in excess of 1 billion Euro's to have a Supervisory Board. If this legislation is approved, this will mean MPF will have to use a Supervisory Board for internal supervision instead of the Review Committee. If no transition regime is appropriate, which we find hard to believe, this will have to be in place by 1 July 2017.

11.2 Investments

In 2013 MPF completed an ALM study and based on the advice of Secor Investment Advisors the Pension Board of MPF ratified a new Investment Policy with as main change the addition of a new - Private Credit - asset class in 2013. Currently the Plan is conducting a new ALM study, which is planned to be finalised in 2017. The outcomes of this ALM study will be implemented in the course of 2017 subject to the policy funding ratio of the Plan allowing for change to the strategy. Part of the ALM study will be defining a flight Plan, looking at derisking the investment portfolio if and when the Funded Status allows for this.

The allocation to the Private Credit asset class has further ramped up to desired allocation during 2016. The Private Equity investments are expected to reduce as the EFFEM I fund comes into the harvesting phase, and the EFFEM II fund is maturing. To maintain the current allocation to Private Equity, the strategic advisor is in the process of conducting an asset class review and a search for a fund to complete the portfolio and potentially even increase the allocation.

The Pension Board has decided to implement a changed strategy for the Property portfolio, where the 100% allocation to UK direct investments will gradually transition over the course of the next 3-5 years into a Global portfolio through a Property Fund of Funds. Furthermore, the strategic advisor, in collaboration with the Plan's local advisor, is investigating further opportunities for alpha generation through Portable Alpha.

Over the course of 2016 the Pension Board has decided to terminate the GMO Discretionary Mandate and transition half of the allocation to the GMO Global Real Return fund. The other half has been allocated to existing equity and bonds managers.

The interest rate hedge will generally increase linearly with the relevant interest rate. The specific interest rate environment and the development of the financial position of the Pension Fund will determine the LDI hedge movement in 2017. At the end of 2016 the Board has approved a change to the interest rate hedge trigger table to incorporate the current macro-economic environment and outlook for low interest rates for longer.
The ongoing inclusion of an Equity Tail Risk Hedge as part of the portfolio is dependent on the macro-economic developments and outlook.

During the past year the Pension Board commenced on a path to defining an appropriate socially responsible investment (SRI) policy. Since the kick-off multiple sessions have been held in different compositions of stakeholders. In 2017 the Pension Board plans to take a next step and define an SRI policy in line with its investment objectives.

11.3 Pension Schemes

As from 1 January 2018 the pension plans have to be in line with some legislative changes:

- The standard retirement is 68 (or a lower age with lower contribution table of accrual rate);
- The ARP/ASP plan has to meet the requirements of the Law "verbeterde premieregeling". This will mean a life cycle for the variable annuity must be introduced.
- In 2018, new legislation is expected for defined contribution plans and both Mars and MPF will investigate the opportunity to make positive changes to the current ARP/ASP plan. As mentioned we will also take Duty of Care requirements into account at this point.

MPF will continue to investigate the possibility in 2017 to make the plans less complex for administration.

11.4 Pensions

In addition to the pension plans mentioned in paragraph 6.2 (final pay plan) and 6.3 (ARP/ASP plan), there is the pension scheme of the industry-wide pension Fund (Stichting Bedrijfstakpensioenfonds voor de Zoetwarenindustrie), the BPF Sweets. Participation in BPF Sweets depends on the level of the pensionable salary. Because of the level of this threshold (EUR 41,697), the number of members is low. No major change in this threshold is expected in 2017. Mars Pension Fund performed an update of the 'equality test' in order to maintain dispensation from BPF Sweets; the qualitative analysis was done in 2015. In 2016, the quantitate calculation was done and MPF maintained dispensation.
A new 'equality test' is expected in 2018, as MPF (and BPF) will have to change their plan rules because of the legislative changes.

Veghel, 20 June 2017

The Pension Board

Mr W. van Ettinger (Chairman)

Mr W. Van de Laar (Secretary)

Mrs M. de Mars

Mr H. Faassen

Mrs R. Steenbergen

12 ANNUAL ACCOUNTS

12.1 Consolidated Balance Sheet

(after appropriation of result in EUR 1,000)

ASSETS	Note[1]	31-12-2016		31-12-2015	
Investments for risk Pension Fund	1				
Real estate investments		122,377		195,459	
Equities		865,807		704,370	
Fixed income		319,049		261,792	
Hedge funds		79,507		117,086	
Derivatives		5,576		17,736	
Other financial investments		39,558		32,125	
			1,431,874		1,328,568
Investments for risk members	2		41,827		34,891
Receivables and prepayments					
Other receivables	3		5,960		4,502
Other assets					
Cash	4		3,818		3,057
			1,483,479		**1,371,018**
LIABILITIES					
Foundation capital and reserves					
Foundation capital	5		0		0
General reserves	6		290,780		270,313
Technical provision for risk of the pension fund					
Actuarial accrued liabilities	7	1,122,243		1,049,741	
Provision for future disability	8	1,144		1,253	
			1,123,387		1,050,994
Pension provision for risk of the members	9		41,827		34,891
Current liabilities	10		27,485		14,820
			1,483,479		**1,371,018**

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

Unless clearly stated otherwise all amounts are in thousands of euros

12.2 Consolidated Statement of Income and Expenses

(in EUR 1,000)

INCOME	Note[1]	2016		2015	
Contributions from employer and employees	11		17,197		16,166
Contributions for account and risk of members	12		4,626		4,248
Investment results for risk Pension Fund	13	108,002		79,750	
Investment results for risk of members	14	1,904		953	
			109,906		80,703
Other income	15		16		44
Total INCOME			**131,745**		**101,161**
EXPENSES					
Benefits payment	16		30,339		29,336
Execution- and administration costs	17		1,947		2,221
Change pension provision:					
• Change ARP to provision for risk members		0		-12,290	
• Accrual of benefits		11,754		12,848	
• Indexation		244		2,583	
• Addition of interest		-619		1,780	
• Change of mortality assumptions		415		-	
• Yield curve change		93,300		55,365	
• Withdrawal for payments of pension benefits and pension execution costs		-31,017		-29,982	
• Withdrawal for other actuarial- and technical assumptions (retirement)		-760		-171	
• Changes as a result of transfer of rights		-10		-893	
• Other changes pension provision		-805		2,304	
Change provision pension liabilities for risk of the pension fund	18		72,502		31,544
Change provision for future disability	19		-109		435
Change provision for risk of the members	20		6,936		18,039
Reinsurance	21		43		44
Transfer of pension rights for risk pension fund	22		33		612
Transfer of pension rights for risk members	23		-413		-548
Other expenses	24		0		0
Total EXPENSES			**111,278**		**81,683**
NET RESULT			**20,467**		**19,478**
Proposed appropriation of net result:					
- Added to the general reserves			20,467		19,478

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

Unless clearly stated otherwise all amounts are in thousands of euros

12.3 Consolidated statement of cash flows

(in EUR 1,000)

	2016		2015	
Contributions received	22,458		20,425	
Received from transfers of rights	413		1,358	
Pension benefits paid	-30,339		-29,336	
Paid for transfers of rights	-33		-1,593	
Paid execution- and administration costs	-1,947		-2,221	
Paid contribution reinsurance	-43		-44	
Total cash flow from pension activities		-9,491		-11,411
Cash flow from investment activities				
Sale and redemption of investments	1,122,001		779,118	
Received direct investment returns	34,912		32,969	
Purchase investments	-1,141,745		-801,113	
Paid costs asset management	-23,048		-23,634	
Other amounts received	13,979		-	
Other amounts paid	-		-4,785	
Total cash flow from investment activities		6,099		17,445
Net cash flow		**-3,392**		**-28,856**
Exchange results and conversion difference on cash		-		838
CHANGE CASH		**-3,392**		**-28,018**
Movements in cash and cash equivalents can be broken down as follows:				
Presented as other financial investments		43,563		47,716
Presented as Cash in Balance sheet		3,818		3,057
Balance per 31 December		47,381		50,773
Balance per 1 January		50,773		78,791
CHANGE CASH		**-3,392**		**-28,018**

Note: the direct method is used for the valuation of the cash flows.

Unless clearly stated otherwise all amounts are in thousands of euros

12.4 General

Activities
Stichting Mars Pensioenfonds (henceforth: Mars Pension Fund or MPF) was established in 1964 and has its statutory seat in Veghel, The Netherlands (Taylorweg 5, 5456 AE).

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

12.5 Accounting policies

General
The (consolidated) financial statements are prepared in accordance with the statutory provisions of Part 9, Book 2, of the Netherlands Civil Code.

Investments and pension accruals are valued at fair value. The other assets and liabilities are also being valued at fair value. Profits and losses have been recorded in the financial year appointed to that they are related to.

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

Comparison with prior year
The accounting policies are consistent with those applied during the previous year, with the exception of the estimation changes as described under "Estimation changes".

Estimation changes
In September 2016 the Dutch Actuarial Association (AAG) published a new mortality table. Willis Towers Watson also published new statistics concerning mortality experience. MPF has determined the actuarial accrued liabilities at year-end 2016 based on these assumptions. Due to this adjustment the provision pension liabilities increased, which had a negative impact on profit and therefor reserves of Mars Pension Fund of EUR 0.4 million.

Consolidation
Mars Real Estate Investments B.V. (MREI) was founded in 2009. Mars Pension Fund owns 100% of the shares of MREI. MREI is included in the consolidated balance sheet and profit and loss account of Mars Pension Fund. Intercompany transactions and balances in this annual report are established "at arm's length"

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

Accounting policies for assets and liabilities

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

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

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

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

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

Bonds are valued at fair value including the accrued interest at balance date. Bond funds are valued at the closing price as advised by the Investment Manager.

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

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

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

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

Negative positions of derivatives are presented as short term liabilities.

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

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

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

Cash
Cash is valued at nominal value.

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

The actuarial accrued liability is based on the applicable pension plans as at the balance sheet date and on the pension entitlements that can be attributed to the service years completed as at the balance sheet date. This includes all granted increases based on the indexation policy to any members as at balance sheet date.

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

Life expectancy rates in determining actuarial accrued liabilities:
- The life expectancy rates for males and females are derived from the AG Projection Table 2016-2064 male mortality table as published by the Dutch Actuarial Association (31 December 2015: 201-2062).

- The mortality rates for experience rating are adjusted with fund specific correction factors based on the Willis Towers Watson 2016 experience rates model.

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

Assumed retirement ages
For the 2006 Pension Plan it is assumed that active and deferred members retire at age 61. All other (inactive) members are assumed to retire at the normal retirement age of the pension plan.

Future costs
The actuarial accrued liability takes into account an addition of 2% for future costs for executing the pension plans.

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

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

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

Other assets and liabilities
The other assets and liabilities are stated at the fair value of the consideration – this is typically the acquisition price – less any provisions deemed necessary. The book value of the liabilities approximates the fair value. Other assets and liabilities are all due/to be settled within one year.

Provisions are taken for actual rights existing per balance sheet date where a cash outflow is expected and where the amount can be determined in a reliable manner.

The provisions are valued at the best estimate value for the amounts required to be able to settle the liabilities per balance sheet date. The provisions are being valued at the cash value of the expenses which will likely to be required to settle the liabilities.

When liabilities are likely to be compensated by another party, this compensation will be presented in the balance sheet as an asset if it is likely this compensation will be received along with the settlement of the liability.

Accounting policies for results

General
Income is recognised in the profit and loss account when an increase in future economic benefits related to an increase in an asset or a decrease of a liability has arisen which value can reliably be determined. Expenses are recognised when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen which value can reliably be determined.

Interest and investment results at the risk of the pension fund
The investment results at the risk of the pension fund are investment results where the risk of the investments is for the pension fund. In the profit and loss account, the income and losses are assigned to the reporting year to which they apply. All direct and indirect investment results are directly presented under the income statement. The investments costs are presented separately.

Interest and investment results at the risk of the members
The investment results at the risk of the members are investment results where the risk of the investments is for the members.

Other cost
Costs are determined on a historical basis and assigned to the reporting year to which these apply.

Reinsurance
The Pension Fund has reinsurance on a stop-loss basis in order to insure the risk of death-in-service and disability-in-service. In 2016, no amounts can be claimed.

Statement of cash flows

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

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

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

12.6 Notes to the Balance Sheet

1 Investments for risk Pension Fund

Asset Category	Real Estate	Equities	Fixed Income	Hedge funds	Deri-vatives	Other	Total
Value per 31 December 2014	**175,437**	**690,735**	**216,931**	**103,854**	**16,014**	**76,238**	**1,279,209**
Purchases	4,535	116,475	415,708	0	264,395	0	801,113
Sales	-428	-199,119	-366,260	-1,439	-211,872	0	-779,118
Valuation changes	15,915	96,279	-4,587	14,671	-52,737	0	69,541
Other						-28,522	-28,522
Value per 31 December 2015	**195,459**	**704,370**	**261,792**	**117,086**	**15,800**	**47,716**	**1,342,223**
Purchases	2,267	232,689	869,522	0	37,575	0	1,142,053
Sales	-37,252	-146,162	-832,974	-38,078	-66,567	0	-1,121,033
Valuation changes	-38,097	74,910	20,709	499	16,882	4,816	79,719
Other					-16,491	6,017	-10,474
Subtotal	**122,377**	**865,807**	**319,049**	**79,507**	-12,801	58,549	**1,432,488**
Derivatives credit					18,377		18,377
Deducted: investments for risk members (ARP)						-18,991	-18,991
Value per 31 December 2016					**5,576**	**39,558**	**1,431,874**

The value per 31 December 2015 is including the credit position of derivates (EUR 1,936) and a deduction of EUR 15,591 presented as investments for risk of members (ARP).

Included in the investment-category 'Other' is cash available for investment for an amount of Eur 43,563 (2015: Eur 47,716). This amount includes Eur 12,788 (2015: Eur 14,210) of cash in Mars Real Estate Investments B.V.

Positions more than 5% per investment-category:

Real Estate	31-12-2016		31-12-2015	
	EUR	%	EUR	%
Angel Place	15,882	13%	18,995	10%
Clarendon	-	-	17,638	9%
Edinburgh	-	-	16,824	9%
Westside	13,478	11%	16,960	9%
Ankerside	16,408	14%	21,709	11%
Exchange	21,330	18%	34,599	18%
Tokenspire	-	-	11,532	6%
Four Seasons	33,988	28%	36,973	19%

Equities	31-12-2016		31-12-2015	
	EUR	%	EUR	%
Fisher investments institution	41,453	5%	38,291	5%
Gmo Woolley	83,269	9%	-	-
Pem - effem fund	106,359	12%	97,353	14%
Placeholder Ult Par Comp	63,942	7%	-	-
Pzena Investment management	44,431	5%	-	-
Capita financial managers Ireland ltd	85,255	10%	38,999	6%
Arrowstreet common global equity ccf usd	-	-	56,298	8%
Vanguard investment series plc us opportunities fund	76,461	9%	54,009	8%
Gmo quality fund	101,880	12%	135,910	19%
Marathon international equity	84,368	10%	83,644	12%

Unless clearly stated otherwise all amounts are in thousands of euros

Fixed Income	31-12-2016 EUR	%	31-12-2015 EUR	%
Gmo asset allocation bond fund	-	-	34,996	13%
Pimco fixed income source	44,094	14%		
Neuberger berman high yield bo	-	-	77,869	30%
Lazard ltd	70,708	22%	81,897	31%

Hedge funds	31-12-2016 EUR	%	31-12-2015 EUR	%
Blackstone strategic alliance offshore fund ii ltd	-	-	8,361	8%
Blackstone fof stichting Dutch	79,507	100%	95,493	92%

Fair value hierarchy

The following tables summarise the valuation of investments by level within fair value hierarchy as of 31 December 2016 and 2015. Derivatives are shown net of Assets/Liabilities (clean value) and the table is before deduction of investments for risk of members.

Asset Category	Direct market listed	Abstracted	Modeling	Total
Real estate investments	1,571	-	120,806	122,377
Equities	102,132	578,981	184,694	865,807
Fixed income	11,163	307,886	-	319,049
Derivatives	1,147	-13,948		-12,801
Hedge funds	-	-	79,507	79,507
Other financial investments	13,958	-	44,591	58,549
Total per 31 December 2016	**129,971**	**872,919**	**429,958**	**1,432,488**

Asset Category	Direct market listed	Abstracted	Modeling	Total
Real estate investments	309	-	195,150	195,459
Equities	83,466	461,625	159,279	704,370
Fixed income	19,530	242,262	-	261,792
Hedge funds and derivatives (assets & liabilities)	-	132,886	-	132,886
Other financial investments	48,892	-	-1,176	47,716
Total per 31 December 2015	**152,197**	**836,773**	**353,253**	**1,342,223**

2 Investments for risk members

The investments for risk members consist of:

	31-12-2016	31-12-2015
Investments concerning ARP-plan	18,991	15,591
Investments concerning ASP-plan	22,836	19,300
Total	**41,827**	**34,891**

In 2016 the investments developed as follows:

	ASP	ARP
Balance per 1 January	19,300	15,591
Premiums	1,984	2,642
Transfers	182	231
Costs	-7	0
Investment result	1,377	527
Balance per 31 December	**22,836**	**18,991**

Unless clearly stated otherwise all amounts are in thousands of euros

The ARP-related investments are part of and deducted from the total investments for risk of the Pension Fund. At year-end the ASP-related investments consist for 99% of stocks and for 1% of bonds.

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

3 Other receivables

	31-12-2016	31-12-2015
Contributions from employer	389	1,023
Other receivables (rents)	5,571	3,479
Total	**5,960**	**4,502**

4 Cash

	31-12-2016	31-12-2015
Cash at Rabobank	**3,818**	**3,057**

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

5 Foundation capital

The foundation’s capital amounts to EUR 454 and remained unchanged during the financial year. As a result of the presentation in thousands of euros, the foundation capital is zero.

6 General reserves

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

	2016	2015
Balance per 1 January	270,313	250,835
Result for the year	20,467	19,478
Balance per 31 December	**290,780**	**270,313**

The minimum regulatory own funds, 4.1% of the actuarial accrued liabilities at the risk of the pension fund, equals EUR 44.8 million. Legally required own funds amount to EUR 367.7 million and are equal to 31.6% of the actuarial accrued liabilities at the risk of the pension fund. The present own funds are higher than the minimum regulatory own funds, but below the regulatory own funds.

Policy decisions should be based on the ‘policy funding ratio’ (beleidsdekkingsgraad). This ratio is the average of the funding ratios during the past 12 months. The policy funding ratio at 31 December 2015 is 116.6% (31 December 2015: 126.2%). The policy funding ratio is lower than the legally required solvency ratio and therefor there is a reserve deficit.

The following table shows the ratios of regulatory own funds, minimum regulatory own funds, the policy funding ratio and present own funds.

	31-12-2016	31-12-2015
Actual funding ratio	125.0%	124.9%
Minimum required solvency ratio	104.1%	104.1%
Policy Funding Ratio	116.6%	124.2%
Legally required solvency ratio	131.6%	132.4%

The funding ratio is calculated by: Net assets divided by AAL (provision for pension liabilities) at risk of the pension fund (including provision for future disability). The net assets are determined by adding the general reserve to the AAL at risk of the pension fund (including the IBNR provision) and excluding the short term liabilities. There are no subordinated loans and/or special reserves.

Because the Funding Ratio at 1 January 2016 was below the Ongoing Solvency Margin Ratio, MPF was required to issue a recovery plan. In this plan was set out how the Funding Ratio could develop in the next twelve years given a set of assumptions. This recovery plan shows that MPF can, on the very short term, not give full indexation, but on the longer term it is expected that this can be compensated. It should be taken into account that this projection is based on assumptions and that the actual realisation can differ from this projection. The recovery plan has, according to instructions, been sent to DNB before 1 April 2016 and has been approved by DNB.

As a consequence of the financial position at 31 December 2016 MPF was required to send an updated recovery plan to DNB before 1 April 2017. MPF has fulfilled this requirement. The updated recovery plan shows comparable results as the original recovery plan.

The Actual funding ratio at year-end is calculated as the ratio between the net-assets and the total technical liabilities of the pension fund.

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

The annual appropriation of the balance of the statement of income and expenses is arranged in the funds' ABTN. It is proposed to add the positive balance result of 2016 with an amount of EUR 20,467 to the general reserve. This proposal has already been incorporated in the balance sheet.

7 Actuarial accrued liabilities

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

	2016	2015
Provision for pension liabilities ultimo previous year	**1,049,741**	**1,018,197**
Adjustment ARP to provision for risk members	-	-12,290
Interest	-619	1,780
Indexation to the account of the pension fund	244	2,583
Accrual of benefits (including surcharge for future costs)	11,754	12,848
Mortality	-617	150
Other actuarial and technical assumptions (retirement)	-760	-171
Disability / rehabilitation	499	662
Individual transfer value (balance)	-10	-893
Benefit payments (incl. surrender value)	-30,409	-29,393
Available for costs	-608	-589
Yield curve change	93,300	55,365
Corrections	-687	1,492
Change of mortality assumptions	415	-
Total change	**72,502**	**31,544**
Provisions for pension liabilities ultimo year	**1,122,243**	**1,049,741**

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

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

	31-12-2016	31-12-2016	31-12-2015	31-12-2015
	Members	AAL	Members	AAL
Actives (including disabled)	685	444,520	733	414,867
Deferred participants	839	179,359	947	155,677
Retirees	1,206	519,950	1,160	498,582
Sub-total	**2,730**	1,143,829	**2,840**	1,069,126
Minus: BPF Zoetwaren		-21,586		-19,385
Total	**2,730**	**1,122,243**	**2,840**	**1,049,741**

Unless clearly stated otherwise all amounts are in thousands of euros

8 Provision for future disability

	2016	2015
Balance per 1 January	1,253	818
Regular change	-109	435
Balance per 31 December	**1,144**	**1,253**

The IBNR provision for future disability is set equal to twice the yearly risk premium for disability.

9 Pension provision at the risk of the members

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

The provision for risk members consist of:

	31-12-2016	31-12-2015
Investments concerning ARP-plan	18,991	15,591
Investments concerning ASP-plan	22,836	19,300
Total	**41,827**	**34,891**

In 2016 the provision developed as follows:

	ASP	ARP
Balance per 1 January	19,300	15,591
Premiums	1,984	2,642
Transfers	182	231
Costs	-7	0
Investment result	1,377	527
Balance per 31 December	**22,836**	**18,991**

10 Current liabilities

	31-12-2016	31-12-2015
Derivatives	18,377	1,936
Accrued expenses and other liabilities	8,254	12,046
Wage tax and premiums social security	854	838
Total	**27,485**	**14,820**

Negative derivate-positions are classified as current liabilities and positive derivative-positions are classified as assets. A further explanation on the derivatives can be found in paragraph 12.7 "Risk management".

The accrued expenses includes EUR 302 (2015: EUR 542) corporate income tax and VAT concerning Mars Real Estate Investments.

Rights and obligations not included in the balance sheet

With respect to the investments in the Private Equity and Private Credit Funds, MPF has an off-balance sheet commitment of EUR 63.0 million to these managers to invest in their funds. Non-compliance can lead to interest being charged as well as legal- and other collection costs.

The pension fund has a contract with TKP for the administration. This contract expires on 1 January 2018 and an annual fixed fee of EUR 795 (including VAT) is agreed.

Related parties

MPF has a funding relationship with the employer Mars Netherlands B.V. This entity classifies as a related party. The board members of MPF also classify as related parties.

Unless clearly stated otherwise all amounts are in thousands of euros

12.7 Risk Management

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

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

Solvency margin	31-12-2016		31-12-2015	
	EUR	%	EUR	%
S1 Interest rate risk	47,600	4.1	60,300	5.6
S2 Market risk on equities and property	291,400	25.0	268,300	24.7
S3 Currency risk	102,000	8.8	91,400	8.4
S4 Commodity risk	-	-	-	-
S5 Credit risk	55,500	4.8	62,300	5.7
S6 Technical insurance risk	34,200	2.9	33,300	3.1
S10 Active risk	61,000	5.2	46,000	4.2
Correlation-effect	-224,300	-19.2	-209,800	-19.3
Adjustment for risks for members	400	-	300	-
Required own funds	367,700	**31.6**	352,100	**32.4**

12.7.1 Interest rate risk (S1)

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

	31-12-2016 in years	31-12-2015 in years
Fixed income duration (excluding derivatives)	4.1	4.3
Pension assets duration (including derivatives)	4.9	3.3
Duration of the (nominal) pension liabilities	19.1	18.0

The duration of the pension assets is much shorter than the duration of the liabilities. It is assumed that all non-fixed income assets have zero duration.
The Pension Board has adopted a formal interest rate hedging procedure. This interest rate hedging procedure is dynamic in nature. The interest rate hedge will generally increase linearly with the relevant interest rate, but small tactical deviations are possible. The Pension Board and its Investment Committee have carefully implemented the necessary infrastructure to enable this interest rate hedging procedure. The strategic level of the interest rate hedge is 50% of the assets. Per the end of 2016 the dynamic LDI coverage target (as determined by the LDI trigger table) was 16%. A tactical underweight of 1.5% to the dynamic target resulted in a liability coverage target of 14.5%.

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

Fixed income - Asset categories	31-12-2016		31-12-2015	
	EUR	%	EUR	%
Government Bonds	111,517	35%	21,528	8%
Index Linked Bonds	11,657	4%	-	-
Mortgages and MBS	5,878	2%	2,448	1%
Credits	178,087	55%	15,513	6%
Mutual Funds	-	-	204,303	78%
Cash and cash-like instruments	11,910	4%	18,000	7%
Total	**319,049**	**100%**	**261,792**	**100%**

Compared to 31-12-2015 positions in mutual fonds have been accounted for on a look-trough basis and have been presented within the other investment categories.

Unless clearly stated otherwise all amounts are in thousands of euros

12.7.2 Market Risk (S2)

Market risk can be split into interest rate risk, currency risk and price risk. The investment guidelines define the strategy that Mars Pension Fund will adopt to control market risk. In practice, the Investment Committee oversees the controls regarding market risk, in line with the agreed policy framework and investment guidelines. Periodically all aggregated market positions are reported to the Investment Committee and the Pension Board.
The investments in real estate are in the UK. This is resulting in a relatively high market risk. The currency risk (GBP) is mainly covered in the hedges plan.

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

	31-12-2016	31-12-2015
Consumers	131,445	18,445
Energy	28,094	4,269
Financials	347,449	19,458
Health care	62,915	5,049
Industrials	92,035	11,754
Information Technology	128,411	9,275
Materials	46,744	12,064
Other	28,714	624,056
Total	**865,807**	**704,370**

Compared to 31-12-2015 positions in the category 'other' have been accounted for on a look-trough basis and have been presented within the other investment categories.

12.7.3 Currency Risk (S3)

At the end of 2016 about 84% (2015: 86%) of the investment portfolio (including the property assets, property cash and operational cash account, excluding investments for risk members) has been invested outside of the Euro zone. The actual EUR (look-through) exposure of the total portfolio before and after hedging was 49% at the end of 2015 (58% at the end of 2015). The total net market value of the outstanding currency forward contracts at the end of the year was EUR 7.3 million.

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

Currency			31-12-2016	31-12-2015
	Before Hedging	Currency Derivatives	Net position after hedging	Net position after hedging
Euro	210,528	618,691	829,219	786,553
British pound	246,109	-158,189	87,920	56,327
Japanese yen	73,140	-72,586	554	-10,826
US Dollar	875,044	-362,247	512,797	516,218
Other	34,932	-32,934	1,998	-6,049
Total	**1,439,753**	**-7,265**	**1,432,488**	**1,342,223**

12.7.4 Commodity/Price Risk (S4)

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

Unless clearly stated otherwise all amounts are in thousands of euros

The equity investments can be divided into the following regions:

Equity - Regions	31-12-2016	31-12-2015
Mature markets	756,519	615,779
Emerging Markets	109,288	88,591
Total	**865,807**	**704,370**

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

Fixed Income - Regions	31-12-2016	31-12-2015
Mature markets	255,201	174,797
Emerging Markets	63,848	86,995
Total	**319,049**	**261,792**

12.7.5 Credit Risk (S5)

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

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

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

The credit rating split, based on information of independent credit rating agencies, in the fixed income portfolio is as follows:

	31-12-2016	31-12-2015
AAA	68,495	889
AA	20,286	38,221
A	24,624	17,931
BBB	56,224	15,783
Lower than BBB	128,425	109,219
No rating	20,995	79,749
Total	**319,049**	**261,792**

In 2016 no rating apply to those securities for which no rating can be found due to specific agreements between two counterparties. At the end of 2016 (and 2015) there is no concentration risk, i.e. no more than 50% of the total fixed income portfolio is invested in any given sector or category.

12.7.6 Technical Insurance risk (S6)

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

Unless clearly stated otherwise all amounts are in thousands of euros

The **longevity risk** is the risk that participants live longer than assumed in the determination of the AAL. As a result there could be too little assets to finance the accrued benefits. The pension fund has used the mortality table AG Projection table 2016-2064 to take the most recent mortality assumptions and the increased long-term trend in mortality probabilities (and therefore the life expectancy) into account. Statistics show that in general the mortality of pension fund members is lower than the mortality of the entire population. The AG Projection tables are based on data of the total population in the Netherlands. For a correct calculation of the AAL the difference in life expectancy between the total population and the population of Mars Pension Fund should be taken into account. For this reason the pension fund uses the MPF specific experience rating based on the Willis Towers Watson 2016 experience rating model.

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

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

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

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

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

12.7.7 Liquidity Risk

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

12.7.8 Concentration Risk (S2)

Large individual investments in the portfolio can lead to concentration risk. In order to determine which investments could be earmarked as large positions, one must add or compare all positions against the same debtor per asset class. Large positions are then defined as positions that constitute more than 2% of the total investment value of the portfolio. In the investment section a break-down is given of larger positions. Generally speaking, concentration risk can occur if there is too little diversification within the investment portfolio. Concentration risks can occur in regional, sector or counterparty exposures. For example, loan or equity portfolios that are invested in only a few different sectors could lead to concentration risks.

12.7.9 Other Financial Risks (S10)

1 Systemic Risk

Systemic risk occurs when the global financial system (all financial and capital markets) no longer functions properly, in which case the pension fund would not be able to trade its investments. The global financial and banking system has witnessed this to some extent in the credit crisis of 2007/2008 where a lot of "structured" investment products, particularly related to US sub-prime mortgages could no longer be sold, leading to severe problems for many banks and other financial institutions around the globe. A few financial institutions even went bankrupt, since they could not meet their liquidity requirements because they were unable to sell securities for which there suddenly was no market. It is difficult for any financial institution to directly control a systemic risk or systemic failure. However, careful monitoring of liquidity, counterparty and concentration risk can help mitigate the impact of a systemic crisis.

2 Specific Financial Instruments (Derivatives)

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

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

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

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

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

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

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

The table below shows the derivatives positions in the Pension Fund as per 31 December 2016:

Type of contract	Expiry Date	Notional Values	Market Value assets	Market Value liabilities
Futures	Various	202,298	1,199	48
Currency Forward contracts	Various	-614,399	-	7,265
Options	Various	-28	-	-
Interest Rate Swaps	Various	187,874	3,427	11,064
Overige	Various	-	950	-
Total		**-224,255**	**5,576**	**18,377**

Unless clearly stated otherwise all amounts are in thousands of euros

12.8 Notes to the statement of income and expenses

11 Contributions from employer and employees

The total employer contribution amounts EUR 21,824 (25.0%, 2015: 22.8%) of the pensionable salaries reduced with the contributions from the employers registered in BPF Zoetwaren. The employer contribution percentage includes the contribution for the account and risk of member with respect to the concerning the ARP-plan (EUR 2,642) and a contribution with respect to the ASP-plan (EUR 633). This is resulting in a employers contribution with respect to the final-pay plan of EUR 18,549. The cost covering contribution and the smoothened cost covering contribution amount to EUR 24,591 and EUR 13,833 respectively.

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

	2016	2015
Cost covering contribution	24,591	23,653
Smoothened contribution	13,833	16,160
Actual contribution	21,824	20,414

The cost covering contribution is based on the actuarial assumptions applicable as per 31 December 2016, including an interest rate term structure according to the instructions of DNB per this date. The smoothened cost covering contribution is, in accordance with the ABTN, based on a fixed discount rate of 6.0%. This causes the smoothened contribution to be lower than the cost covering contribution. The actual contribution is based on the contribution policy and at least equal to the smoothened cost covering contribution (determined at the beginning of the financial year) and is expressed as a percentage of the pensionable salary.

The (smoothened) cost covering contribution is:

	2016		2015	
	CCC	SCCC	CCC	SCCC
Unconditional accrual	18,142	10,080	18,083	12,169
Solvency surcharge	4,566	1,870	3,695	2,116
Surcharge for administration costs	1,883	1,883	1,875	1,875
Total	**24,591**	**13,833**	**23,653**	**16,160**

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

12 Contributions for the account and risk members

	2016	2015
ARP contribution	2,642	2,421
ASP contribution	1,984	1,827
Total contribution	**4,626**	**4,248**

The ASP contribution consist for EUR 1,351 of contribution paid by members and EUR 633 paid by the employer.

13 Investment results for risk Pension Fund

	Direct investment results	Indirect investment results	Investment related costs	Total 2016	Total 2015
Real Estate investments	19,812	-30,263	-11,542	-21,993	22,053
Equities	8,824	74,910	-581	83,153	101,131
Fixed Income	6,338	20,709	20	27,067	-3,779
Derivatives and hedge funds	-109	19,490	-270	19,111	-52,704
Other financial investments	47	4,816	-2,760	2,103	15,104
Investment results	**34,912**	**89,662**	**-15,133**	**109,441**	**81,805**
Other investment related costs			-1,439	-1,439	-2,055
Net Investment result			**-16,572**	**108,002**	**79,750**

Unless clearly stated otherwise all amounts are in thousands of euros

Investment related costs
The investment related costs include management fees for external asset managers, investment advice, custody fee and other investment related costs (i.e. tax- and legal advice). The total amount of investment related costs of EUR 16.6 million also include the operational costs related to the direct investments in real estate (EUR 11.5 million in 2016 and EUR 13.5 million in 2015).

	2016	2015
Management fee external asset managers	2,799	3,127
Investment advice	1,607	1,642
Operating costs real estate	11,542	13,480
Custody fee	324	281
Value added tax on costs foreign asset managers	300	200
Other investment related costs	-	404
Total	**16,572**	**19,134**

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

14 Investment results for risk of members

	2016	2015
Investment results ARP	527	522
Investment results ASP	1,377	431
Total	**1,904**	**953**

15 Other income

	2016	2015
Other	16	44
Total	**16**	**44**

16 Benefits payment

	2016	2015
Retirement pension	26,147	25,212
Partner pension	3,901	3,793
Disability pension	227	256
Orphan pension	64	75
Total	**30,339**	**29,336**

Unless clearly stated otherwise all amounts are in thousands of euros

17 Execution- and administration costs

	2016	2015
Administration costs	651	739
Actuarial (advising)	598	350
Legal advisory	70	80
Cross charges from the employer	180	160
Governance costs	161	370
Audit and advisory services	80	91
Communication costs	3	10
Contributions	101	85
Actuarial (certifying)	56	35
Other costs	47	301
Total	**1,947**	**2,221**

The execution- and administration costs are VAT included. In total an amount of EUR 320 has been paid on VAT charges.

Since the Pension Fund does not have employees, there are no salary payments or social insurance charges. The work on behalf of the Pension Fund is performed by three employees (2015: three employees) who have employment contracts with Mars Nederland B.V. and have been outsourced to Mars Pension fund. The costs are charged to Mars Pension fund and included in this report. The total remuneration paid to members of the Pension- and Supervisory Board for their membership in the Board is EUR 93 (2015: EUR 82).

Audit and advisory services

	2016	2015
Audit annual accounts	80	91
Other auditing services	-	-
Total	**80**	**91**

Audit services are provided by PricewaterhouseCoopers. In 2016 PWC has also provided tax advisory concerning investments and has charged an amount of EUR 50 for these services.

18 Change provision for pension liabilities for risk of the pension fund

	2016	2015
Change provision	72,502	31,544

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

19 Change provision for future disability

	2016	2015
Provision change for future disability	-109	435

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

20 Change provision for risk of the members

	2016	2015
Provision change for the account and risk of members	6,936	18,039

The change in 2015 includes an amount of 12,290 with respect to the changed presentation of the ARP-provision. For more details we refer to the notes under reference number 2.

21 Reinsurance

The Pension Fund has a reinsurance contract for the death-in-service and disability-in-service risks with Zwitserleven, valid from 1 January 2014 to 31 December 2016. This reinsurance can be seen as a catastrophe-risk-coverage because it is based on stop-loss insurance with a net retention of 1,870 which is approximately 200% of the risk premium. Declaration is possible within the first 24 months after the contract period.

Unless clearly stated otherwise all amounts are in thousands of euros

22 Transfers of pension rights for risk pension fund

	2016	2015
Incoming transfer values	0	-160
Outgoing transfer values	33	772
Total	**33**	**612**

23 Transfers of pension rights for risk members

	2016	2015
Incoming transfer values	-479	-929
Outgoing transfer values	66	381
Total	**-413**	**-548**

Unless clearly stated otherwise all amounts are in thousands of euros

12.9 Single balance sheet

After appropriation of results (in EUR 1,000)

ASSETS	Note[1]	31-12-2016		31-12-2015	
Investments for risk Pension Fund					
Real estate investments	25	1,571		309	
Equities		865,807		704,370	
Fixed income		319,049		261,792	
Hedge funds		79,507		117,086	
Derivatives		5,576		17,736	
Other financial investments	26	26,770		17,915	
			1,298,280		1,119,208
Investments for risk members	2		41,827		34,891
Investments in subsidiaries	27		131,299		200,366
Receivables and prepayments					
Other receivables	28		1,422		2,659
Other assets					
Cash	4		3,818		3,057
			1,476,646		**1,360,181**
LIABILITIES					
Foundation capital and reserves					
Foundation capital	5		-		-
General reserves	6		290,780		270,313
Technical provision at the risk of the pension fund					
Actuarial accrued liabilities	7	1,122,243		1,049,741	
Provision for future disability	8	1,144		1,253	
			1,123,387		1,050,994
Pension provision at the risk of the members	9		41,827		34,891
Current liabilities	29		20,653		3,983
			1,476,646		**1,360,181**

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

Unless clearly stated otherwise all amounts are in thousands of euros

12.10 Single statement of income and expenses

(in EUR 1,000)

INCOME	Note[1]		2016		2015
Contributions from employer and employees	11		17,197		16,166
Contributions for account and risk of members	12		4,626		4,248
Investment results for risk Pension Fund	30	131,704		58,782	
Investment results for risk of members	14	1,904		953	
			133,608		59,735
Other income	15		16		44
Total INCOME			**155,447**		**80,193**
EXPENSES					
Benefits payment	16		30,339		29,336
Execution- and administration costs	17		1,947		2,221
Change pension provision:					
• Change ARP to provision for risk members		0		-12,290	
• Accrual of benefits		11,754		12,848	
• Indexation		244		2,583	
• Addition of interest		-619		1,780	
• Change of mortality assumptions		415		-	
• Yield curve change		93,300		55,365	
• Withdrawal for payments of pension benefits and pension execution costs		-31,017		-29,982	
• Withdrawal for other actuarial- and technical assumptions (retirement)		-760		-171	
• Changes as a result of transfer of rights		-10		-893	
• Other changes pension provision		-805		2,304	
Change provision pension liabilities for risk of the pension fund	18		72,502		31,544
Change provision for future disability	19		-109		435
Change provision for risk of the members	20		6,936		18,039
Reinsurance	21		43		44
Transfer of pension rights for risk pension fund	22		33		612
Transfer of pension rights for risk members	23		-413		-548
Other expenses			0		0
Total EXPENSES			**111,278**		**81,683**
NET RESULT			**44,169**		**-1,490**
Result subsidiary (MREI)	**31**		**-23,702**		**20,968**
TOTAL NET INCOME			**20,467**		**19,478**

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

Unless clearly stated otherwise all amounts are in thousands of euros

12.11 Accounting policies

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

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

12.12 Notes to the single Balance Sheet

General
When the balance value presented on the single balance sheet equals the value presented on the consolidated balance sheet, this balance sheet item has the same reference number as shown on the consolidated balance sheet. Details of these balance sheet values can be found in paragraph 11.6 “Notes to the consolidated Balance Sheet”.

25 Real estate investments

	2016	2015
Balance per 1 January	309	633
Purchases	1,371	-
Sales	-184	-428
Valuation changes	75	104
Balance per 31 December	**1,571**	**309**

26 Other financial investments

	31-12-2015	31-12-2015
Cash available for investments	30,775	33,506
Collaterals	13,958	-
Pending trades	1,028	-
Deducted investments ARP	-18,991	-15,591
Total	**26,770**	**17,915**

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

27 Investments in subsidiaries

This item consists of the capital investment in Mars Real Estate Investments B.V. (MREI) and loans to MREI. The capital investment as well as the loans are presented as Investments in subsidiaries.
The development during the last two years of the participation in MREI can be specified as follows:

Type of contract	Capital	Loans	Total value
Balance per 31 December 2014	**85,438**	**93,960**	**179,398**
Additions			
Operational result 2015	11,290	-	11,290
Revaluations (foreign currency)	4,703	4,975	9,678
Balance per 31 December 2015	**101,431**	**98,935**	**200,366**
Repayments and dividend	-18,277	-18,138	-36,415
Operational result 2016	-8,635	-	-8,635
Revaluations (foreign currency)	-12,382	-11,635	-24,017
Balance per 31 December 2016	**62,137**	**69,162**	**131,299**

The Senior Debt loans (EUR 58,923) have an average interest rate of 5.06% and the Junior Debt loans (EUR 10,238) have an average interest rate of 10.06%. The final maturity date of all loans is 2 November 2020 and all loans are denominated in GBP. There are no particular warranties underlying the loan.

Unless clearly stated otherwise all amounts are in thousands of euros

28 Other receivables

	31-12-2016	31-12-2015
Contribution from employer	389	1,023
Accrued Interest Intercompany loan MREI	1,009	1,404
Advance payment benefits	18	62
Prepaid expenses	6	170
Total	**1,433**	**2,659**

29 Current Liabilities

	31-12-2016	31-12-2015
Derivatives	18,377	1,936
Accrued expenses and other liabilities	1,413	1,209
Wage tax and premiums social security	863	838
Total	**20,653**	**3,983**

Negative derivate-positions are classified as current liabilities and positive derivative-positions are classified as assets. A further explanation on the derivatives can be found in paragraph 11.7 "Risk management".

12.13 Notes to the single statement of income and expenses

30 Investments results for risk Pension Fund

	Direct investment results	Indirect investment results	Investment related costs	Total 2016	Total 2015
Real Estate investments	8	74	-	82	105
Equities	8,824	74,910	-581	83,153	101,131
Fixed Income	6,338	20,709	20	27,067	-3,779
Derivatives and hedge funds	-109	19,490	-270	19,111	-52,704
Other financial investments	47	4,816	-2,760	2,103	15,104
Investment results	**15,107**	**119,999**	**-3,591**	**131,516**	**55,414**
Other investment related costs			-4,114	-4,114	-2,055
Interest on loan to subsidiary				4,302	5,423
Net Investment result			**-7,705**	**131,704**	**58,782**

31 Result subsidiary (MREI)

The result of the subsidiary is compiled of:

	2016	2015
Operational result	-8,635	11,290
Results on exchange rates	-15,067	9,678
Total	**-23,702**	**20,968**

Subsequent events

There are no significant subsequent events.

Veghel, 20 June 2017

The Pension Board,

W. van Ettinger (Chairman)
Mr W. van de Laar (Secretary)
Mrs R. Steenbergen
Mrs M. de Mars
Mr H. Faassen

Unless clearly stated otherwise all amounts are in thousands of euros

13 OTHER INFORMATION

13.1 Actuarial Statement

Assignment
The assignment to issue an Actuarial Statement, as referred to in the Pension Act in respect of the financial year 2016 was issued to Towers Watson Netherlands B.V. by Stichting Mars Pensioenfonds, established in Veghel.

Independence
As the certifying actuary I am independent of Stichting Mars Pensioenfonds, as required by Section 148 of the Pension Act. I do not carry out any other work for the pension fund.

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

Agreement external auditor
Based on the mutual ‘Handreiking’ the external auditor and I both apply, there has been agreement about the activities and expectations concerning this year’s assessment. For the assessment of the technical provisions and the financial position as a whole I have determined the materiality to be equal to € 3,940,000. With the external auditor I have agreed to report any observed discrepancies above a level of € 262,000. These agreements have been recorded and the results of my assessments have been discussed with the external auditor.

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

Activities
In carrying out the assignment, in accordance with my legal responsibility as stipulated in Section 147 of the Pension Act, I have examined whether the pension fund complies with Section 126 up to and including Section 140 of the Pension Act.

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

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

In addtion I have formed an opinion of the financial position of the pension fund. This opinion is based on the liabilities of the pension fund incurred up to and including the balance sheet date and the available assets on that date, also taking into account the financial policy of the pension fund.
My audit was carried out in such a way that it may be ascertained with a reasonable degree of certainty that the results do not contain any inaccuracies of material importance.

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

Opinion
The technical provisions have been determined adequately. The net assets of the pension fund on the balance sheet date were lower than the statutory required net assets, but were not lower than the statutory minimum required net assets.

Taking into account the above, I have satisfied myself that, viewed as a whole, the pension fund has complied with Sections 126 up to and including Section 140 of the Pension Act, with the exception of Section 132 (reserve deficit).

The policy funding ratio of the pension fund on the balance sheet date is lower than the funding ratio associated with the statutory required net assets, but at least equal to the funding ratio associated with the minimum required net assets.

My opinion of the financial position of Stichting Mars Pensioenfonds is based on the liabilities of the pension fund incurred up to and including the balance sheet date and the available assets on that date. In my opinion, the financial position of Stichting Mars Pensioenfonds is not sufficient, because the available net assets are lower than the statutory required net assets.

Apeldoorn, 20 June 2017

R. Kruijff AAG
Affiliated with Towers Watson Netherlands B.V.

13.2 Independent auditor's report

To: the Pension Board of Stichting Mars Pensioenfonds

Report on the financial statements 2016

Our opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of Stichting Mars Pensioenfonds as at 31 December 2016, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2016 of Stichting Mars Pensioenfonds, Veghel ('the foundation'). The financial statements include the consolidated financial statements of Stichting Mars Pensioenfonds and its subsidiaries (together: 'the Group') and the company financial statements.

The financial statements comprise:

- the consolidated and company balance sheet as at 31 December 2016;
- the consolidated and company statement of income and expenditure for the year then ended;
- the notes, comprising a summary of the accounting policies and other explanatory information.

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

The basis for our opinion

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

Independence

We are independent of Stichting Mars Pensioenfonds in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

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

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the report of the Pension Board;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

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

- is consistent with the financial statements and does not contain material misstatements;
- contains all information that is required by Part 9 of Book 2 of the Dutch Civil Code.

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

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the Pension Board

The Pension Board is responsible for:

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

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

Our responsibilities for the audit of the financial statements

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

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

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

Amsterdam, 20 June 2017
PricewaterhouseCoopers Accountants N.V.

Original signed by:
drs. H.C. van der Rijst RA

Appendix to our auditor's report on the financial statements 2016 of Stichting Mars Pensioenfonds

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

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

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among other things of the following:

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

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

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

13.3 Terminology

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