Stichting Mars Pensioenfonds
Veghel

Annual Report
2017

Stichting Mars Pensioenfonds
Established in 1964

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

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Unless clearly stated otherwise all amounts are in thousands of euros

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REPORT OF THE PENSION BOARD

INTRODUCTION BY CHAIRMAN

During 2017 the financial position of MPF improved from a Policy Funding Ratio of 116.6% by the beginning of 2017 to 132.3% by the end of 2017.
Our investment return in 2017 of 4.5% was 1.3% below our benchmark. The positive investment return and slightly higher interest rates supported the improvement of the monthly Funding Ratio from 125.0% to 132.2%. The underperformance to the benchmark was due to write-offs on our UK property portfolio that could not be sufficiently off-set by positive manager returns against the benchmark.
As a result of the Policy funding Ratio being above the required solvency level at year-end, a formal Recovery Plan is not applicable anymore.

We are developing strategies/policies in case 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 i.e. de-risking. The Pension Board recognizes that we need to have a strategy available, which can be executed swiftly when our financial position shows further improvement. In 2017 we have made important steps in this direction and in 2018 we will finalize this with a policy document.
In addition to the de-risking policy we are paying increasing attention to the ESG element of our investment policy and are working on a policy document in this area as well.

The most important legal change in 2017 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 vary with investment returns.
The new legislation also requires appropriate alignment on the risk attitude with the Accountability Council and Social Partners, which has already been done. We also had to review our policies and procedures with DNB.
All pension scheme 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 2016 the Works Councils have an approval right [instemmingsrecht] instead of an advisory right [adviesrecht] in case the pension scheme changes.
In addition to this change, the implementation of the new retirement age of 68 as of January 1, 2018, was prepared.

The challenges for the Pension Board remain high. There is continuous pressure from new pension legislation and further regulations. On request of DNB we worked on an updated Vision, Mission and Strategy document that you will find in this Annual Report. We also improved a number of Governance documents such as the Code of Conduct, the Compliance organization, the Capability Plan which defines the level of expertise of Pension Board members and we developed and adopted a new document containing all Pension Board Regulations.
We also needed to pay attention to succession of Board members. First of all we needed to replace Jack van Lith as Pension Board member on behalf of the members. Harold van Heesch had been identified to replace Jack and after a thorough training period Harold was presented to DNB for final approval which we received in April 2018 after a successful interview. Harold can now be officially appointed by the Board in the June Board meeting.
During the 4th Quarter of 2017 the employer proposed Paul van Bree [who is member of the Accountability Council] as successor of Marjolein de Mars as Board member on behalf of the company. Marjolein's term ends at the end of 2018 at which point we hope to be able to appoint Paul again after DNB approval. Concerning the Accountability Council, we need to replace Paul. An appropriate candidate is Judith Vermeulen who is aspirant member of this committee.

We work together with all stakeholders, creating a sustainable situation for MPF. Given the membership changes on the Pension Board and Accountability Council, we need to fill the Talent Pool again with fresh talent. This will be a major challenge to face in close consultation with P&O and the business.

Another position that we will need to focus on, is the position of the Compliance Officer. The current Compliance officer, Jack van Lith who had taken over from Janet van de Broek last year, will resign as Compliance Officer by July 1, 2018. Also the position of Data Protection officer due to new legislation by May 25th of this year, needs attention of the Board.
Part of the strengthening of our governance structure was the appointment of new legal advisors after an extensive market review. NautaDutilh has become the new advisor as from 2017. The advisor has attended all Pension Board meetings since 2017 and provides the Board with legal advice where needed.

We are also making progress in the area of Integral Risk Management. We are planning to finalize a policy document by the second half of 2018 including requirements from IORP II as to the Three Lines of Defense-Model.

Finally the Board focused on the strengthening of the administrative execution of our pension scheme and the processes at TKP. We recently finalized negotiations with TKP concerning the new contract with TKP.
We continue to regularly review the feasibility and consistency of our pension scheme in close consultation with the company.

1 KEY FIGURES

	2017	2016	2015	2014	2013
Members and retirees					
Active members	1,414	1,411	1,419	1,422	1,427
Deferred members	1,145	1,126	1,199	1,188	1,160
Retirees	1,230	1,206	1,160	1,129	1,126
Retirees per type					
Old age pension	927	902	872	847	833
Partner- and orphan pension	303	330	288	282	283
Pensions					
Cost covering contribution	32.7%	30.0%	29.0%	29.9%	34.6%
Smoothed cost covering contribution	17.6%	16.9%	19.8%	18.9%	20.7%
Actual contribution	25.0%	25.0%	22.8%	20.0%	25.0%
Execution- and administration costs	2,407	1,947	2,221	2,258	2,483
Benefit payments	30,300	30,300	29,300	27,900	26,700
Interest and Indexation					
Active members (ARP interest)	3.60%	3.56%	3.63%	4.64%	5.62%
Inactive members, conditional indexation	0.97%	0.02%	1.14%	1.93%	0.60%
Assets and solvency					
General reserve	367,100	290,800	270,300	250,800	243,900
Minimum general reserve	47,000	47,800	44,100	42,300	35,400
Regulatory own funds	368,500	367,700	352,100	272,200	247,800
AAL at the risk of the pension fund	1,094,000	1,123,400	1,051,000	1,019,000	852,700
Funding ratio	132.2%	125.0%	124.9%	124.6%	128.6%
Market Value of assets	1,515,000	1,455,000	1,329,000	1,328,000	1,134,000
Investment returns	64,000	108,000	79,800	187,100	124,000
Investment portfolio					
Real estate investments	98,000	122,400	195,500	175,400	116,900
Equity	847,000	865,800	704,400	690,700	613,700
Fixed income	378,000	319,000	261,800	216,900	286,000
Other investments	192,000	148,000	167,000	196,200	117,600
Investment results					
Total portfolio	4.5%	7.5%	6.6%	17.2%	12.1%
Benchmark Return	5.8%	6.3%	4.7%	17.3%	8.8%
Average return per year					
Last 5 years	9.5%	11.2%	9.4%	9.8%	11.1%
Last 10 years	6.4%	6.5%	6.8%	8.5%	8.4%
Investments for risk of the members (ASP and ARP)	51,500	41,800	34,900	16,900	12,800

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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 dependents' pensions to their partners and children in the event of death before or after retirement. Carefully tailored to meet their objectives, the policies adopted by MPF have been recorded in 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 updated the mission, vision and the strategy as part of the ABTN in 2017. 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
The characteristics of Mars Pension Fund will gradually change going forward due to the closed nature of the final pay plan and the increasing size of the ARP- and ASP-plan. This is where we see the Pension Fund position in 5 years from now:

- We continue to be the preferred provider for the Mars/Wrigley pension plans.
- We still have a Parity Board with the possibility of an external board member.
- We will still be supported by excellent expertise from outside and inside.
- The sponsoring Company is still supporting the pension plans.
- We will have entered into the area of de-risking the Final Pay Plan, thus improving the position of beneficiaries and decreasing the risk for the sponsoring Company.
- The plan designs are less complex and regulatory proof.
- At all times the Pension Board will consider the interests of all stakeholders to the plans in a balanced way.

Strategy
In this paragraph we describe our strategy and actions to deliver the Vision. This within the framework of our Mission and taking into account the aforementioned strengths, weaknesses, opportunities and threats defined in the Mission, vision and strategy document:.

- We will use a proactive approach and external professional advice to realize a sustainable design of pension plans taking account of the interest of all stakeholders.
- We continue to use professional support from investment advisors to sustain our long term investment stance/beliefs.
- In close consultation with the sponsoring Company we will pursue policies of de-risking when appropriate, with due consideration of the interest of all stake-holders.
- We will continue to develop the talent-pool to be prepared for succession in the various governance bodies, in order to sustain our Parity Board structure.
- We continue to operate a professional pension office, supported by external experts.
- We will install a Supervisory Council in line with legislation. Potentially members could be a succession option for a Pension Board role.
- We will intensify the focus and management of IT/cybercrime, fraud and integrity risks by nominating a dedicated Competency Team IT within the Pension Board and by developing adequate policies and roles and responsibilities in close relation with knowledge and policies of the sponsoring Company.

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. As from December 2017 the Pension Fund has, besides the risk attitude of the final pay plan, also defined a risk attitude for the ARP/ASP plan. 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 any pension fund, provides insight into the operation of Mars Pension Fund and gives a description of the policies pursued. The ABTN was last modified on 14 December 2017 and applies from 31 December 2017.

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

2.3 Organization

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 whom 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 authorize 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 2017 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 (1954)	Board member	Retiree	1988	2018
Mrs R. Steenbergen (1969)	Board member	Investment Control Manager EMEA	2016	2020
Mr W. van Ettinger (1955)	Chairman of the Board	Retiree	1997	2018

The employer has identified Mr van Bree as a successor for Mrs de Mars. As Mrs de Mars' term formally ends 1 January 2018, the employer has agreed with Mrs de Mars to extend her term for one year, during which period Mr van Bree will join the Pension Board as aspirant member.

On behalf of employees:

Name	Job title in Pension Board	Job title	Year of appointment	Year of stepping down
Mr W. van de Laar (1959)	Board member	Technology Manager Bars Global Scale Team	2003	2020
Mr J. van Lith (1958)	Secretary	Secretary Works Council	2003	2016

The term of Mr van Lith ended as from 16 March 2017. In the meeting of 21 June 2016 Mr van Heesch was approved as aspirant Pension Board member and has since been trained as successor of Mr van Lith. In 2017 the Pension Board decided that Mr van Heesch was ready to be submitted to DNB and the actual submission to DNB and the successful interview by DNB took place in 2018. Mr van Heesch will be appointed in the June 2018 Board meeting. In the December 2017 meeting Mr van de Laar announced that from July 1, 2018 he will no longer be an associate of Mars, but that he would like to continue his role as member of the Pension Board beyond 1 July 2018 when no active member objects to that. This will be communicated by the Pension Office to the active members in 2018.

Unless clearly stated otherwise all amounts are in thousands of euros

On behalf of the pension beneficiaries:

Name	Job title in Pension Board	Job title	Year of appointment	Year of stepping down
Mr H. Faassen (1951)	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 for a maximum of two terms 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.

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 documented in 2018 in the document "Regulations of the Pension Board of MPF. The Pension Office is supported by a Benefits Professional, an Investment Professional and a secretary. Their tasks, powers and responsibilities are also documented in the before mentioned document.
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 Fund and 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, with professional advice from a number of consultants such as WTW and NautaDutilh.

The Pension Office consists of:

Name	Job title
Mrs S. Tonnaer	Director of MPF
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.

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At the end of 2017 the Accountability Council consists of:

Name	Job title	Year of stepping down	On behalf of
Mr I. Langer (1965)	Benefits Director S&F	2019	Employer
Mr P. van Bree (1974)	European Activity Manager Bars CEE	2019	Employees
Mr A. Van Gestel (1961)	Retiree and Chairman of the AC	2020	Retirees

The Talent Pool campaign in 2015/2016 resulted in a new member on behalf of the employees: Mr van Bree abut also an aspirant member: Mrs Vermeulen for the Accountability Council. Mrs Vermeulen joins all AC meetings as aspirant AC member and is also the Secretary of the AC. The term of Mr van Gestel ended in 2017. He was reappointed on 14 November 2017 for a term of three years.

Review Committee (Visitatiecommissie)
The Pension Board has again decided to have a review done by a Review Committee (Visitatiecommissie) in 2018 covering the year 2017. 2 of the members are the same members as last year. On request of MPF the third member joint Stichting ITP for the review of MPF. 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 three members of the RC for MPF. 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.

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 is finalized in beginning 2018. During the second quarter of 2017, one formal complaint from a member (about not receiving an UPO) was received and processed.

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 harmonized. 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. This Investment Committee Charter is currently reviewed and where necessary it will be actualized.

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At the end of 2017 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 IC
Mr H. Fleige	Financial Planning & Analysis Director, Global Petcare Finance Support	

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 2017 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
Mr H. de Graauw	Machine Minder Factory	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. In 2017 Mr de Graauw, member of the Talent Pool, became a member of this committee.

2.3.7 Investment Managers

The main investment managers, ranked by value, are PIMCO, LaSalle IM, PEM, Ardevora, Marathon, Blackstone. The investment manager for the Associate Selection Plan is Vanguard. All available funds for investment by members are index funds.

2.3.8 External Advisors

Advice	Third party
Advisory Actuary	Willis Towers Watson, Eindhoven
Tax Advisor	PricewaterhouseCoopers Belastingadviseurs N.V.
Legal Advisors	NautaDutilh, 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, London
Private Credit	Blackrock, Delaware
Private Equity	Performance Equity Management (PEM), Greenwich.
Hedge Funds	Blackstone, New York, Secor Investment Advisors LLP, London
Property Investments	LaSalle Investment Management (LIM), London, SECOR Investment Management LP, New York

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

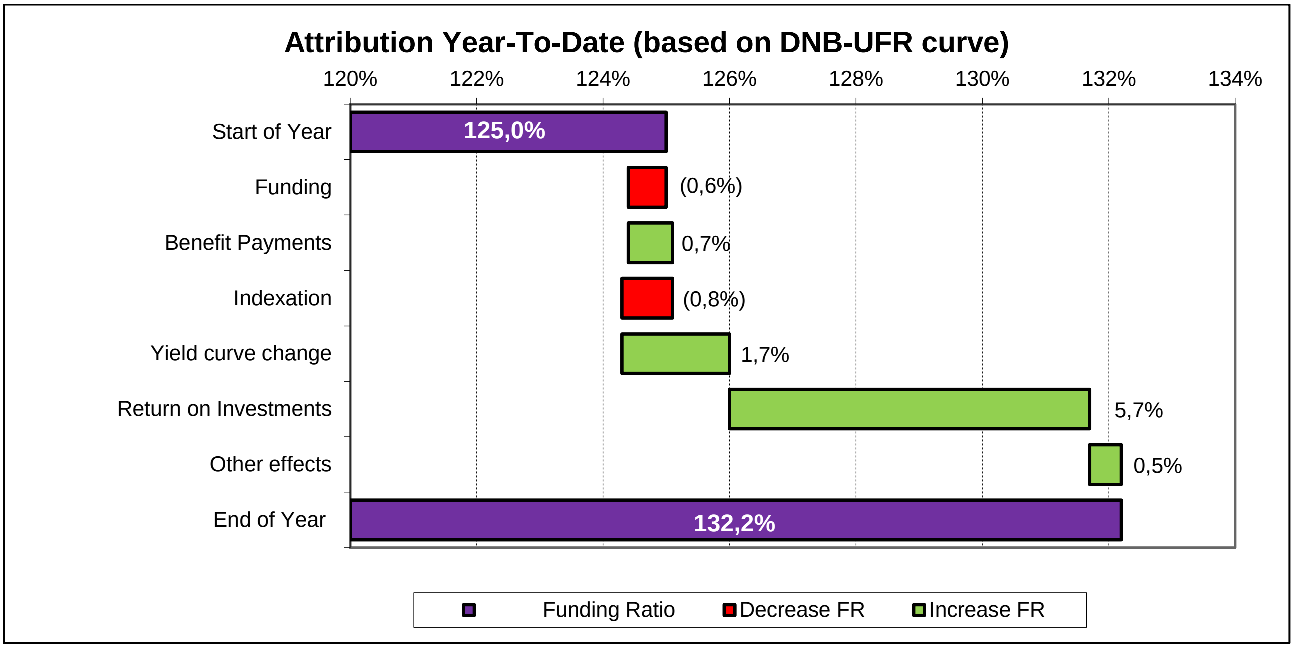
3.1 Funding Ratio

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 2017 is 132.2%.

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 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%
31 December 2017	132.2%	132.1%

During 2017 the funding ratio increased considerably, due to investment results and a lower AAL (because of a higher applied interest rate). The impact of the developments in 2017 is shown in the next figure:



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

3.2 Policy Funding Ratio

The policy funding ratio (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 2017 the PFR increased from 116.6% to 132.3%.

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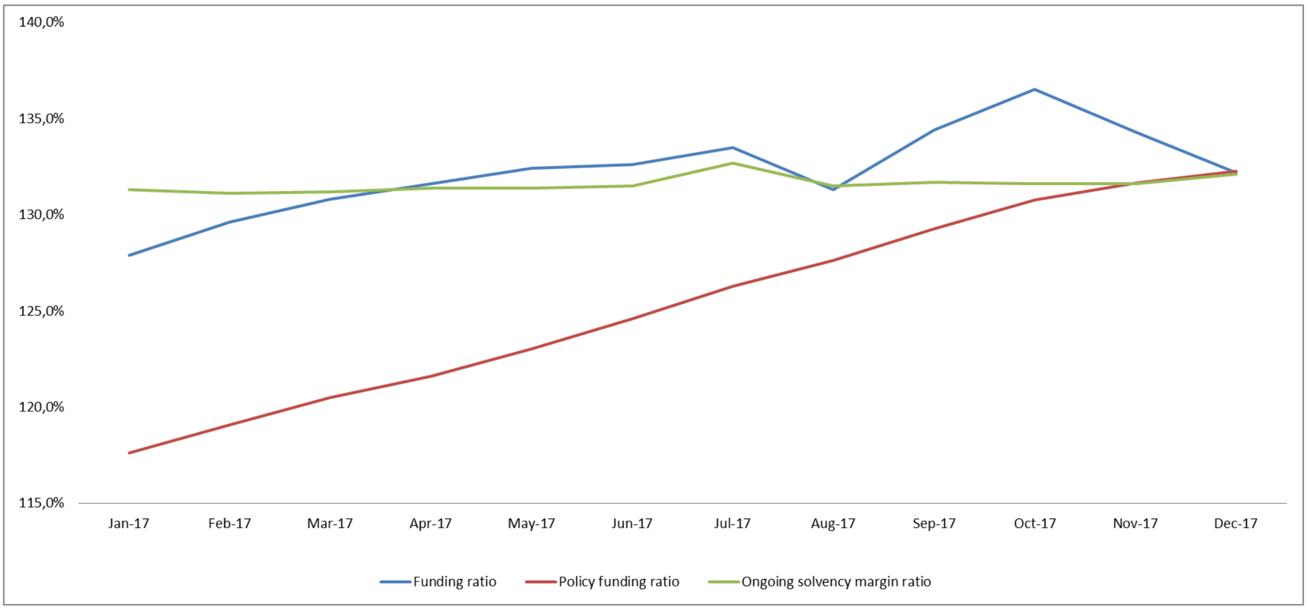
In the next figure the development of the ratios during 2017 are shown.

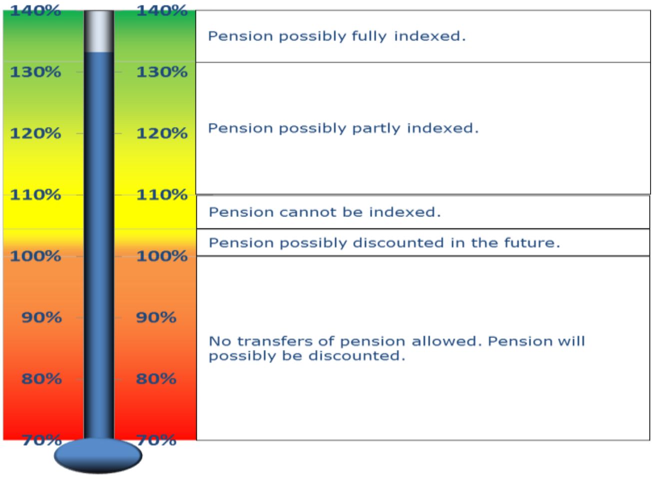


3.3 Relevant ratios

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 2017 is approximately 117.1%. 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 2017 is 132.1% (31 December 2016 131.6%). 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 132.1% at the end of 2017. 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 109.6% at the end of 2017.
- 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 137.1% at the end of 2017. 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 2017):



3.4 Recovery Plan

Because the Funding Ratio at 1 January 2017 was below the Ongoing Solvency Margin Ratio, MPF was required to update the recovery plan. According to this plan MPF could, on the very short term, not give full indexation, but on the long term compensate the missed indexations. It should be taken into account that this projection is based on assumptions and that the actual realization can differ from this projection. The recovery plan was approved by DNB.

As a consequence of the financial position at 31 December 2017 and on the basis of the definitions as established by DNB there is a no reserve deficit anymore. The recovery plan is therefore ended per December 31, 2017.

3.5 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 is developed by Mars Pension Fund together with the stakeholders.

In 2015 Mars Pension Fund performed the initial feasibility test. The test shows 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 2017, the annual feasibility test was performed. The results of this annual feasibility test fulfilled the determined lower boundaries.

3.6 Contribution policy

The contribution policy, as a management tool, will be employed depending on the Policy Funding Ratio. The contribution policy is set up according to the requirements of the Pensions Act.

The contribution policy is agreed between the Company and the Pension Fund in the Administration & Financial Agreement. The actual contribution is equal to the structural contribution determined, where the structural contribution is at least equal to the smoothed cost-covering contribution for that year as calculated in November of the preceding year, unless the Policy Funding Ratio is above CCL and the Pension Fund complies with the legal conditions for a reduction in contribution or unless the Pension Board has decided to deviate from the policy.

The Pension Board can decide to increase or reduce the actual contribution. The guidelines for the adjustment of the contribution are described in the ABTN.

3.7 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.

3.8 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:

	2017	2016
Annual execution- and administration costs	2,407	1,947
Costs per member in euros: active members and retirees	910	744
Costs per member in euros: active members, retirees and inactive members	635	521

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 2017 include EUR 381 thousand on VAT. Compared to 2016 the cost level increased due to higher (legal) advisory costs and a higher administration fee (for implementation of the new pension scheme)

3.9 Investments costs

The table below shows the investment related costs incurred by the Pension Fund in 2017.

	Costs outside the funds (in bps)	Costs inside the funds (in bps)	Total costs (in bps)	2016
Management fees	0.13%	0.35%	0.48%	0.51%
Advisory fees	0.11%	0.00%	0.11%	0.12%
Other fees	0.06%	0.14%	0.20%	0.17%
Performance fees	0.06%	0.04%	0.10%	0.15%
Total 1st layer	**0.35%**	**0.53%**	**0.88%**	**0.95%**
2nd layer costs			0.59%	0.55%
Total 1st and 2nd layer	**0.35%**	**0.53%**	**1.47%**	**1.50%**
Transaction costs			0.15%	0.19%
Total Investment costs			**1.62%**	**1.69%**

Unless clearly stated otherwise all amounts are in thousands of euros

The percentages in the table represent all investment-related costs (EUR 21.7 million, which includes the costs for real estate management). The average amount of investments during 2017 amounts to EUR 1,476 million, which gives an investment cost ratio of 1.47%. The operational costs for the direct real estate portfolio (EUR 11.3 million) are not included in this table.

The costs are reported on a so called look-through basis: all direct costs (invoices paid by the Pension Fund) as well as all costs charged indirectly through the funds that the Pension Fund invests in. These include all costs related to management fees, advisory fees, performance fees and other fees (which include custody fees, legal fees, administrative/audit costs). These costs differ from the costs reported in the annual accounts, where a disclosure is given of the direct costs only, based on invoices paid or charged by the custodian.

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. Including transaction costs the investment costs ratio is 1.62%.

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, BAAM Effem and BAAM SAFII), a best estimate was included.

The table below shows the investment related expenses per asset category

	Real Estate	Equity	Fixed Income	Hedge funds	Other	Total
Fees (EUR)	1,527	13,117	1,051	3,269	2,732	21,697
Fees (%)	0.10%	0.89%	0.07%	0.22%	0.19%	1.47%
Transaction costs (EUR)	0	661	612	0	900	2,173
Transaction costs (%)	-	0.04%	0.04%	-	0.06%	0.15%

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.

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 specialized advice and specialized management, and there is not one external organization that is best-in-class in every service area.
- Careful Implementation: Even Intelligent Investment advice is not very useful without the proper and timely means of implementation. We always ask from the Pension Fund's advisors to complement their recommendations with the way in which this should be implemented.
- Four guiding investment principles:
    - Exploit risk, illiquidity and time premiums. The Pension Fund has used and will use the fact that it is a long-term investor, to collect risk premiums that are only available to the patient investor.
    - In general the Pension Fund approaches investment ideas from a value perspective. The structural reward, some would call this sustainable alpha, should be clear from the outset.
    - A firm belief in active investment management. Investors create structural/ behavioral 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:

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- 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.

3.10 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 had introduced a new (adjusted) final pay pension plan (hereafter: Final Pay Pension Plan) and a new (adjusted) ARP/ASP plan, that were implemented by MPF as of 1 January 2015. These plans are still applicable in 2017. During the second half of the reporting year MPF prepared itself for the changes that had to be implemented by Jan 1, 2018 as a result of the standard pension age increase from age 67 to age 68.

For those members who were already a member of the pension plan before 1 January 2004 the "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:

	2017	2016
ARP/ASP Pension Plan	765	726
Final Pay Pension Plan	649	685
Sum of total	**1,414**	**1,411**

<u>BPF Sweets (Stichting Bedrijfstakpensioenfonds voor de Zoetwarenindustrie)</u>
MPF has dispensation for the mandatory participation by 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 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.
On 14 September 2017 BPF Sweets informed Mars Nederland BV about the changes in the pension plans of BPF Sweets as from 1 January 2018. BPF decided not to use their right to request a new equality proof but instead requested information of the plan changes of MPF and a confirmation that the new plans of Mars were still equal to the new plan of BPF. This letter with the confirmation of equality by WTW was sent to BPF on 27 November 2017.

<u>Indexation of the accrued pensions of the members of the Final Pay Plan</u>
The decision for the indexation per 1 January 2018 was made on 14 November 2017 based on the Policy Funding Ratio at the end of September 2017 (129.3%). The indexation per 1 January 2018 is included in the AAL year-end 2017.

Indexation for retirees and deferred members in January 2018
The Policy Funding Ratio at the end of September 2017 is below the OSMR (or TIL); therefore the partial indexation will be 0.97%, which is in line with the indexation policy. This is based on the following:
The CPI is 1.45%. The target indexation is 75% of this CPI: 1.09%. As the Wage index (1.63%) is higher than the target indexation, this does not 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

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policy is 1.09%. Based on the Policy Funding Ratio, the partial factor is 89.1%% which results in an indexation of 0.97% per 1 January 2018. The Policy Funding Ratio does unfortunately not yet allow for catch-up indexation, which has now become 2.90% in total (was 2.78%).

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 1.53% on 1 January 2018, 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 89.1%, which results in an indexation of 1.36% on 1 January 2018.

<u>Interest ARP/ASP Pension Plan</u>
For both the active and inactive members in the ARP/ASP Pension Plan, the (annualized) interest on the ARP Plan is conditional and depending on the means available. Means are the 'depot' and the realized investment return in the previous year. MPF strives for a yearly return accrual (interest) equal to CPI plus 3%. In the first half of 2017, the actual return on assets was enough to grant a yearly interest of CPI plus 3%. Therefore the interest for the active members was equal to the target interest of 3.07% in the period 1 January 2017 until 30 June 2017. For the inactive members the interest given in the first half year of 2017 was 2.90% as that was the interest made. Afterwards it turned out that a full target indexation of 3.07% would have been possible for the inactive members in the first half year of 2017. This will be corrected in the first half year of 2018. For the second half of 2017 the actual return on assets was enough to give both the active and inactive members the target interest of 4.13%.

For active members the total yearly interest is 3.60% for 2017. For the inactive members the total yearly interest is 3.52% for 2017.

3.11 Actuarial

In this section we summarize the actuarial report.

	31 December 2017	31 December 2016
Market Value of Assets at risk of the pension fund	1,462,499	1,414,167
Market Value of Assets at risk of the members	51,485	41,827
Market Value of Assets Total	1,513,984	1,455,324
Actuarial Accrued Liabilities at the risk of the pension fund	1,093,985	1,123,387
Actuarial Accrued Liabilities at the risk of the members	51,485	41,827
Actuarial Accrued Liabilities Total	1,145,470	1,165,214
Actual Funding Ratio	132.2%	125.0%
Policy Funding Ratio	132.3%	116.6%
Ongoing Solvency Margin Ratio	132.1%	131.6%
Minimum Technical Reserve	104.1%	104.1%

During the financial year 2017 the Actuarial Accrued Liabilities at risk of the pension fund (AALPF) decreased with 29,402. An important reason for this change is the yield curve change. The Market Value of Assets at risk of the pension fund increased by 48,332 during 2017.

The profit and loss account (P/L) shows a positive result of 77,734 leading to the general reserve increasing from 290,780 to 368,514 at the end of 2017. The Funding Ratio increased during 2017 from 125.0% to 132.2%. Because the Ongoing Solvency Margin Ratio (OSMR) is 132.1%, MPF is no longer in a situation of a reserve deficit per 31 December 2017.

Unless clearly stated otherwise all amounts are in thousands of euros

The cost covering contribution at market value is determined at 27,265. The smoothed cost covering contribution equals 14,664. The actual contribution was 22,311. 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 be the maximum of 20% and the smoothed cost covering contribution plus one fifth of the extra contribution necessary to recover to at least 104.1%. 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 TC of 17 November 2017, the Pension Board decided about the 2018 indexation and the 2018 contribution. As the Funding Ratio as per end September 2017 was below the Legally Required Solvency Ratio the Pension Board decided to set the employer contribution for 2018 at 23.1% of the pensionable salary sum of all active members. This is the normal contribution of 20% plus an additional contribution of 3.1% because of the level of the Funding Ratio. The employer part of the smoothed cost covering contribution 2018 is estimated below 20%, so the actual employer contribution of 23.1% is cost covering (ex-ante).

3.12 Administrative and Financial Agreement

The Administrative and Financial Agreement (AFA) was not updated in 2017.

In 2016, a separate AFA with Wrigley Europe B.V. was signed. In 2017, Wrigley Europe B.V. had one associate.

4 RISK SECTION

This section describes the risk attitude of both pension plans, the risk management processes, and the most important risks and mitigation actions within Mars Pension Fund. The risk attitude of MPF takes into account that MPF executes a Final Pay Pension Plan and a DC pension plan with specific features (ARP/ASP Pension Plan).

4.1 Risk attitude final pay plan

The objectives, policy principles and risk attitude of the Pension Fund are a result of the mission, vision and strategy of the Pension Fund (See paragraph 2.2).

The risk attitude of the final pay plan describes the risk appetite and risk tolerance of the Pension Fund for the final pay plan as agreed with the stakeholders. The risk attitude for the final pay plan of the Pension Fund is as follows:

- Part of the contribution policy is the obligation for the Company to pay additional contributions in case of shortages in the Final Pay section of the Pension Fund. As a consequence the probability of a reduction of the accrued pension benefits of the final pay plan is small;
- Investment risk on the assets for the final pay plan should be taken to achieve the ambition of the Pension Fund. Both the Social partners and the Pension Fund believe that investment risk is rewarded with higher expected returns in the long run;
- The Social partners (the Company and the Works Councils) accept that investment risk might result in high additional contributions in the short term in case of shortages, because expectations are that in the long term this investment risk results in higher returns and therefore on average higher indexation results and lower Company contributions (due to contribution reductions);
- The Pension Fund accepts that investment risk might result in limited indexation in the short term, because expectations are that in the long term this investment risk results in higher returns and therefore a better indexation including repair of missed indexation and benefit reductions.

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 (see paragraph 3.5) is performed every year. This test monitors whether the expected pension result is still consistent with the original expectations, based on the financial position of the Pension Fund and the new economic circumstances. The annual feasibility test is conducted to assess whether the expected pension result in the final pay plan at fund level is sufficiently in line with the established lower limit and whether the pension result at the fund level in the bad weather scenario does not deviate too much from the expected pension result at fund level. The results of the tests in 2015, 2016 and 2017 are above the lower limits.

4.2 Risk attitude ARP/ASP plan

The Pension Fund has a so-called ARP/ASP plan that consists of two parts, the Associate Retirement Plan (ARP) and the Associate Selection Plan (ASP). The ARP part has a relatively stable capital accumulation with a CPI +3% annual credit and a guarantee of 0% (see paragraph 6.3), The ASP part is invested using a lifecycle (or a selection of the offered investment funds) and does not have any guarantees regarding the investment return.

Members in the ARP/ASP plan have relatively high incomes. The pension contributions are sufficient for an adequate pension result, taking current market conditions into account. Members are roughly equally invested in the ARP part and ASP part. This resulted in our preliminary conclusion that plan members are able to absorb quite some risk in the ASP part. This conclusion was subsequently shared and tested with the Investment Committee of the ASP plan that consists of Plan members, the Accountability Council (Verantwoordingsorgaan) and obviously finally with Social Partners. The outcome of these extensive consultations was that all parties/stakeholders were in agreement with the conclusion of the Pension Board.

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

The Pension Fund will test the investment policy and the lifecycles, periodically (at least every three years) or when the Pension Fund board has established there has been a significant change (for example with regard to plan contributions or the lifecycle).
When the results of the test do not meet the criteria for the risk attitude the Pension Fund will consult with the appropriate stakeholders mentioned here above, either to adjust the lifecycle(s) or the risk attitude.

The risk attitude test has been performed in Q3/Q4 of 2017, for all ages the results of the lifecycle are within the maximum allowable deviation.

For members that wish to deviate it is possible to choose the self-select option. A member that opts for this option will be warned about the risks and will be asked about their risk profile.
The pension fund annually informs and advises the members with regard to their actual asset mix in relation to their risk profile in order to meet the duty of care requirements.

4.3 Risk management processes

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.

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, via amongst others the Trustee report and by going through the Dashboard in each Pension Board meeting, about actual developments related to various processes and policies to the Pension Board and also the development of the identified most important risks.

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 and management of Mars Pension Fund as very important and has taken several steps during the past few years.

<u>Non-Financial Risk Management</u>
The members of the Competency Teams (see paragraph 7.1) have each updated the risk analysis for the non-financial risks (based on FIRM/ DNB) i.e.: environment, legal, outsourcing, IT, operational and integrity. For each risk category the following analysis was performed with appropriate scoring:
- what the most important risks are per category;
- what the gross risk is of occurrence;
- what the reputational and financial impact is;
- what the risk appetite is;
- what the already existing control measures are and how effective they are;

- resulting in a net risk;
- determine additional mitigating actions as appropriate/needed.

Financial Risk Management
The overall risk management policy regarding the financial risks of the Pension Fund is documented in a so called Risk Policy Statement that identifies the key financial risks of the Pension Fund and how those risks are be managed.

It is the Pension Board's belief that the behavior of the Pension Board as well as insiders and associated persons of the Plan is very 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.

Developments on risk management in 2017
Next step identified last year was to document the integral risk management policy, which was planned for the second half of 2017. In June the PB received a DNB survey on non-financial risks. In this survey questions were structured based on the so called 'three lines of defense' model (3LoD). Currently there is no legal basis/requirement for pension funds to use this 3LoD governance model, but that is expected to change. The IORPII legislative proposal also includes separated risk management, actuarial and internal audit roles. Therefore the PB decided to postpone the documentation of the risk management policy and to prepare a workshop for the PB and the legal and actuarial advisor on the 3LoD model and MPF; goal of this workshop was to increase the understanding of the PB members of the 3LoD model in relation to MPF. In the cause of 2018 the PB will decide on how to implement this for MPF.

In 2017 the pension Board decided to add a new competency team; the IT Competency Team (IT risks, IT/cyber management and security and data governance and data quality). This team has been involved in 2018 in the GDPR (AVG) requirements In order to meet the legislative requirements as from 25 May 2018.

The PB, together with TKP, finalized the project on reducing complexity in the member administration in 2017. The goal of this reduction of complexity was to reduce the risks of errors and to reduce costs for MPF. It has resulted in some (but not major) simplifications.

Next steps
In 2018 the outcome of the governance risk management workshop will be worked out. Enhancing the Dashboard and the Trustee report is planned for second half of 2018 as is the documentation on IRM.

4.4 Risk categories, control measures and developments in 2017

The Pension Board has identified several risks and related control measures. The most important 2 net non-financial risk categories and the 2 most important financial risks are presented below.

Non-financial risk Legal

Risk description
The risk that MPF fails to implement laws and regulations (on time)

Strategic area (vision and strategy)
The plan designs are less complex and regulatory proof
Using a proactive approach and external professional advice to realize a sustainable design of pension plans taking account of the interests of all stakeholders.

Risk appetite
Risk is acceptable with some control measures.

Control measures
The Pension Board and Pension Office keep themselves well aware of all legal changes, with help of legal advisors and other consultants. ''New developments ''is a standing item on the agenda of every PB meeting. The legal advisor is part of every PB meeting. The Compliance Officer monitors on a regular basis PB decisions against regulatory framework (assisted by a lawyer). A legal audit is done annually on most of the documentation of MPF, including the Plan Rules. The communication advisor informs MPF about changes in legislation around communication.

Developments in 2017
Due to the legal change of the standard retirement age from age 67 to age 68 and the new DC law plan changes that had to be implemented by were decided on, first by Social Partners with subsequent execution of these changes by the PB. Implementation of those changes took place during 2017 and around year end Member communication took place in 2017. The legal advisor and communication advisor were involved in this communication about the plan changes.
MPF was not able to implement before 1 January 2018 the Standard model Legislation on improved DC plans (in Dutch 'Wet verbeterde premieregeling'), see paragraph 7.3. The implementation time for that was too short for the pension administrator. The supervisor (AFM) was informed about this and the temporary solution that we can offer for members in the ARP/ASP plan that want to retire. AFM responded that they see no reason for further supervision as long as the standard models are implemented before 1 July 2018.

Non-financial risk Environment/Legal

Risk description
The risk that MPF fails to find capable candidates for succession PB members or AC members or members of the IC-ASP.

Strategic area (vision and strategy)
MPF has a Parity Board
Succession: we will continue to develop the talent pool to be prepared for succession in the various governance bodies, in order to sustain our parity Board structure.

Risk appetite
Risk is acceptable with some control measures.

Control measures
The Pension Board and Pension Office maintain a regular contact with the employer to identify potential candidates for succession of PB members on behalf of the employer. In 2016 a Pension Talent pool has been created, in which process several potential candidates for succession (mainly on for members on behalf of the members) 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. There are regular campaigns to find new candidates for the talent pool.

Developments in 2017
In 2017, Mr J. van Lith ended his term as PB member representing active members. In 2017, the term of Mrs M. de Mars was prolonged with 1 year, but the employer indicated they would prefer an active associate as a company representative on the PB. So there was one vacancy in 2017 that could not immediately be filled and a vacancy end 2018 was expected. When 2017 started, 3 of the 6 talent pool members already had a role: one aspirant Pension Board member, one Accountability Council member and one aspirant Accountability Council member. In 2017 one of the other 3 members joined the IC-ASP. In 2017, the Accountability Council member was identified by the employer as a succession for Mrs M. de Mars who will end her term as Pension Board member in December 2018. The aspirant Pension Board member was submitted to DNB for approval in 2018 which was received. So the talent pool has been successful to reduce the risk of no succession. In 2018 a new campaign to find new members for the talent pool is planned in order to have potential candidates for future succession.

Financial risk: Interest Rate Risk

Risk description
The risk of a high negative impact on the funding level of interest rate changes.

Strategic area
Pursue policies of de-risking when appropriate.

Control measures
The interest rate risk is partially covered by the interest rate hedge. This is comprised of the interest rate swaps and the bonds portfolio. The Pension Board has adopted a policy interest rate hedge of maximum 50% of the plan assets 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

Developments in 2017
Over the course of 2017 long end rates rose slightly. The dynamic hedge target remained at 10% with a neutral tactical hedge ratio. At the end of 2017 an interest rate shock of -1% will result in a decrease of the funding ratio to 113.0%.

Financial risk: Market Risk

Risk description
The risk of asset value reduction

Strategic area
Use professional support from investment advisors to sustain our long term investment stance/beliefs.

Control measures
To mitigate this risk, the investment portfolio is diversified over a range of asset classes, currencies and investment managers and is invested through a range of well diversified pooled funds. In the Investment Policy Statement overall investment risk is controlled by defined limits to asset class weightings as well as volatility in funded status. Undesired risk such as concentration risk, counterparty risk, etc. is 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.

Developments in 2017
In the course of 2017 further diversification to the portfolio was added by the introduction of a Global Value Property FoF and a Hedge Fund completion portfolio through the Evolution FoF.
Also the Plan has defined a first step of a de-risking policy, which defines the de-risking of the Plan as the funded status and interest rates move to higher levels. Full definition of the de-risking policy will be completed over the course of 2018. At the end of 2017 an equity shock of -25% will result in a decrease of the funding ratio to 114.5%.

The below table shows the sensitivity of the funding ratio to interest rate movements or an equity market shock:

		Shock interest rates				
		-1.0%	-0.5%	0.0%	0.5%	1.0%
Shock Equites and Real Estate	-25%	98.3%	106.4%	114.5%	122.5%	130.5%
	-20%	101.3%	109.6%	117.9%	126.4%	134.8%
	-15%	104.3%	112.8%	121.5%	130.3%	139.0%
	-10%	107.2%	116.1%	125.1%	134.2%	143.3%
	-5%	110.1%	119.3%	128.6%	138.1%	147.5%
	0%	113.0%	122.5%	132.2%	142.0%	151.8%
	5%	116.0%	125.8%	135.8%	145.9%	156.1%
	10%	118.9%	129.0%	139.3%	149.8%	160.4%
	15%	121.9%	132.3%	142.9%	153.7%	164.6%
	20%	124.8%	135.6%	146.5%	157.6%	168.9%
	25%	127.7%	138.7%	150.1%	161.6%	173.1%

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

Unless clearly stated otherwise all amounts are in thousands of euros

5 INVESTMENT SECTION

5.1 Investment Policy and Strategy

The long-term investment policy for the Pension Fund has been updated during the year following the strategy review and ALM-study. 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 2017.[1]

	Long Term Investment Policy	31-12-2017 interim policy	End 2017 Asset Allocation	Minimum	Maximum
Equities	**40.0%**	**44.7%**	**44.9%**	**30.0%**	**50.0%**
Developed Equities	32.0%	35.8%	35.5%		
Emerging Market Eq.	8.0%	8.9%	9.4%		
Fixed Income	**26.0%**	**25.6%**	**24.7%**	**6.0%**	**46.0%**
Bonds	16.0%	15.6%	14.9%	6.0%	26.0%
Diversified HY Bonds	10.0%	10.0%	9.8%	0.0%	20.0%
Alternatives	**29.0%**	**23.6%**	**23.8%**	**0.0%**	**60.0%**
Property	10.0%	6.8%	7.0%	0.0%	20.0%
Private Equity	9.0%	7.5%	7.5%	0.0%	20.0%
Hedge Funds	5.0%	5.1%	5.1%	0.0%	10.0%
Private Credit	5.0%	4.2%	4.2%	0.0%	10.0%
Global Real Return	**5.0%**	**5.0%**	**5.3%**	**0.0%**	**10.0%**
Cash	**0.0%**	**1.1%**	**1.3%**	**0.0%**	**5.0%**
Hedges					
Currency	57.0%	53.5%	53.5%	0.0%	65.0%
Interest Rate	32.0%	10.0%	10.0%	5.0%	50.0%
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 has a strategic coverage target of maximum 50% of plan assets and 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 around 9% when the interest rate hedge has been fully implemented. The new strategy, implemented in 2017, has an overlay target of 10% at the current level of interest rates and a long-term target (when the level of interest rates rise) of

[1] Sources: Investment Policy Statement Stichting Mars Pensioenfonds November 2017, Exposure Report Stichting Mars Pensioenfonds December 2017 – Secor IA

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the lower of 2x matching assets market value and 50% of Plan. The size of the overlay represents the amount of Liability-equivalent duration which is required to be added to the asset portfolio.

5.2 General Financial Market Developments 2017 and Outlook 2018

Equity markets completed one of the least volatile years on record with MSCI ACWI, in local terms, producing positive return during every calendar month of 2017. This unusual performance was supported by the tailwind of synchronized global economic expansion, strong corporate earnings, and expansionary monetary and fiscal policies. Emerging markets, which offer higher expected reward for taking risk, were the primary beneficiaries of this risk seeking behavior. US equity markets also achieved very strong year-to-date returns, driven by robust GDP growth, positive earnings data, and the approval of the much-anticipated tax reform bill in the fourth quarter.

Although significantly below the outsized equity returns, most fixed income markets experienced relatively strong returns over the year. Credit sectors outperformed, reflecting strong economic data and a risk-on market environment. Meanwhile sovereign bonds (with the exception of European government bonds) also experienced favorable returns as concerns around reflation diminished.

Global economic growth in 2017 was the strongest in six years and is projected to remain strong in 2018. Some challenges still lie ahead for economic policy makers, most notably adroitly edging monetary policy toward normalization and away from “low for longer.” But the principal macroeconomic indicators – business and consumer sentiment, stimulative monetary and fiscal policies, and subdued inflation – continue to underpin our most likely cyclical outlook which calls for relatively robust 3.8% global growth over the 2018 cyclical horizon.

5.3 Return on investments

The investment portfolio of the Pension Fund achieved a net performance of 4.5% versus a net benchmark return of 5.8%, underperforming the benchmark by 1.3%.

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[1]:

	Portfolio	PIA Benchmark	Relative Performance
Public Equities	12.2%	10.6%	1.6%
Fixed Income	1.2%	1.1%	0.1%
Global Real Return	10.3%	4.4%	5.9%
Property	-21.0%	8.7%	-29.8%
Private Equities	0.1%	-1.1%	1.2%
Private Credit	4.9%	1.1%	3.8%
Hedge Funds	5.5%	2.4%	3.1%
Total return mandate investments	**4.5%**	**5.5%**	**-1.0%**
Plan Level Currency Hedge	0.8%	0.8%	0.0%
Plan Level LDI	-0.5%	-0.5%	0.0%
Plan Level TRH	-0.2%	0.0%	-0.2%
Total return (including overlays)	**4.5%**	5.8%	**-1.3%**

The global economy underwent a synchronized expansion during 2017 which provided a favorable backdrop for return-seeking assets and resulted in one of the least volatile years on record for financial markets. Strong corporate earnings and expansionary fiscal and monetary policies helped deliver positive returns for

[1] Source: Mellon Performance Report Mars Pension Fund December 2017

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Public Equities, Global Real Return and Fixed income. The LDI overlay and TRH program both detracted from Plan returns, the latter because of strong and stable equity markets in 2017.
The Plan's underperformance against the PIA benchmark was primarily driven by the poor performance of the Property asset class which had a significant downward revision to its valuation. Somewhat offsetting the Property impact were the strong contributions from Private Equity and Public Markets managers who made the most of the accommodating global economic environment to outperform in their respective markets. The strong performance of the specific and more sophisticated asset class benchmarks relative to their passive counterparts also contributed positively to Plan performance.

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

Asset Category	Benchmark	Average Portfolio weight	Average Policy Weight
US Equity	MSCI US Net Div (unhedged)	5.6%	8.3%
Emerging Markets	MSCI Emerging Mrkt Net Div index (unhedged)	7.4%	6.6%
EAFE Equities	MSCI EAFE Net Div Index (unhedged)	14.7%	11.6%
Global Equity	Total Equity Benchmark	16.2%	15.6%
Global Bond	Barclays Global Aggregate index (EUR Hedged)	14.1%	15.2%
Diversified Credit (High Yield / EMD)	Barclays Global Aggregate index (EUR Hedged)	9.9%	10.0%
GMO Discretionary	80% Total Equity Benchmark & 20% JPMorgan Global Gov Bond Index (unhedged)	0.4%	0.6%
Global Real Return	HICP + 3%	5.2%	5.0%
Property	Total Property Benchmark	8.8%	8.8%
Private Equity	Cambridge FoF Vintage Year Weighted	7.4%	7.4%
Private Credit	Barclays Global Aggregate Index (EUR Hedged)	4.7%	4.7%
Hedge Funds	HFRX Equal Weighted Index (EUR Hedged)	5.3%	5.3%
Cash / Plan Level Overlays	LIBID 1 Week Bid Index (EUR)	0.4%	0.9%
Total	**Total Plan Benchmark**	**100.0%**	**100.0%**

[2]Source: BNY-Mellon Performance Report Stichting Mars Pensioenfonds December 2017

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In the longer term, the Pension Fund outperformed relative to the PIA and Market benchmarks, please see the table below[13]:

Year	Portfolio (Net)	PIA Benchmark (Net)	Market Benchmark (Net)
2017	4.5%	5.8%	6.3%
2016	7.5%	6.5%	9.3%
2015	7.0%	5.1%	5.0%
2014	17.2%	15.1%	17.3%
2013	11.6%	8.3%	8.0%
2012	12.9%	9.7%	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%	5.2%	5.2%
2006	11.3%	11.3%	11.2%
Average last 5 years	9.5%	8.1%	9.1%
Average last 10 years	6.4%	4.8%	5.5%

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

As a Pension fund, our primary responsibility is to act in the best long-term interests of our beneficiaries. At this stage, the Pension Board considers on a more intuitive basis, that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios.
The Pension Board has taken initiatives which will lead to the development of an articulated ESG Policy. As with any (potential) substantive new development, it is important to be thoughtful and make progress as supported by research findings about the investment efficiency of integrating ESG into the investment process. Consequently, it is a step by step process with the first phase, planned for 2018, focusing on information gathering and interpretation; as all our investments are managed externally, this information gathering is on the basis of discussion with our managers.

For 2018, our instruction to our managers is to consider incorporation of ESG factors into their investment analyses, and report if and how they have considered ESG in the investment of our mandates.

[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.

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6 PENSIONS

Mars Pension Fund manages 2 sets of plan rules for the active and 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 has been increased to 68 years as of January 1, 2018.

The increase in retirement age implies also that fiscal maximum accrual has been adapted in order to accommodate a higher retirement age. As such, fiscal maximum DC ladders are lowered as of January 1, 2018. The fiscal maximum accrual percentages in DB plans remained equal but are aimed at a higher retirement age.

Mars has decided to change the retirement age to 68 in both the Final Pay Pension Plan and the ARP/ASP Pension Plan. Accrued pension entitlements of active, disabled, and deferred members in the Final Pay Pension Plan are converted[4] from retirement age 67 to retirement age 68 per January 1, 2018. As part of the conversion, waiver of premiums for current disabled members will be extended by one year until retirement age 68. Accrued capital in the ARP/ASP pension plan is not affected by the conversion. The future accrual rate for old-age pension in the Final Pay Pension plan is maintained at 1.657%, but the future accrual is aimed at retirement age 68 instead of 67. Furthermore as of 1 January 2018 the top-up limit ("excedentgrens") of EUR 57,500 in the Final Pay Pension Plan will yearly increase with the same amount as the offset for contributions (level top-up limit 2018: € 57,795). This last change was not caused by legislative changes, but for the reason of simplification of the pension plan.

For the ARP/ASP Pension Plan, Mars has decided to change the contribution table per January 1, 2018. This decision has been made in order to accommodate for current market conditions (increase in conversion rates for exchanging capital into pension benefits due to the decrease of interest rates). Mars has decided to implement a cost-price contribution table which reflects current market conditions and Mars Pension Fund specific characteristics. The contribution table per January 1, 2018 will be subject to annual review to ascertain that the contribution table complies with fiscal legislation.

Act improved Defined Contribution Schemes
This legislation came into effect as of September 1, 2016. From this date forward, retiring members in a DC pension plan must be offered the choice between a fixed and a variable pension benefit. 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 members to purchase this product at retirement with external insurers. Mars Pension Fund brought the ARP/ASP pension plan in line with the Act as of January 1, 2018. They investigated during 2017 the risk-attitude of the ARP/ASP members and developed two life cycles for ASP consistent with the risk-attitude.

6.2 Final Pay Plan

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

[4] The effect of the conversion on the AAL is already included in the AAL as per 31 December 2017.

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 2017: EUR 20,300.41 As from 1 January 2018: EUR 20,595.12
Top-up limit (excedentgrens)	As from 1 January 2017: EUR 57,500 As from 1 January 2018: EUR 57,794.71
Employee contribution	0%
Normal retirement age	As from 1 January 2017: 67 As from 1 January 2018: 68
Flexible options	Early or postponed retirement, purchase of temporary retirement pension, exchanging partner's benefit for additional old age pension or vice versa

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

6.3 ARP/ASP 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 (as from 1 January 2018: 3.9%)
Employer contribution	Age related	Equal to voluntary contribution of employee
Offset (Franchise) As from 1 January 2017: As from 1 January 2018:	 EUR 13,925.48 EUR 14,117.00	 EUR 13,925.48 EUR 14,117.00
Addition of interest	CPI + 3% (which is conditional and depending on the return made by MPF)	Not applicable

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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	As from 1 January 2017: 67 As from 1 January 2018: 68	As from 1 January 2017: 67 As from 1 January 2018: 68
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

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 maximized 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.

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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 and 2018 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. The liabilities of the ARP plan are classified as liabilities at the risk of the members.

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. 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 2017, 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 2017 there were 8 so-called 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 2017 Pension Board members have attended several meetings organized by the Pensioenfederatie, DNB and external experts in order to maintain their expertise and also attended the internal training sessions, the "Walk In sessions".

Competency teams
Pension Board members are appointed to areas of expertise defined by DNB. These Competency Teams are the ''first contact'' Pension Board members for these areas. They have developed thorough knowledge of their area, and also manage the area in more detail and advise other Pension Board members on their topics. The roles and responsibilities of the Competency Teams are as follows at the end of 2017:

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
IT	IT and data protection	Mr H. Faassen Mr H. van Heesch

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

In 2017 the pension Board decided to add a new competency team; the IT Competency Team (IT risks, IT/cyber management and security and data governance and data quality. This team will be more involved in the GDPR (AVG) requirements.

Succession members Pension Board and Accountability Council

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 organized a Pension Talent Pool Campaign in 2015 that was rather successful; 1 aspirant Pension Board member, 1 Accountability Council member, 1 aspirant AC member and a IC-ASP member were identified and 2 'general' members of the Talent Pool. In 2016 and 2017 these members have had internal and external training and this resulted in:

- In 2018 the aspirant Pension Board member will be appointed as Pension Board member on behalf of the members
- The Accountability Council (AC) member is identified as aspirant Pension Board member on behalf of the employer and will appointed as such end 2018/early 2019;
- The aspirant AC member is a candidate in the elections for the new AC member on behalf of the members.

Governance documents

In 2017 the Pension Board has, together with the legal advisor, worked on updating several governance documents and has agreed on some new governance documents. Most of them are attachments to the new document 'the regulations of the Pension Board of MPF'. These regulations are about the composition of the Pension Board, the rights and powers of the Pension Board, the Executive Board, the Pension Office, the Director and the Investment Committee. Attachments of this document are:

- Election regulations (updated in 2017)
- General Pension Board profile (updated in 2017)
- Capability Plan (updated in 2017)
- Charter IC
- Instruction IC-ASP
- Pension Board Competency Teams Term of Reference (updated in 2017)
- Non-financial risk plan (new in 2017)

Internal Supervision

In expectation of a the legislative requirement to have a Supervisory Board as internal supervision [intern toezicht] instead of a Review committee [Visitatiecommissie] for pension funds with assets above 1 billion, MPF already drafted their preferred Regulations for the Supervisory Board. The legislation ('Verzamelwet Pensioenen) has been postponed and will become effective as from 1 January 2019. Therefore the internal supervision over the year 2017 is performed by a Review Committee.

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 2017 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 wanted to see in 2017 what improvements can be made when implementing the expected act on variable annuities, thus meeting current and future duty of care requirements. In 2017, the investment profile Guide (in Dutch 'Beleggingswijzer') was updated; this determines the risk profile and gives an advice. In 2017 the new choice of a fixed or variable lifecycle was implemented in the investment guide for members of 55 years or older as from 1 January 2018.

7.3 Communication

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

Communication on plan changes 2018
During 2017 the plan changes 2018 (See paragraph 6.1) were communicated to both the members of the final pay plan and the members of the ARP/ASP plan. Special attention was given to the members of the ARP/ASP plan of 57 years of age and older, as they had to decide on participating in the Life Cycle fixed or Life Cycle variable. That special attention was a letter, a Q&A and an invite for a personal meeting with an external advisor (Kröller Boom) on this subject.

Standard model Legislation on improved DC plans (in Dutch 'Wet verbeterde premieregeling')
AFM has issued some so called standard models for communicating to members of a DC plan about their definite choice for a fixed or a variable annuity on retirement date. These standard models for communication should be implemented by 1 January 2018. MPF is not ready yet for implementing these standard models on 1 January 2018 as they (MPF and pension administrator TKP) need more time to successfully implement these models. This was communicated to AFM together with the temporary solution offered and the mentioning that no member of the ARP/ASP plan has so far applied for retirement. AFM took notice of the temporary solution and informed us they see no ground for further investigation and that we should inform them if the deadline of implementing the standard models before 1 July 2018 should not be met.

UPO (Uniform Pension Statements)
UPO's were send out before the deadline except for some groups of members;

1. The disabled members
2. Members with a demotion;
3. UPO's of retirees whose actual payment did not match with their pensions according to the member administration.

The members these groups have received their UPO later in 2017 or will receive them in 2018. AFM was informed about the delay in UPO's for the first two groups on 18 October 2017 and about the delay of the UPO's of the retirees on 28 December 2017.

7.4 Legal

Legal advisor MPF
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. Part of the services performed by NautaDutilh is the legal support during the PB meetings. The legal advisor of MPF was present during all MPF meetings in 2017.

Plan changes as from 1 January 2018
As from 1 January 2018 both pension plans were changed, partly due to legislative changes. See paragraph 6.1. In short:

- Both plans: standard retirement age from age 67 to age 68;
- Final pay plan: conversion of accrued rights to age 68;
- ARP/ASP plan; introduction of a variable life cycle;
- ARP/ASP plan: introduction of a cost contribution table, resulting in a higher contribution table;
- ARP/ASP plan; adding 4 investment fund choices.

Pension plan rules will be adjusted to these changes in 2018 and are not ready yet. With these changes both plans meet the requirements of fiscal legislation and the ARP/ASP plan meets the requirements of the Law improved DC plans.

GDPR
As from 25 May 2018, the General Data Protection Regulation (GDPR) or in Dutch the Algemene Verordening Gegevensbescherming (AVG) will apply and also MPF must comply with the requirements stemming from this Regulation. In the context of GDPR, MPF is seen as a data controller. MPF started in 2017 with a project to meet the requirements of this legislation in time.

ABTN
The ABTN was updated and approved in the Pension Board meeting in December 2017.
Some of the changes are:
- update of the mission, vision, strategy;
- changes of the pension plans as from 1 January 2018;
- the risk attitude of the ARP/ASP plan was added;
- the strategic investment strategy of the ARP/ASP plan was added.
- a paragraph on de-risking of the assets was added.
- two new appendices with the contribution table and lifecycle ARP/ASP.

7.5 Supervisory Authorities

There were no penalties from DNB received during 2017 and DNB has not given any instructions to the Pension Fund. Reports and Surveys were submitted within the legal timeframe. In 2017 there was one formal meeting with DNB. This meeting was to discuss about the current structure of ARP and final pay plan in one pension fund. This was followed by a call in December 2017 by DNB with the chairman and the director of the Fund, in which was spoken in particular about the current DC scheme of MPF. This mainly concerned the background (history) of the current set-up and the plans of the company to fundamentally review and revise these schemes. In addition, the current state of affairs with regard to the implementation of the Act on the improved DC plans (Wvp) was discussed.

In 2017, no fines were imposed on the pension fund. DNB has not given any instructions to the pension fund, nor has an administrator been appointed or has the authority of the organs of the pension fund been restricted by DNB.

MPF reported in 2017 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 group of retirees were informed about this, where members could get information in the meantime and to inform the AFM when they have received an UPO. MPF has responded to the first questions of AFM and will inform AFM when all delayed UPO's have been send.

7.6 Code Pension Funds

The Pension Fund complies with most of the principles in the Code Pension Funds. In some situations the principles are not (yet) completely met. In 2017, 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 was prepared in 2017 and became part of the Pension Board rules.
36	The board of trustees should ensure the service providers have a whistle-blower procedure. If a whistle-blower procedure is in place, those who are financially dependent on the service provider can report any irregularities	MPF is in the process of sharing the CoC with third parties or reviewing the CoC of third parties to see if they are in line with MPF's own code. The whistle-blower procedure is one of the elements in the CoC, so we will get a picture of that also.

Unless clearly stated otherwise all amounts are in thousands of euros

	within the organization without their endangering their position. This could relate to irregularities of a general, operational and/or financial nature.	
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 performance of the actuary was assessed in 2017. The Pension Board has not actively informed the AC of the outcome of this assessment. The minutes of the Pension Board meetings and the monthly dashboards however, are also accessible for the members of the AC.
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.	MPF works with a profile that has two parts; a general part that fits for all board members and a specific part that depends on the competency team that member will join. The separate attachment of the role of Chairman will be made.
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. This policy is described in the Regulations of the PB of MPF.

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.	MPF is in the process of formulating its policy on ESG. This requires thoughtful consideration of understanding the investment efficiency of integrating ESG into the investment process. A Policy document is targeted for end of 2018.
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 has 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 Function

In July 2016 Mrs J. van den Broek resigned as Compliance Officer of Mars Pension Fund. In June 2017 the PB decided on a strengthened Compliance function. Part of the compliance function are the Compliance Officer and the external legal compliance counsel. The Compliance Officer will fulfil the actual compliance and will keep the CoC up-to-date, create awareness of the CoC and supervise, assisted by the PO, compliance to the CoC. This also includes advising the PB in case of reports of potential conflicts of interest, gifts, conflicting functions, etc. The external counsel will be responsible for the annual reviews of MPF's compliance with local law and regulations the internal regulations, the assessment of the WoW, etc. as described in the Compliance charter and the Ways of Working of the compliance function. The Compliance Officer and the external counsel will be responsible for the annual review, which will be reported to the PB. In the June 2017 meeting the PB appointed Mr J. van Lith as Compliance Officer and NautaDutilh as external legal counsel.

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.

8 ACTUARIAL SECTION

The actuarial analysis of the 2017 result is shown in the next table:

	2017		2016	
Contributions and costs				
Employer contributions	17,947		17,659	
Employee contributions*	1,457		1,351	
Accrual of benefits (including surcharge for future costs)	-20,469		-16,380	
Contribution surcharge for costs	1,919		1,883	
Available for costs out of provision	605		608	
Execution and administration costs	-2,407		-1,947	
		-948		3,174
Return and yield curve change				
Return on investments	63,896		108,022	
Interest addition provision	2,396		619	
Yield curve change	15,099		-93,300	
		81,391		15,341
Other results				
Result on benefit transfers	0		-23	
Result on other actuarial assumptions	2,094		1,946	
Other income	0		17	
Indexation	-6,970		-244	
Change mortality assumptions	0		-415	
Corrections	3,122		671	
Other costs	-21			
Conversion 2018	-934			
		-2,709		1,952
Result		**77,734**		**20,467**

* 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	27,265
Smoothed cost covering contribution	14,664
Actual contribution	22,311

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 27,265.

Unless clearly stated otherwise all amounts are in thousands of euros

Smoothed Cost Covering Contribution (SCCC)
The Financial Assessment Framework provides the possibility to mitigate contributions. This can be done by using an interest rate that is based on a moving average over the past (with a maximum of 10 years) or by using an expected return. The Pension Fund has opted mitigation based on an expected return using the strategic investment mix of the Pension Fund. The SCCC is calculated by using a term structure of expected returns for the actuarial interest rate based on the interim mix of MPF in combination with the legal maximum parameters as prescribed in the Resolution Financial Assessment Framework ("Besluit FTK"). The term structure of interest rates was in principle fixed in 2015 for a period of five years. Changes in the legal maximum parameters of the underlying asset mix may be motivation to update the term structure of interest rates. For 2017 the term structure remained unchanged.

The term structure of interest rates used to determine the SCCC corresponds to a single expected return of approximately 6.0%. The SCCC equals EUR 14,664.

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 2017 add up to 1.75% of total pensionable salary for all pension plan members. The employer contribution in 2017 according to the contribution policy is equal to 25%.

In 2017 the actual total contribution to the pension fund equals 22,311. This total actual contribution is less than the Cost Covering Contribution (market value) but more than the Smoothed Cost Covering Contribution.

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

The minimum regulatory own funds are derived from the required margin per risk and amount to 46,964. 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 132.2%. 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 367,146. The Ongoing Solvency Margin Ratio amounts to 132.1% of the AAL (including a 1% margin for the ARP/ASP Pension Plan). The actual Funding Ratio equals 132.2%. Based on these figures the Pension Fund is no longer in a situation of a reserve deficit.

The conclusion of the certifying actuary on the financial position is that the financial position is sufficient.

9 REPORT BY THE REVIEW COMMITTEE

9.1 Report

A Review Committee, comprising 3 independent professionals appointed by the board of the pension fund, carried out a fourth annual review in April/May 2018 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 pension fund, with just over €1.5 billion of assets (end 2017), is a professionally-run, middle-sized company pension fund in the Netherlands. The policy funding ratio (PFR) of the final-salary scheme is currently 132.3% (end 2017), slightly higher than the ongoing minimum solvency ratio (OMSR) of 132.1%. As from end 2017 the pension fund no longer had a reserve deficit. Since 2004, new employees have joined a hybrid scheme, the ARP/ASP plan. The alternative, BPF Zoetwaren, is obligatory for employees under a certain salary level.

The employers, Mars Nederland BV, Mars Food Europe CV and Wrigley Europe BV (sponsors, and part of the international Mars group), are financially sound and regard the pension benefits of their employees as a very important part of staff remuneration and are prepared to act to support the pension fund within certain (generous) limits. Nonetheless, the financial future of any company can never be accurately predicted. The PB is fully aware of this and aims to lessen the future demands which may be made on the employers (see reducing risk under the final-salary scheme).

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 recognizes, 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 recommendations are:

1. Consider being pro-active in seeking to understand the sustainability interests and preferences of the members and beneficiaries.
2. Describe how the principles of the pension fund are adhered to in decision making.
3. Find and appoint a new compliance officer. This should be a qualified person who can act independently from the pension fund and who has preferably no recent links with the pension fund.
4. Appoint a new candidate member to the AC as soon as this is required.
5. Ensure that there is sufficient progress in developing an ESG policy.
6. Ensure the IC minutes reflect any challenge to or discussion with the advisor that may have taken place.
7. Implement version control in the Investment Policy Statement to ensure that it is clear which changes have been made.
8. Think carefully about interpreting the results which will emerge from the scores provided by the active members and pensioners regarding communication policy.
9. Consider raising targets for digitalization. This means, of course, having the backing which will be needed. The feeling of the RC is that the pension fund needs to move to these targets more quickly. This will not only save costs but provide more and better communication possibilities.
10. Check whether the outsourcing plan needs amendment following the negotiations with TKP.
11. Ensure that the current plans to draw up a comprehensive IRM document are now carried out. Translate this document into effective practical action.

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. **Consider being pro-active in seeking to understand the sustainability interests and preferences of the members and beneficiaries.** The Pension Board will consult with stakeholders on these issues. But will consider if, when and how to gain understanding of (sustainability) interest of individual members. The PF at this moment prefers to work with stakeholders and a parity board instead of asking individual members.
2. **Describe how the principles of the pension fund are adhered to in decision making**. The Pension Board is of the opinion that the 5 principles of MPF as stated in the ABTN are part of the decision making but will try to address the principles in the decision making discussion more clearly.
3. **Find and appoint a new compliance officer. This should be a qualified person who can act independently from the pension fund and who has preferably no recent links with the pension fund.** Finding and appointing a new CO is planned for 2018. The Pension Board will keep the option of an external or an internal CO open and will investigate the possibility of a combined Co/Privacy Officer role. We will also look at extending the mandate of the current CO.
4. **Appoint a new candidate member to the AC as soon as this is required.** The appointment of J. Vermeulen as new candidate to the AC is expected on 19 July 2018. The PB will try to find a new candidate for the role of 'aspirant' AC member on behalf of the members.
5. **Ensure that there is sufficient progress in developing an ESG policy.** The PB will make further steps in developing an ESG policy. Plan is to decide on the policy in the December 2018 meeting.
6. **Ensure the IC minutes reflect any challenge to or discussion with the advisor that may have taken place.** The PB will give attention to this recommendation and will inform the IC.
7. **Implement version control in the Investment Policy Statement to ensure that it is clear which changes have been made.** The Pension Board will take this into consideration with the next IPS update.
8. **Think carefully about interpreting the results which will emerge from the scores provided by the active members and pensioners regarding communication policy.** The Pension Board **will take this into account.**
9. **Consider raising targets for digitalization. This means, of course, having the backing which will be needed. The feeling of the RC is that the pension fund needs to move to these targets more quickly. This will not only save costs but provide more and better communication possibilities.** The Pension Board would also like to increase digitalization but has to set realistic goals. Part of the communication strategy plan is how to increase the digitalization in the next 3-year period.
10. **Check whether the outsourcing plan needs amendment following the negotiations with TKP.** The PB will check this in 2018.
11. **Ensure that the current plans to draw up a comprehensive IRM document are now carried out. Translate this document into effective practical action.** It is our intention to finalize during the first quarter of 2019 an IRM policy that is also in line with the governance requirements of IORP II that will become clear in the course of 2018.

9.3 Follow-up on recommendations last year

The recommendations of the last RC are listed below. The progress which has been achieved to date is noted by the RC briefly under each recommendation.

1. Hold a periodic review of the workings of the PB meeting.

- We evaluate every PB meeting. The working of the PB is reviewed every year in the Away Day. We will ensure that the annual evaluation is formally documented. The process of evaluation is now part of a new document "Regulations of the PB of the Pension Fund". An external evaluation is planned for 2018.

2. Deal with some procedural omissions (see chapter 7 of last year's report).

- These have received attention, although not with high priority, and have been covered for a large part by the document referred to in recommendation 1 above.

3. Appoint, with some urgency, a compliance officer.

- This has been carried out. However, this was an interim step and a more permanent solution is required.

4. Consider an independent assessment of the assumed levels of expertise of the PB members.

- This is planned for November 2018.

5. Consider adding more complete descriptions of outsourcing and communication policy in the Report and Accounts and the ABTN.

- We have clear outsourcing and communication policies which have been described in the respective plans. The PB decided to summarize these policies only briefly in the ABTN.

6. Ensure that there are no further delays in developing a SRI policy and then implementing this policy.

- This is still very much in the development phase. Delays were originally caused by the absence of the project leader. But there are more technical and philosophical issues to be settled.

7. Still consider drawing up a back-up plan should SECOR at any time need to be replaced.

- The RC is not aware that this has taken place, probably because it is seen as less and less necessary (SECOR is less dependent on Mars now, but this is, of course, not the only aspect).

8. Ensure that the de-risking project is followed carefully. Communicate appropriately.

- Local stakeholders will be informed when the policy is determined. ETBC/SECOR take illiquid assets into account. The de-risking process will be gradually and carefully executed.

9. Get more closely involved with regulatory projects which can have implications for the investment portfolio.

- The RC can confirm that all known regulatory projects are being followed.

10. Make sure adequate steps have been taken to deal with the law 'Improved Premium Arrangement'.

- Since 1 January 2018, the ARP/ASP Plan meets these legal requirements.

11. Add to the website information concerning the financial crisis plan and the recovery plan.

- The financial crisis plan is now on the website. The recovery plan is no longer necessary.

12. Consider having the most-consulted documents of the pension fund available in the Dutch language.

- The regulations of the various pension schemes are in Dutch. The PB sees no other immediate needs.

13. Bring the negotiations with TKP to a good conclusion. Make a comprehensive report covering the implementation of the changes to the administration.

- The contract with TKP is almost final (May 2018).

14. Ensure that a proper management of financial and non-financial risks is established and documented.

- The PB has completed an extensive analysis of the non-financial and financial risks, and has updated the mission, vision and strategy of the pension fund. In February 2018, the PB organized a workshop on the governance structure of risk management. The final IRM documentation has been planned for the second half of 2018.

10 REPORT BY THE ACCOUNTABILITY COUNCIL

10.1 Report

The Accountability Council (AC) has been put in place to be compliant with the rules for good pension fund governance. The roles and responsibilities of the Council 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 five 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 December there was an AC presentation in the PB meeting on year-closure, self-evaluation of the AC and AC priorities for 2018.

- In April 2018 there was an EB-AC working session in preparation for the annual report; topics included a review of 2017, 2018/2019 priorities for MPF and how the AC can support those pro-actively.
- External Conferences: the AC has had ample opportunity to attend relevant external conferences regarding pensions in the Netherlands as organized by e.g. 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 by Mr. van Bree and Mrs. Vermeulen on Pension Fund Governance ("Geschiktheidsniveau A").

With regard to the findings of the Accountability Council in the 2016 annual report
We note that the Pension Board has made good progress in its response to the comments made by the AC last year.

The AC is supportive of the de-risking project for the final salary scheme of the Pension Board and we are pleased with the timely preparation for this key project.

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 2017
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
Updated regulations for appointment of members of the PB and AC	13-6-2017	21-6-2017	Positive
Regulations of the Supervisory Council	13-6-2017	21-6-2017	Positive
Appointment Review Committee	22-6-2017	27-6-2017	Positive
Risk attitude ARP/ASP	25-9-2017	4-10-2017	Positive
Contribution	9-11-2017	10-11-2017	Positive
Communication Plan 2018	30-11-2017	12-12-2017	Positive
Change in appointment Review Committee (*)	22-2-2018	26-2-2018	Positive

(*) Change on advice request 22-6-2017

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 2017 annual report
In summary the AC continues to find that the Pension Board of Stichting Mars Pensioenfonds (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:

- We note a positive development of the policy funding ratio, which resulted in the recovery plan not being needed anymore.

Unless clearly stated otherwise all amounts are in thousands of euros

- We are pleased with the updated Vision, Mission and Strategy which provide a robust basis for the future of MPF.

- The Pension Board has clear policies in place and the correct mechanisms to execute these policies.

- De-risking project; substantial efforts made including the multi-disciplinary project team and a context note regarding the first step decision

- Integral Risk Management: good progress made and sensible decision to complete the work on documenting IRM during 2018 to be able to incorporate the 3 Lines of Defence model requirement of IORPII. We also note the additional considerations ("Developments in 2017") regarding each of the four main risk areas in this year's annual report.

- 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 the Pension Board to fully consider their findings and finally, as we did last year, we observe that the Pension Board maintains 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 recognize the ongoing considerable effort made by the Pension Board to ensure that the Accountability Council is consulted on all relevant matters.

AC Recommendations for 2018
The Accountability Council would like the Pension Board to consider the following areas in 2018.

- De-risking: We encourage and are supportive of this positive development. We want to emphasize that understanding, balancing and explaining the interest of each stakeholder group should remain a top priority.

- Integral Risk Management: We agree with the findings of the Review Committee: Ensure that the current plans to draw up a comprehensive IRM document are now carried out. Translate this document into effective practical action.

- Supervisory Council: The Accountability Council would like to be pro-actively informed and involved, particularly on the new Ways of Working between PB, SC and AC.

- Succession/Talent Pool: The AC is looking forward to the plans of PB in cooperation with the company to re-populate the talent pool in order to secure succession options, this definitely includes a new candidate member for the AC.

- De-complexity: The PB should take de-complexity into consideration in future decision making.

- ESG: We agree with the findings of the Review Committee:
  - Ensure there is sufficient progress in developing an ESG policy.
  - Consider being pro-active in seeking to understand the sustainability interests and preferences of each of the stakeholder groups.

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 the improved way of working and by investing time and energy in improving their knowledge by attending internal and external trainings.

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 six recommendations made we would like to comment as follows:

- **Derisking: We encourage and are supportive of this positive development. We want to emphasize that understanding, balancing and explaining the interest of each stakeholder group should remain a top priority.**
  The Pension Board is aware of this and will consider the interest of each stakeholder carefully in the derisking process and will inform those stakeholders of possible implications.

- **Integral Risk Management: We agree with the findings of the Review Committee: Ensure that the current plans to draw up a comprehensive IRM document are now carried out. Translate this document into effective practical action.**
  It is our intention to finalize in first quarter of 2019 an IRM policy that is also in line with governance requirements of IORP II that will become clear in the course of 2018.

- **Supervisory Council: The Accountability Council would like to be pro-actively informed and involved, particularly on the new Ways of Working between PB, SC and AC.** It is our intention to nominate the members of the SC in the December 2018 meeting. We will ask advice from the AC as to the actual individuals on the SC. As to the ways of working [WoW] we would appreciate the involvement and input from the AC about their ideas of the WoW. The Pension Board is currently developing a mandate/regulations of the SC to get the roles and responsibilities of the SC and the PB and the AC clear.

- **Succession/Talent Pool: The AC is looking forward to the plans of PB in cooperation with the company to re-populate the talent pool in order to secure succession options, this definitely includes a new candidate member for the AC.** We will continue to work on Succession Planning with the Talent Pool. A new campaign is planned for the second half of 2018. For creating succession options on the employer representative side we will regularly connect with the sponsors. We would appreciate any help from the AC in this regard.

- **De-complexity: The PB should take de-complexity into consideration in future decision making.** The Pension Board just finalized the decomplexity project and the PB takes possible complexities into consideration with decision making. The biggest opportunities for de-complexing the pension plans are related to the design of the plan, which is a responsibility of the Employers together with the Works Councils and not the PB.

- **ESG: We agree with the findings of the Review Committee:**
  - Ensure there is sufficient progress in developing an ESG policy.
  - Consider being pro-active in seeking to understand the sustainability interests and preferences of each of the stakeholder groups. The PB will make further steps in developing an ESG policy. The planning is to decide on the policy in the December 2018 meeting. The PF at this moment prefers to work with stakeholders and a parity board instead of asking individual members.

10.3 Follow-up on issues from last year

In the annual accounts 2016 the AC mentioned some points of attention in their report. In this section we give the follow-up of these points of attention:

1. The 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	In 2017 a project team of PB members, PO and TKP analyzed the possibilities for simplification of the pension administration. We have identified a number of improvement possibilities that are implemented. The total impact of these possible improvements is relatively small in terms of savings. There is some gain in risk reduction. The core of the complexity is namely driven by the specific pension promises made by the sponsors with its associates. 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 endeavor 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.
2. 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.	The PB has completed extended risk analysis on the non-financial risks and financial risks and updated the mission, vision and strategy of MPF. In February 2018 the PB had a workshop on the governance structure of risk management. The final IRM documentation is planned for the first quarter 2019. And after that, a new dashboard will be developed.
3. The AC encourages the Pension Board to expand the current succession planning for leadership roles in the Pension Board.	For creating succession options on the employer representative side we have regularly connect with the sponsors. The Sponsor has identified a succession candidate for their representation in the Pension Board out of the Talent Pool and current member of the AC. We have presented Mr. H. van Heesch as new Pension Board member representing active associates to DNB and plan to appoint him in June 2018. This is the direct consequence of our new way of working on succession. We will continue to work on Succession Planning with the Talent Pool.
4. 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	A compliance officer was appointed. The compliance role (Compliane Officer and external compliance council) is descriped in the compliance charter. However, succession is needed.

11 LOOKING FORWARD

11.1 Pension Fund Governance and Risk Management

In 2014, the Pension Board started with the recommendations from the Code Pension Funds and will every year pay attention to these recommendations and update the comply or explain list annually.
The Pension Board will continue to review the sustainability of Mars Pension Fund going forward and will keep considering other governance and execution alternatives. The fruit of this effort is included in the Vision, Mission and Strategy of MPF.
In 2018 the Pension Board expects to fill in the vacancy in the AC (when Mr P. van Bree becomes an aspirant member of the PB in June 2018).

In 2018 at least the following documents will be submitted to DNB:
- Feasibility Test.
- ABTN

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 Council [Raad van Toezicht]. Recently it became clear that that the new law on Internal Supervision will come into effect as from 1 January 2019. Therefore MPF will start in 2018 to find the members of the Supervisory Council.
The first year that they will supervise will be 2018.
Other governance items that are on the agenda in 2018 are:
- Compliance Officer; as Mr J. van Lith will end this role in 2018, succession is needed. As also a Privacy Officer is needed (GDPR requirement), MPF will start in 2018 look for the person to do a combined role.
- Risk & Governance committee; one of the decisions around IRM governance, is that MPF wants to install a Risk & Governance Committee that works as a second line of defense for the non-financial risks.
- A comprehensive IRM policy document.

11.2 Investments

In 2017 the Plan conducting a new ALM study and the outcomes have been incorporated in the latest Investment Policy Statement. As part of the ALM study the Plan has defined the first stage of a 'flight Plan', looking at de-risking the investment portfolio if and when the Funded Status allows for this. Full definition of the de-risking policy will be completed over the course of 2018. If over the course of 2018 the Plan's Funded Status hits a certain level, the portfolio will decrease the allocation to Equity investments in favor of Fixed income investments.

The interest rate hedge will generally increase with the relevant interest rate level. The specific interest rate environment and the development of the financial position of the Pension Fund will determine the LDI hedge movement in 2018.

In 2016, 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 following 3-5 years into a Global portfolio through a Property Fund of Funds. In the second quarter of 2017 a first allocation was made to the Global Value Property Fund of Funds. Allocations to this fund will be further ramped up over the course of 2018.

To maintain the current allocation to Private Equity, the strategic advisor has recommended to maintain the current exposure through investing in a third fund from Performance Equity Management, which was implemented in the third quarter of 2017. Allocations to this fund will increase in 2018 through capital calls. In 2018 the Strategic Advisor is planning to complete the search for a second PE manager to diversify from and complement the existing portfolio.

Also the new Hedge FoF, Evolution, launched in Q2 2017 to act as a completion portfolio to the existing hedge fund investments, will be further ramped up over the course of 2018.

The inclusion of an Equity Tail Risk Hedge as part of the portfolio is dependent on the macro-economic developments and outlook.

Furthermore, the strategic advisor, in collaboration with the Plan's local advisor, is investigating opportunities for alpha generation through Portable Alpha.

As a Pension fund, our primary responsibility is to act in the best long-term interests of our beneficiaries. At this stage, the Pension Board considers on a more intuitive basis, that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios.
The Pension Board has taken initiatives which will lead to the development of an articulated ESG Policy. As with any (potential) substantive new development, it is important to be thoughtful and make progress as supported by research findings about the investment efficiency of integrating ESG into the investment process. Consequently, it is a step by step process with the first phase, planned for 2018, focusing on information gathering and interpretation; as all our investments are managed externally, this information gathering is on the basis of discussion with our managers.

For 2018, our instruction to our managers is to consider incorporation of ESG factors into their investment analyses, and report if and how they have considered ESG in the investment of our mandates.

11.3 Pension Schemes

MPF will continue to keep in mind opportunities to make the plans less complex for administration.

In 2018/2019 the employer will review the current pension plans and may redesign the ARP/ASP plan keeping in mind the current complexities and comments from DNB and MPF about the ARP design, and after approval from its Works Councils.

Veghel, 19 June 2018

The Pension Board

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

ANNUAL ACCOUNTS

12 ANNUAL ACCOUNTS

12.1 Consolidated Balance Sheet

(after appropriation of result in EUR 1,000)

ASSETS	Note[5]	31-12-2017		31-12-2016	
Investments for risk pension fund	1				
Real estate		98,084		122,377	
Equity		847,341		865,807	
Fixed income		378,027		319,049	
Hedge funds		75,215		79,507	
Derivatives		11,622		5,576	
Other financial investments		63,526		39,558	
			1,473,815		1,431,874
Investments for risk members	2		51,485		41,827
Receivables and prepayments					
Other receivables	3		3,739		5,960
Other assets					
Cash	4		3,815		3,818
			1,532,854		**1,483,479**
LIABILITIES					
Foundation capital and reserves					
Foundation capital	5		0		0
General reserves	6		368,514		290,780
Technical provision for risk pension fund					
Actuarial accrued liabilities	7	1,092,767		1,122,243	
Provision for future disability	8	1,218		1,144	
			1,093,985		1,123,387
Pension provision for risk members	9		51,485		41,827
Current liabilities	10		18,870		27,485
			1,532,854		**1,483,479**

[5] 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[6]		2017		2016
Contributions from employer and employees	11		17,296		17,197
Contributions for account and risk members	12		5,015		4,626
Investment results for risk pension fund	13	63,847		108,002	
Investment results for risk members	14	4,129		1,904	
			67,976		109,906
Other income	15		0		16
Total INCOME			**90,287**		**131,745**
EXPENSES					
Benefits payment	16		30,345		30,339
Execution- and administration costs	17		2,407		1,947
Change pension provision:					
• Accrual of benefits		15,454		11,754	
• Indexation		6,970		244	
• Addition of interest		-2,396		-619	
• Change of mortality assumptions		0		415	
• Yield curve change		-15,099		93,300	
• Withdrawal for payments of pension benefits and pension execution costs		-30,966		-31,017	
• Withdrawal for other actuarial- and technical assumptions (retirement)		-1,266		-760	
• Changes as a result of transfer of rights		0		-10	
• Pension Plan Changes 2018		934		0	
• Other changes pension provision		-3,107		-805	
Change provision pension liabilities for risk pension fund	18		-29,476		72,502
Change provision for future disability	19		74		-109
Change provision for risk members	20		9,658		6,936
Reinsurance	21		38		43
Transfer of pension rights for risk pension fund	22		0		33
Transfer of pension rights for risk members	23		-514		-413
Other expenses	24		21		0
Total EXPENSES			**12,553**		**111,278**
NET RESULT			**77,734**		**20,467**
Proposed appropriation of net result:					
- Added to the general reserves			77,734		20,467

[6] 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)

		2017		2016
Contributions received	22,734		22,458	
Received from transfers of rights	514		413	
Pension benefits paid	-29,766		-30,339	
Paid for transfers of rights	-		-33	
Paid execution- and administration costs	-3,401		-1,947	
Paid contribution reinsurance	-38		-43	
Total cash flow from pension activities		-9,957		-9,491
Cash flow from investment activities				
Sale and redemption of investments	1,971,298		1,122,001	
Received direct investment returns	35,198		34,912	
Purchase investments	-1,966,484		-1,141,745	
Paid costs asset management	-15,436		-23,048	
Other amounts received	0		13,979	
Other amounts paid	-21		0	
Total cash flow from investment activities		24,555		6,099
CHANGE CASH		**14,598**		**-3,392**
Movements in cash and cash equivalents can be broken down as follows:				
Presented as other financial investments		58,164		43,563
Presented as Cash in Balance sheet	4	3,815		3,818
Balance per 31 December		61,979		47,381
Balance per 1 January		47,381		50,773
CHANGE CASH		**14,598**		**-3,392**

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 dependents' 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 provisions of Title 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Dutch Accounting Standards, as published by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving').

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.

Related parties
Transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other information is disclosed if this is necessary in order to provide the required insight.

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

Estimation changes
As of 1 January 2018 the retirement age is set higher, from 67 to 68. As a result the total AAL increase with € 934.

Consolidation
Mars Real Estate Investments B.V. (MREI) was founded in 2009 and has its statutory seat in Veghel, The Netherlands (Taylorweg 5, 5456 AE). 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 realized through transactions with third parties. Unrealized losses on intercompany transactions are eliminated as well, unless such a loss qualifies as an impairment. The accounting policies of group companies and other consolidated entities have been changed where necessary, in order to align them to the prevailing group accounting policies.

Accounting policies for assets and liabilities

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

Foreign currency

Functional currency

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

Transactions, receivables and liabilities

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

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

Investments for risk pension fund

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 realized if the contract would be closed-out at year-end.

Negative positions of derivatives are presented as short term liabilities.

The other financial investments are valued at fair value at balance sheet date. The cash presented under other financial investments is valued at 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 for risk members
The principles for the valuation of the investments for risk of members are the same as those for the investments that are held for the risk of the pension fund.

Reinsurance
Outgoing reinsurance premiums are recognized in the period to which the reinsurance relates. Receivables from reinsurance contracts on a risk basis are recognized when the insured person presents himself. In the valuation, the reinsured benefits are discounted against the interest rate term structure, applying the actuarial assumptions of the pension fund. Receivables from reinsurance contracts that are classified as guarantee contracts are equal to the corresponding provision for pension obligations. Receivables from reinsurance contracts that classify as capital contracts are valued for the value of the insured risk on the basis of the principles of the contract. In assessing the receivables, the creditworthiness of the reinsurer (exit for credit risk) has been taken into account. Claims arising from profit-sharing arrangements in reinsurance contracts are recognized at the moment of granting by the reinsurer. The valuation and presentation of investment deposits linked to capital contracts are in accordance with the principles for investments.

Cash
Cash is valued at nominal value.

Foundation capital and reserves
Foundation capital and reserves are determined by the amount left when all assets and liabilities, including pension provisions, are included in the balance sheet.

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

The actuarial accrued liability is based on the applicable pension plans as at the balance sheet date and on the pension entitlements that can be attributed to the service years completed as at the balance sheet date. This includes all granted increases based on the indexation policy to any members as at balance sheet date. The future salary developments are not taken into account.

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

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

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

Pension provision for risk members
This includes received contributions from members/employers concerning the Defined Contribution scheme. Contributions are recognized in the corresponding year.

Other assets and liabilities
The other assets and liabilities are recognized initially at fair value and subsequently measured at amortized cost. 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
The items included in the statement of income and expenditure are to a large extent related to the valuation principles for investments and the provision for pension obligations in the balance sheet. Both realized and unrealized results are directly recognized in the result.

Contributions from employers and employees
Contributions from employers and employees are the amounts charged to third parties for the pensions insured in the year. Contributions are allocated to the period to which they relate. Additional deposits and surcharges are also accounted for as contributions.

Contributions for account and risk members
This includes received contributions from members/employers concerning the Defined Contribution scheme. Contributions are recognized in the corresponding year.

Investment results for risk pension fund
Indirect investment income
The indirect investment income is the realized and unrealized value changes and currency results. No distinction is made in the annual accounts between realized and unrealized changes in value of investments. All changes in the value of investments, including exchange rate differences, are recognized as investment income in the statement of income and expenditure. (In)direct investment results are allocated to the period to which they relate.

Direct investment income
The direct investment income is the interest income and expenses, dividends, rental income and similar revenues.

Dividend

Dividend is recognized at the time of payment.

Investment expenses
Investment expenses include all expenses incurred by the pension fund for the management of the investments, with the exception of transaction costs. Transaction costs are the external costs incurred to establish and execute an (investment) transaction.

Investment results for risk members
The principles for determining the result regarding investment results risk members are equal to the principles for determining the result concerning investment results risk pension fund.

Benefits payment
The pension benefits are the amounts paid to members including redemption. The pension benefits are calculated on actuarial bases and allocated to the reporting year to which they relate.

Execution- and administration costs
The execution- and administration costs are allocated to the period to which they relate.

Change provision pension liabilities for risk pension fund
Pension accrual
In the pension accrual, claims and rights for the financial year are valued at the level that they have on the balance sheet date.

Indexation and other surcharges
The pension fund aims to adjust the accrued pension rights of the active members, the pensions in payment and the non-contributory pension rights (former members) annually to the development of the price index. The indexation is conditional. This means that there is no entitlement to surcharges and that it is not certain whether and to what extent supplements can be granted in the future. Any arrears in the indexation can in principle be made up.

The indexation depends on the financial position of the pension fund, but at most equal to the return, even if the price increase is higher.

Interest addition
The pension liabilities were increased, based on the one-year rate of the DNB curve at the beginning of the year under review.

Withdrawal for pension benefits and pension administration costs
In advance, an actuarial calculation is made of the future pension administration costs (in particular excasso costs) and pension benefits that are included in the provision for pension liabilities. This item concerns the release for the financing of the costs and benefits of the year under review.

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

Changes to actuarial assumptions
Annually, the actuarial assumptions and / or methods are reviewed and possibly revised for the calculation of the current value of the pension obligations. Use is made here of internal and external actuarial expertise. This includes the comparison of assumptions regarding mortality, longevity, disability with actual observations, both for the entire population and for the population of the pension fund.

Determining the adequacy of the provision for pension liabilities is an inherently uncertain process, making use of estimates and judgments by the board of the pension fund. The effect of these changes is recognized in the result when the actuarial assumptions are revised.

Change due to transfer of rights

A result on transfers can arise because the release of the provision takes place against fund rates, while the amount that is transferred is based on the legal factors for value transfers. The rates of the pension fund differ from the statutory rates.

Other changes to provision for pension liabilities
The other changes occur due to changes in the claims due to death, incapacity for work and retirement.

Transfer of pension rights
The transfer of pension rights contains the balance of amounts from assumed or transferred pension obligations.

Other income and expenses
Other income and expenses are assigned to the reporting year to which these apply.

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	Equity	Fixed Income	Hedge funds	Deriva-tives	Other financial invest-ments	Total
Value per 1 January 2016	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	0	0	0	0	-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
Deducted: investments for risk members (ARP)							18,991
Value per 31 December 2016							**1,431,874**
Value per 1 January 2017	122,377	865,807	319,049	79,507	-12,801	58,549	1,432,488
Purchases	11,039	150,953	1,298,909	0	122,141	381,093	1,964,135
Sales	-670	-175,568	-1,283,846	0	-134,015	-377,199	-1,971,298
Valuation changes	-34,668	78,290	-17,275	-4,292	27,178	-173	49,060
Other	6	-72,141	61,190	0	-987	24,141	12,209
Subtotal	98,084	847,341	378,027	75,215	1,516	86,411	1,486,594
Derivatives credit							10,106
Deducted: investments for risk members (ARP)							22,885
Value per 31 December 2017							**1,473,815**

The value per 31 December 2017 is including the credit position of derivatives (EUR 10,106) and a deduction of EUR 22,885 presented as investments for risk of members (ARP).

Included in the investment-category 'Other' is cash available for investment for an amount of EUR 58,164 (2016: EUR 43,563). This amount includes EUR 11,187 (2016: EUR 12,788) of cash in Mars Real Estate Investments B.V.

The pension fund does not invest in the sponsor. The pension fund does not directly participate in securities lending.

Positions more than 5% per investment-category:

Real Estate	31-12-2017		31-12-2016	
	EUR	%	EUR	%
Angel Place	12,955	13%	15,882	13%
Westside	11,547	12%	13,478	11%
Ankerside	6,759	7%	16,408	14%
Exchange	18,588	19%	21,330	18%
Four Seasons	21,968	22%	33,988	28%
Clarendon Hyde	11,265	11%	12,343	10%

Equity	31-12-2017		31-12-2016	
	EUR	%	EUR	%
Fisher investments institution	54,368	6%	41,453	5%
Gmo Woolley	79,404	9%	83,269	9%
Pem - effem fund	107,212	13%	106,359	12%
Placeholder Ult Par Comp	81,655	10%	63,942	7%

Unless clearly stated otherwise all amounts are in thousands of euros

Pzena Investment management	53,913	6%	44,431	5%
Capita financial managers Ireland ltd	86,323	10%	85,255	10%
Vanguard investment series plc us opportunities fund	84,951	10%	76,461	9%
Gmo quality fund	52,270	6%	101,880	12%
Marathon international equity	91,775	11%	84,368	10%

Fixed Income	**31-12-2017**		**31-12-2016**	
	EUR	**%**	**EUR**	**%**
Pimco fixed income source	64,466	17%	44,094	14%
Lazard ltd	69,687	18%	70,708	22%
Effem private credit feeder	34,046	9%	39,175	12%

Hedge funds	**31-12-2017**		**31-12-2016**	
	EUR	**%**	**EUR**	**%**
Blackstone fof stichting Dutch	75,215	100%	79,507	100%

Fair value hierarchy

The following tables summarize the valuation of investments by level within fair value hierarchy as of 31 December 2017 and 2016. 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**	**Derived**	**Modelling**	**Total**
Real estate	3,563	0	94,521	98,084
Equity	150,659	584,658	112,024	847,341
Fixed income	597	314,695	62,735	378,027
Derivatives	381	1,135	0	1,516
Hedge funds	0	0	75,215	75,215
Other financial investments	28,247	0	58,164	86,411
Total per 31 December 2017	**183,447**	**900,488**	**402,659**	**1,486,594**

Asset Category	**Direct market listed**	**Derived**	**Modelling**	**Total**
Real estate	1,571	0	120,806	122,377
Equities	102,132	578,981	184,694	865,807
Fixed income	11,163	307,886	0	319,049
Derivatives	1,147	-13,948	0	-12,801
Hedge funds	0	0	79,507	79,507
Other financial investments	13,958	0	44,591	58,549
Total per 31 December 2016	**129,971**	**872,919**	**429,958**	**1,432,488**

2 Investments for risk members

The investments for risk members consist of:

	31-12-2017	**31-12-2016**
Investments concerning ARP-plan	22,885	18,991
Investments concerning ASP-plan	28,600	22,836
Total	**51,485**	**41,827**

Unless clearly stated otherwise all amounts are in thousands of euros

In 2017 the investments developed as follows:

	ASP	ARP
Balance per 1 January	22,836	18,991
Contributions	2,146	2,869
Transfers	203	311
Investment result	3,415	714
Balance per 31 December	**28,600**	**22,885**

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

	31-12-2017	31-12-2016
Contributions from employer	0	389
Pensions	37	0
Other receivables (rents)	3,702	5,571
Total	**3,739**	**5,960**

4 Cash

	31-12-2017	31-12-2016
Cash at Rabobank	**3,815**	**3,818**

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:

	2017	2016
Balance per 1 January	290,780	270,313
Result for the year	77,734	20,467
Balance per 31 December	**368,514**	**290,780**

The minimum regulatory own funds, 4.1% of the actuarial accrued liabilities at the risk of the pension fund, equals EUR 47.0 million. Legally required own funds amount to EUR 365.9 million and are equal to 32.1% of the actuarial accrued liabilities at the risk of the pension fund. The present own funds are higher than the required funds.

The real policy funding ratio gives an indication of the extent to which supplements can be granted. The real policy funding ratio in accordance with the FTK definition is equal to the policy funding ratio divided by the policy funding ratio required for full indexation based on price inflation. The real policy funding ratio at year-end 2017 was 110.2% (2016: 97.7%).

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 2017 is 132.3% (31 December 2016: 116.6%). The policy funding ratio is higher than the legally required solvency ratio and therefor there is no deficit.

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

	31-12-2017	31-12-2016
Actual funding ratio	132.2%	125.0%
Minimum required solvency ratio	104.1%	104.1%
Policy Funding Ratio	132.3%	116.6%
Legally required solvency ratio	132.1%	131.6%

The Actual funding ratio is calculated as the ratio between the net-assets and the total technical liabilities of the pension fund. The net assets are determined by adding the general reserve to the total technical liabilities (including the IBNR provision and liabilities for risk members) and excluding the short term liabilities. There are no subordinated loans and/or special reserves.

The policy funding ratio at 1 January 2017 was below the Ongoing Solvency Margin Ratio, therefore MPF was required to update the recovery plan in the first quarter of 2017. As a consequence of the financial position at 31 December 2017 and on the basis of the definitions as established by DNB there is a no reserve deficit anymore. The recovery plan is therefore ended as per December 31, 2017.

Articles of Association governing profit appropriation
In the Articles of Association of the pension fund no arrangement is included for the appropriation of the balance of the statement of income and expenses.

The annual appropriation of the balance of the statement of income and expenses is arranged in the funds' ABTN. It is proposed to add the positive balance result of 2017 with an amount of EUR 77,734 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):

	2017	2016
Provision for pension liabilities ultimo previous year	**1,122,243**	**1,049,741**
Interest	-2,396	-619
Indexation to the account of the pension fund	6,970	244
Accrual of benefits (including surcharge for future costs)	15,454	11,754
Mortality	-416	-617
Other actuarial and technical assumptions (retirement)	-1,266	-760
Disability / rehabilitation	480	499
Individual transfer value (balance)	0	-10
Benefit payments (incl. surrender value)	-30,361	-30,409
Available for costs	-605	-608
Yield curve change	-15,099	93,300
Corrections	-3,171	-687
Pension Plan changes 2018	934	0
Change of mortality assumptions	0	415
Total change	**-29,476**	**72,502**
Provisions for pension liabilities ultimo year	**1,092,767**	**1,122,243**

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

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

Unless clearly stated otherwise all amounts are in thousands of euros

As of 1 January 2018 the retirement age is set higher, from 67 to 68. As a result the total AAL increases with € 934.

	31-12-2017 Members	31-12-2017 AAL	31-12-2016 Members	31-12-2016 AAL
Actives (including disabled)	649	428,852	685	444,520
Deferred members	804	179,376	839	179,359
Retirees	1,230	508,385	1,206	519,950
Sub-total	**2,683**	1,116,613	**2,730**	1,143,829
Minus: BPF Zoetwaren		-23,847		-21,586
Total	**2,683**	**1,092,767**	**2,730**	**1,122,243**

8 Provision for future disability

	2017	2016
Balance per 1 January	1,144	1,253
Regular change	74	-109
Balance per 31 December	**1,218**	**1,144**

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

9 Pension provision for risk members

The ARP/ASP 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:

	31-12-2017	31-12-2016
Provisions concerning ARP-plan	22,885	18,991
Provisions concerning ASP-plan	28,600	22,836
Total	**51,485**	**41,827**

In 2017 the provisions developed as follows:

	ASP	ARP
Balance per 1 January	22,836	18,991
Contributions	2,146	2,869
Transfers	203	311
Investment result	3,415	714
Balance per 31 December	**28,600**	**22,885**

10 Current liabilities

	31-12-2017	31-12-2016
Derivatives	10,106	18,377
Accrued expenses and other liabilities	7,260	8,254
Contributions of employer	71	0
Wage tax and premiums social security	1,433	854
Total	**18,870**	**27,485**

Negative derivate-positions are classified as current liabilities and positive derivative-positions are classified as assets. A further explanation on the derivatives can be found in paragraph 12.8 "Risk management".

Unless clearly stated otherwise all amounts are in thousands of euros

The accrued expenses includes EUR 570 (2016: EUR 302) corporate income tax and VAT concerning Mars Real Estate Investments.

12.7 Rights and obligations not included in the balance sheet

Long term contracts
With respect to the investments in the Private Equity, Private Credit, Global Property and Hedge funds, MPF has an off-balance sheet commitment of EUR 78.9 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 2019 and an annual fixed fee of EUR 0.8 million (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.

12.8 Risk Management

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

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

Solvency margin	31-12-2017		31-12-2016	
	EUR	%	EUR	%
S1 Interest rate risk	51,600	4.5	47,600	4.1
S2 Market risk on equities and property	287,700	25.1	291,400	25.0
S3 Currency risk	99,900	8.7	102,000	8.8
S4 Commodity risk	0	-	0	-
S5 Credit risk	57,300	5.0	55,500	4.8
S6 Technical insurance risk	31,400	2.7	34,200	2.9
S10 Active risk	63,200	5.5	61,000	5.2
Correlation-effect	-224,500	-19.4	-224,300	-19.2
Adjustment for risks for members	500	-	300	-
Required own funds	367,100	**32.1**	367,700	**31.6**

The formula used to calculate the solvency margin is:

$$\sqrt{S_1^2 + S_2^2 + S_3^2 + S_4^2 + S_5^2 + S_6^2 + S_{10}^2 + 2 \times 0.40 \times S_1 \times S_2 + 2 \times 0.40 \times S_1 \times S_5 + 2 \times 0.50 \times S_2 \times S_5}$$

12.8.1 Interest rate risk (S1)

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

	31-12-2017 in years	31-12-2016 in years
Fixed income duration (excluding derivatives)	3.2	4.1
Pension assets duration (including derivatives)	4.5	4.9

Unless clearly stated otherwise all amounts are in thousands of euros

Duration of the (nominal) pension liabilities	18.3	19.1

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. At the end of 2017 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	31-12-2017		31-12-2016	
	EUR	%	EUR	%
Government Bonds	110,355	29%	111,517	35%
Index Linked Bonds	2,425	1%	11,657	4%
Mortgages and MBS	5,772	2%	5,878	2%
Credits	255,730	67%	178,087	55%
Cash and cash-like instruments	3,745	1%	11,910	4%
Total	**378,027**	**100%**	**319,049**	**100%**

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

12.8.2 Market Risk (S2)

Market risk can be split into interest rate risk, currency risk and price risk. The investment guidelines define the strategy that 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:

	31-12-2017	31-12-2016
Consumers	139,035	131,445
Energy	21,881	28,094
Financials	149,722	347,449
Health care	81,653	62,915
Industrials	102,332	92,035
Information Technology	158,919	128,411
Materials	49,020	46,744
Other	144,779	28,714
Total	**847,341**	**865,807**

12.8.3 Currency Risk (S3)

At the end of 2017 about 79% (2016: 84%) 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 58% at the end of 2017 (49% at the end of 2016). The total net market value of the outstanding currency forward contracts at the end of the year was EUR 4.6 million.

Unless clearly stated otherwise all amounts are in thousands of euros

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

Currency	Before Hedging	Currency Derivatives	31-12-2017 Net position after hedging	31-12-2016 Net position after hedging
Euro	287,792	512,029	899,808	829,219
British pound	217,678	-141,560	-23,869	87,920
Japanese yen	87,061	-67,769	19,292	554
US Dollar	850,075	-221,078	628,997	512,797
Other	39,426	-77,060	-37,634	1,998
Total	**1,482,032**	**4,562**	**1,486,594**	**1,432,488**

12.8.4 Commodity/Price Risk (S4)

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

The equity investments can be divided into the following regions:

Equity - Regions	31-12-2017	31-12-2016
Mature markets	721,008	756,519
Emerging Markets	126,333	109,288
Total	**847,341**	**865,807**

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

Fixed Income - Regions	31-12-2017	31-12-2016
Mature markets	312,618	255,201
Emerging Markets	65,409	63,848
Total	**378,027**	**319,049**

12.8.5 Credit Risk (S5)

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

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

Unless clearly stated otherwise all amounts are in thousands of euros

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 program. 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 collateralized.

The credit rating split, based on information of independent credit rating agencies (Moody's, and when not available Standard & Poor's or Fitch), in the fixed income portfolio is as follows:

	31-12-2017	31-12-2016
AAA	64,681	68,495
AA	21,056	20,286
A	23,482	24,624
BBB	70,618	56,224
Lower than BBB	127,801	128,425
No rating	70,389	20,995
Total	**378,027**	**319,049**

In 2017 no rating apply to those securities for which no rating can be found due to specific agreements between two counterparties. At the end of 2017 (and 2016) 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.

12.8.6 Technical Insurance risk (S6)

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

The **longevity risk** is the risk that members live longer than assumed in the determination of the AAL. As a result there could be too little assets to finance the accrued benefits. The pension fund has used the mortality table AG Projection table 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.

Unless clearly stated otherwise all amounts are in thousands of euros

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

12.8.7 Liquidity Risk

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

12.8.8 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.

12.8.9 Other Financial Risks (S10)

12.8.9.1 Systemic Risk

Systemic risk occurs when the global financial system (all financial and capital markets) no longer functions properly, in which case the pension fund would not be able to trade its investments. 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.

12.8.9.2 Specific Financial Instruments (Derivatives)

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

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

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

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

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

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

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

The table below shows the derivatives positions in the Pension Fund as per 31 December 2017:

Type of contract	Expiry Date	Notional Values	Market Value assets	Market Value liabilities
Futures	Various	323,025	2,088	-3,872
Currency Forward contracts	Various	-507,430	7,053	-2,491
Options	Various	-2,476	1,880	-125
Interest Rate Swaps	Various	53,676	549	-1,729
Other	Various	-20,944	52	-1,889
Total		**-154,149**	**11,622**	**-10,106**

Unless clearly stated otherwise all amounts are in thousands of euros

12.9 Notes to the statement of income and expenses

11 Contributions from employer and employees

The total employer contribution amounts EUR 20,854 (25.0%, 2016: 25.0%) 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 2,869) and a contribution with respect to the ASP-plan (EUR 689). This is resulting in an employer's contribution with respect to the final-pay plan of EUR 17,296. The cost covering contribution and the smoothened cost covering contribution amount to EUR 27,265 and EUR 14,664 respectively.

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

	2017	2016
Cost covering contribution	27,265	24,591
Smoothened contribution	14,664	13,833
Actual contribution	22,311	21,824

The cost covering contribution is based on the actuarial assumptions applicable as per 31 December 2017, 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:

		2017		2016
	CCC	SCCC	CCC	SCCC
Unconditional accrual	20,294	10,801	18,142	10,080
Solvency surcharge	5,052	1,944	4,566	1,870
Surcharge for administration costs	1,919	1,919	1,883	1,883
Total	**27,265**	**14,664**	**24,591**	**13,833**

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

12 Contributions for account and risk members

	2017	2016
ARP contribution	2,869	2,642
ASP contribution	2,146	1,984
Total contribution	**5,015**	**4,626**

The ASP contribution consist for EUR 1,457 of contribution paid by members and EUR 689 paid by the employer.

Unless clearly stated otherwise all amounts are in thousands of euros

13 Investment results for risk pension fund

	Direct investment results	Indirect investment results	Investment related costs	Total 2017	Total 2016
Real Estate	16,393	-34,665	-11,639	-29,911	-21,993
Equity	4,632	81,636	-418	85,850	83,153
Fixed Income	7,559	-17,015	-225	-9,682	27,067
Derivatives and hedge funds	-355	22,908	-325	22,228	19,111
Other financial investments	-237	-332	-3,355	-3,924	1,191
Investment results	**27,993**	**52,532**	**-15,963**	**64,561**	**108,529**
Allocated to ARP				-714	-527
Net Investment result				**63,847**	**108,002**

In contrast to 2016 the other investment related costs (EUR 533, 2016: EUR 912) in the above table were added to the investment related costs for the category "Other financial investments".

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 16.0 million also include the operational costs related to the direct investments in real estate (EUR 11.6 million in 2017 and EUR 11.5 million in 2016).

	2017	2016
Management fee external asset managers	1,405	2,799
Investment advice	1,571	1,607
Operating costs real estate	11,639	11,542
Custody fee	317	324
Value added tax on costs foreign asset managers and other	1,030	1,212
Total	**15,963**	**16,572**

In contrast to 2016 the other investment related costs (EUR 533, 2016: EUR 912) were added to the investment related costs in the above table. The total investment related costs are therefore reported higher than in the annual account of 2016.

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 members

	2017	2016
Investment results ARP	714	527
Investment results ASP	3,415	1,377
Total	**4,129**	**1,904**

The investment results ARP are a part of the investment results for risk fund. The change of the ARP is, besides changes in population, due to contributions and a calculated return. The employer pays contributions for ARP. The calculated return is however not equal to the investment results. The difference is a positive result to the fund.

15 Other income

	2017	2016
Other	0	16
Total	**0**	**16**

Unless clearly stated otherwise all amounts are in thousands of euros

16 Benefits payment

	2017	2016
Retirement pension	26,150	26,147
Partner pension	3,946	3,901
Disability pension	210	227
Orphan pension	39	64
Total	**30,345**	**30,339**

17 Execution- and administration costs

	2017	2016
Administration costs	922	651
Actuarial (advising)	638	598
Legal advisory	252	70
Cross charges from the employer	188	180
Governance costs	128	161
Audit and advisory services	89	80
Communication costs	3	3
Contributions	100	101
Actuarial (certifying)	57	56
Other costs	30	47
Total	**2,407**	**1,947**

The execution- and administration costs are VAT included. In total an amount of EUR 439 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 (2016: 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 102 (2016: EUR 93). Members of the Accountability Council receive a compensation of € 2.4 per year. Board members receive € 12.1 per year, except the chairman receives € 75.9.

Independent audit and advisory services

	2017	2016
Audit annual accounts	83	80
Advisory services	6	0
Total	**89**	**80**

Audit services are provided by PricewaterhouseCoopers Accountants N.V. In 2017 PwC Pensions, Actuarial & Insurance Services B.V. has provided tax advisory concerning investments and has charged an amount of EUR 6 for these services.

18 Change provision pension liabilities for risk pension fund

	2017	2016
Change provision	-29,476	72,502

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

	2017	2016
Provision change for future disability	74	-109

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

Unless clearly stated otherwise all amounts are in thousands of euros

20 Change provision for risk members

	2017	2016
Provision change for the account and risk of members	9,658	6,936

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. 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 EUR 2.2 Million which is approximately 200% of the risk premium. Declaration is possible 24 months after the contract period. In 2017 no claims were made.

22 Transfers of pension rights for risk pension fund

	2017	2016
Incoming transfer values	0	0
Outgoing transfer values	0	33
Total	**0**	**33**

23 Transfers of pension rights for risk members

	2017	2016
Incoming transfer values	-673	-479
Outgoing transfer values	159	66
Total	**-514**	**-413**

24 Other expenses

	2017	2016
Interest on bank accounts	21	0
Total	**21**	**0**

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

The balance of income and expenses (profit) of 2017 of € 77,734 is added to the general reserves.

12.11 Subsequent events

There are no significant events after balance sheet date.

Unless clearly stated otherwise all amounts are in thousands of euros

12.12 Single balance sheet

After appropriation of results (in EUR 1,000)

ASSETS	Note[7]		31-12-2017		31-12-2016
Investments for risk pension fund					
Real estate	25	9,284		1,571	
Equity		847,341		865,807	
Fixed income		378,027		319,049	
Hedge funds		75,215		79,507	
Derivatives		11,622		5,576	
Other financial investments	26	52,339		26,770	
			1,373,828		1,298,280
Investments for risk members	2		51,485		41,827
Investments in subsidiaries	27		96,978		131,299
Receivables and prepayments					
Other receivables	28		1,010		1,422
Other assets					
Cash	4		3,815		3,818
			1,527,116		**1,476,646**
LIABILITIES					
Foundation capital and reserves					
Foundation capital	5		0		0
General reserves	6		368,514		290,780
Technical provision for risk pension fund					
Actuarial accrued liabilities	7	1,092,767		1,122,243	
Provision for future disability	8	1,218		1,144	
			1,093,985		1,123,387
Pension provision for risk members	9		51,485		41,827
Current liabilities	29		13,132		20,653
			1,527,116		**1,476,646**

[7] 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

12.13 Single statement of income and expenses

(in EUR 1,000)

INCOME	Note[8]		2017		2016
Contributions from employer and employees	11		17,296		17,197
Contributions for account and risk members	12		5,015		4,626
Investment results for risk pension fund	30	95,513		131,704	
Investment results for risk members	14	4,129		1,904	
			99,642		133,608
Other income	15		0		16
Total INCOME			**121,953**		**155,447**
EXPENSES					
Benefits payment	16		30,345		30,339
Execution- and administration costs	17		2,407		1,947
Change pension provision:					
• Accrual of benefits		15,454		11,754	
• Indexation		6,970		244	
• Addition of interest		-2,396		-619	
• Change of mortality assumptions		0		415	
• Yield curve change		-15,099		93,300	
• Withdrawal for payments of pension benefits and pension execution costs		-30,966		-31,017	
• Withdrawal for other actuarial- and technical assumptions (retirement)		-1,266		-760	
• Changes as a result of transfer of rights		0		-10	
• Pension Plan Changes 2018		934			
• Other changes pension provision		-3,107		-805	
Change provision pension liabilities for risk pension fund	18		-29,476		72,502
Change provision for future disability	19		74		-109
Change provision for risk members	20		9,658		6,936
Reinsurance	21		38		43
Transfer of pension rights for risk pension fund	22		0		33
Transfer of pension rights for risk members	23		-514		-413
Other expenses	24		21		0
Total EXPENSES			**12,553**		**111,278**
NET RESULT			**109,400**		**44,169**
Result subsidiary (MREI)	**31**		**-31,666**		**-23,702**
TOTAL NET INCOME			**77,734**		**20,467**

[8] 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

12.14 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.

Result subsidiaries
The result is the amount by which the carrying amount of the participation has changed since the previous financial statements as a result of the earnings achieved by the participation.

12.15 Notes to the single Balance Sheet

General
When the balance value presented on the single balance sheet equals the value presented on the consolidated balance sheet, this balance sheet item has the same reference number as shown on the consolidated balance sheet. Details of these balance sheet values can be found in paragraph 12.6 “Notes to the consolidated Balance Sheet”.

25 Real estate

	2017	2016
Balance per 1 January	1,571	309
Purchases	8,004	1,371
Sales	-140	-184
Valuation changes	-151	75
Balance per 31 December	**9,284**	**1,571**

26 Other financial investments

	31-12-2017	31-12-2016
Cash available for investments	46,977	30,775
Liquid assets available for investment	24,589	0
Collaterals	3,658	13,958
Pending trades	0	1,028
Deducted investments ARP	-22,885	-18,991
Total	**52,339**	**26,770**

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.

Unless clearly stated otherwise all amounts are in thousands of euros

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 2015	**101,431**	**98,935**	**200,366**
Additions	-18,277	-18,138	-36,415
Operational result 2016	-8,635	0	-8,635
Revaluations (foreign currency)	-12,382	-11,635	-24,017
Balance per 31 December 2016	**62,137**	**69,162**	**131,299**
Repayments and dividend	0	0	0
Operational result 2017	-29,046	0	-29,599
Revaluations (foreign currency)	-2,620	-2,655	-4,722
Balance per 31 December 2017	**30,471**	**66,507**	**96,978**

The Senior Debt loans (EUR 56,664) have an average interest rate of 5.06% and the Junior Debt loans (EUR 9,843) 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.

28 Other receivables

	31-12-2017	31-12-2016
Contribution from employer	0	389
Accrued Interest Intercompany loan MREI	973	1,009
Advance payment benefits	37	18
Prepaid expenses	0	6
Total	**1,010**	**1,422**

29 Current Liabilities

	31-12-2017	31-12-2016
Derivatives	10,106	18,377
Accrued expenses and other liabilities	2,092	1,413
Contributions employer	71	0
Wage tax and premiums social security	863	863
Total	**13,132**	**20,653**

Negative derivate-positions are classified as current liabilities and positive derivative-positions are classified as assets. A further explanation on the derivatives can be found in paragraph 12.8 “Risk management”.

12.16 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 2017	Total 2016
Real Estate	69	-154	0	-85	82
Equity	4,632	81,636	-418	85,850	83,153
Fixed Income	7,559	-17,015	-225	-9,682	27,067
Derivatives and hedge funds	-355	22,908	-325	22,228	19,111
Other financial investments	-237	-332	-3,355	-3,336	-1,484
Investment results	**11,668**	**87,043**	**-4,323**	**94,975**	**127,929**
Allocated to ARP				-714	-527
Loan to subsidiary	3,907	-2,655	0	1,252	4,302
Net Investment result				**95,513**	**131,704**

In contrast to 2016 the other investment related costs in the above table were added to the investment related costs for the category “Other financial investments”.

Unless clearly stated otherwise all amounts are in thousands of euros

31 Result subsidiary (MREI)

The result of the subsidiary is compiled of:

	2017	2016
Operational result	-29,599	-8,635
Results on exchange rates	-2,067	-15,067
Total	**-31,666**	**-23,702**

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 (2016: 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.

12.17 Subsequent events

There are no significant events after balance sheet date.

Veghel, 19 June 2018

The Pension Board

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

Unless clearly stated otherwise all amounts are in thousands of euros

OTHER INFORMATION

13 OTHER INFORMATION

13.1 Articles of association governing profit appropriation

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

13.2 Actuarial Statement

Actuarial Statement

Assignment

The assignment to issue an Actuarial Statement, as referred to in the Pension Act in respect of the financial year 2017 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 € 8,175,000. With the external auditor I have agreed to report any observed discrepancies above a level of € 545,000. 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 addition I have formed an opinion about the financial position of the pension fund. This opinion is based on the liabilities of the pension fund incurred up to and including the balance sheet date and the available assets on that date, also taking into account the financial policy of the pension fund.

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

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

Opinion

The technical provisions have been determined adequately. The net assets of the pension fund on the balance sheet date were at least equal to the statutory required net assets.

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

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

My opinion about the financial position of Stichting Mars Pensioenfonds is based on the liabilities of the pension fund incurred up to and including the balance sheet date and the available assets on that date. In my opinion, the financial position of Stichting Mars Pensioenfonds is good. In forming my opinion it has been taken into account that the possibilities to realize the intended indexation are sufficient.

Apeldoorn, 19 June 2018

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

13.3 Independent auditor's report

Independent auditor's report

To: the Pension Board of Stichting Mars Pensioenfonds

Report on the annual accounts 2017

Our opinion

In our opinion Stichting Mars Pensioenfonds's annual accounts give a true and fair view of the financial position of the Foundation and the Group as at 31 December 2017, 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 annual accounts 2017 of Stichting Mars Pensioenfonds, Veghel ('the Foundation'). The annual accounts include the consolidated annual accounts of Stichting Mars Pensioenfonds and its subsidiaries (together: 'the Group') and the single annual accounts.

The annual accounts comprise:

- the consolidated and single balance sheet as at 31 December 2017;
- the consolidated and single statement of income and expenses for the year then ended; and
- 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 annual accounts 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 annual accounts' of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of Stichting Mars Pensioenfonds in accordance with the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

Report on the other information included in the annual report

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

- the report of the Pension Board;
- the other information.

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

- is consistent with the annual accounts and does not contain material misstatements;

- contains the 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 annual accounts 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 annual accounts.

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

Responsibilities for the annual accounts and the audit

Responsibilities of the Pension Board

The Pension Board is responsible for:

- the preparation and fair presentation of the annual accounts 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 annual accounts that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the annual accounts, 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 annual accounts 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 annual accounts.

Our responsibilities for the audit of the annual accounts

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 annual accounts 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 annual accounts.

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, 19 June 2018
PricewaterhouseCoopers Accountants N.V.

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

Appendix to our auditor's report on the annual accounts 2017 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 annual accounts and explained what an audit involves.

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

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 annual accounts 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 annual accounts, 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 annual accounts 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 annual accounts 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 annual accounts, including the disclosures, and evaluating whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the foundation's consolidated annual accounts 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 annual accounts 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.

13.4 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)
BPF (industry wide pension fund)	Bedrijfstak Pensioen Fonds
CBS	Centraal Bureau voor de Statistiek
CCC	Cost Covering Contribution
CPI	Consumenten Prijs Index
CSA	Credit Support Annex
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
FTK	Financieel Toetsingskader
GDP	Gross Domestic Product (Bruto Nationaal Product)
IBNR	Incurred But Not Reported
IMA	Investment Management Agreement
ISDA	International Swaps and Derivatives Association
KPI	Key Performance Indicators
LDI	Liability Driven Investments
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
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)

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