Stichting Mars Pensioenfonds Veghel

Annual Report 2013

Stichting Mars Pensioenfonds

Financial administration
ACS HR Solutions
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Unless explicitly mentioned differently all amounts are in thousands of euros

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ANNUAL REPORT

1 KEY FIGURES

Amounts (in thousands EUR)	2013	2012	2011	2010	2009
Members and pensioners					
Active members	1.427	1.389	1.208	1.241	1.217
Deferred members	1.160	1.158	1.166	1.165	1.196
Retirees	1.126	1.037	970	964	917
Pensioners per type					
Old age pension	833	774	724	721	689
Partner- and orphan pension	283	255	237	237	228
Pensions					
Cost covering contribution	34.6%	35.3%	32.1%	27.2%	31.0%
Smoothened cost covering contribution	20.7%	21.0%	20.9%	19.4%	18.4%
Actual contribution	25.00%	25.00%	20.0%	16.0%	25.0%
Execution- and administration costs	2,483	1,849	2,310	3,005	2,450
Benefits payments	26,651	25,350	25,163	24,485	23,831
Interest and Indexation					
Active members (MUP interest) average/year	5.62%	5.59%	4,77%	3.70%	5.42%
Inactive members, conditional indexation	0.60%	0.29%	1.19%	1.83%	1.35%
	1-1-2013	1-1-2012	1-1-2011	1-1-2010	1-1-2009
CPI	2.32%	2.71%	1.58%	0.38%	3.85%
Assets and solvency					
General reserve	243,940	106,230	75,156	199,400	222,500
Minimum general reserve	35,385	36,473	33,414	35,013	30,900
Regulatory own funds	247,766	221,903	209,358	194,465	173,300
Actuarial Accrued Liabilities at the risk of the pension fund	852,700	878,900	805,200	700,300	618,600
Funding ratio	129%	112%	109%	129%	136%
Assets					
Market Value of assets	1,134,000	999,000	893,000	900,300	852,000
Investment returns	124,000	120,000	600	79,500	157,600
Investment portfolio					
Real estate investments	116,900	52,300	25,900	8,600	-
Equity	613,700	464,500	403,200	474,000	498,000
Fixed income	286,000	387,900	360,500	382,500	318,000
Other investments	117,600	94,200	98,300	35,300	35,800
Investment results					
Total portfolio	12.1%	13.5%	-0.0%	9.0%	22.4%
Benchmark Return	8.8%	13.0%	0.5%	8.2%	21.1%
Average return per year					
Last 5 years	11.1%	3.8%	2.3%	4.6%	7.6%
Last 10 years	8.4%	8.8%	5.9%	5.7%	4.9%
Investments for risk of the participants (MSP)					
Equity	12,702	7,685	5,118	4,459	2,990
Fixed income	81	29	14	5	-

Unless explicitly mentioned differently all amounts are in thousands of euros

2 GENERAL INFORMATION

2.1 Legal structure

Stichting Mars Pensioenfonds (hereinafter: Mars Pension Fund or MPF) was established in 1964 and has its statutory seat in Veghel, Taylorweg 5. Mars Pension Fund is registered in the Trade Register of the Chamber of Commerce under number 41081174. The Articles of Association were last changed in March 2011.

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

The members of the Mars Pension Fund accrue pension benefits for (early or late) retirement, disability and death based on a final pay scheme or a defined contribution and cash balance scheme depending on their start of service 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 documented in a number of documents. Mars Pension Fund administers the pension agreement as agreed on 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 the members.

In the plan rules the pension promises are documented. Current active members can be a member of either "Plan rules 2004" or "Plan rules 2006". "Plan rules 2004" is a combined defined contribution and cash balance scheme and "Plan rules 2006" is a final pay scheme.

The ABTN, one of the most important documents, provides insight into the operation of the Mars Pension Fund and gives a description of the policies pursued by the Pension Fund. Last modified on 19 December 2013 and applies with effect from 1 January 2014.

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

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

2.3 Organisation

2.3.1 Pension Board

The Mars Pension Fund is governed by a Pension Board consisting of eight members: four employer and four employee representatives. Three employee representatives are elected by the Fund's active members and also appointed by the Pension Board. One of the employee representatives is elected by the retirees. 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 Expertise (*Deskundigheidsplan*) of Mars Pension Fund. The Pension Board shall pass resolutions by a simple majority vote, unless the Articles of Association (*Statuten*) provide otherwise. Each Pension Board Member can authorize another Pension Board Member in writing to represent him during a Pension Board meeting (including the authority to vote). A Pension Board Member can represent not more than one other Pension Board Member. Valid resolutions may only pass if at least

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six Pension Board Members are present or represented at the meeting of which three employer representatives and three employee representatives.
As from 1 January 2014, the Pension Board will consist of six members instead of 8: three employer and three employee representatives from which one is elected by the retirees. Valid resolutions may only pass if at least four Pension Board Members are present or represented at the meeting of which two employer representatives and two employee/retiree representatives.

In 2013, again there has been no request for a Members' Council or Members' Meeting by any member.

As of 31 December 2013 the Pension Board has the following members:

On behalf of the employers				
Name	**Job title in Pension Board**	**Job title**	**Year of appointment**	**Year of stepping down**
Mrs. M. de Mars	Board member	Global Controller Mars Food	1988	n/a
Mrs. A. Poliquin	Board member	General Counsel-Europe	2010	n/a
Mr. W. van Ettinger	Chairman of the Board	Self Employed	1997	n/a

On behalf of the employees				
Name	**Job title in Pension Board**	**Job title**	**Year of appointment**	**Year of stepping down**
Mr. W. van de Laar	Board member	Technology Manager Bars Global Scale Team	2003	2016
Mr. J. van Lith	Secretary*	Secretary Works Council	2003	2015

On behalf of the in-active members				
Name	**Job title in Pension Board**	**Job title**	**Year of appointment**	**Year of stepping down**
Vacancy				

Pension Board members on behalf of the employers are appointed for an indefinite period. Pension Board members on behalf of the employees and in-active members are appointed for a 3 years period.

In 2013, Mr. W. van de Laar was reappointed as Pension Board member on behalf of the members for a period of 3 years. In 2013, the following Pension Board members resigned:

- Mr. P. den Hollander as from 30 September 2013;
- Mr J. van Bon as from 30 September 2013;
- Mrs. A. Bergknut as from 31 December 2013.

Mrs. M. de Mars became Board member of behalf of the employer as from 1 January, 2014.
* Mr. J. van Lith has taken over the role from Mr. P. den Hollander as Secretary as from 1 October 2013.

The Pension Board decided in the meeting on 4 October 2013 to start with the selection procedure to fill the vacancy of Pension Board member on behalf of retirees.

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2.3.2 Executive Board

The Executive Board consists of:

Name	Job title
Mr. W. van Ettinger	Chairman of the Pension Board
Mr. F. Bambang Oetomo	Director
Mr. F. Nieuwland	EMEA Investments & Funding 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 Expertise also applies to the Director. The responsibilities of the Pension Office are:

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

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

The Pension Office consists of:

Name	Job title
Mr. F. Bambang Oetomo	Director
Mrs. H. Bakermans	Pension Fund Services Manager
Mr. F. Nieuwland	Investments & Funding Manager
Mrs. S. Tonnaer	Benefits Manager

2.3.4 Supervisory Board

In 2008 the Pension Board has installed a Supervisory Board (*Verantwoordingsorgaan*). The Supervisory Board's role is to critically review the Pension Board's range of policies. In the Annual report a separate section is included that reflects the Supervisory Board's findings.

At the end of 2013 the Supervisory Board consists of:

Name	Job title	Year of stepping down	On behalf of
Mr. I. Langer	Benefits Director S&F	2016	Employer
Mrs. W. Boot	S&F Site Head Mars NL	2015	Employees
Mr. H. Faassen	Self Employed	2014	Retirees

In 2013, the term of Mr. I. Langer was extended with 3 years.

2.3.5 Administration

The Mars Pension Fund's member administration and the investment administration of the Associate Selection Plan of Plan 2004 were in 2013 still outsourced to Lohoff & Partner GmbH in Isernhagen, Germany. The financial administration and payroll for 2013 were outsourced to Xerox Services (formerly: ACS HR Solutions) in Capelle aan den IJssel. The Fund has agreed contracts and Service Level Agreements with both Xerox Services and Lohoff & Partner GmbH. Xerox Services provides input for the quarterly SLA report and delivers monthly overviews regarding cash flow.

The Pension Board decided in 2013 that as from 1 January 2014, the member administration, the investment administration of the Associate Selection Plan of Plan 2004, and the financial administration and payroll will be outsourced to TKP in Groningen. The Pension Office has agreed a contract and has defined processes and deliverables in a SLA with TKP. TKP was asked to complete the 2013 member administration for the year end close.
Mrs. H. Bakermans is responsible for managing the activities and project work of both Lohoff & Partner GmbH, Xerox Services and with TKP.

2.3.6 Investment Committees

The Pension Board has established two Investment Committees to advice on investments, the Investment Committee and the Advisory Committee Investment Structure ASP. Committee members are appointed by the Pension Board.

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

During 2013 the Investment Committee was composed of the following members:

Name	Job title	Details
Mr. W. van Ettinger	Self employed	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	S&F Staff Officer Western Europe	
Mr. D. Szente	Chief Investment Officer	Chairman

The Advisory Committee Investment Structure ASP advises the Pension Board on issues concerning the defined contribution plan called the Associate Selection Plan (ASP).

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On 31 December 2013 the Advisory Committee Investment Structure ASP for the defined contribution plan is composed of the following members:

Name	Job title	Year of stepping down	Details
Mr. F. Bambang Oetomo	Director	2014	Company representative
Mr. B. Kanis	Barline Senior Technologist	2015	Member representative
Mr. R. van de Langenberg*	Senior Associate Internal Audit EMEA	2015	Company representative
Mr. H. van Heesch	Process Area Operator	2016	Member representative
Mrs. L. VanHerf	Accounting Analyst	2016	Member representative
Mr. H. van Berkel	Investment Reporting & Control Analyst	2016	Member representative

* In 2013, three new member representatives were approved by the Pension Board. In 2014, Mr. R. van de Langenberg will end his membership.

2.3.7 Investment managers

The main investment managers, by value, are PIMCO, GMO, Marathon, MSIM, Neuberger Berman, Lasalle IM, Blackstone and Arrowstreet. 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

Where necessary the Pension Fund and Board uses outside consultants in carrying out its duties.

Advice	Third party
Advisory Actuary	Towers Watson, Eindhoven
Tax Advisor	PricewaterhouseCoopers Belastingadviseurs N.V.
Legal Advisors	Blom advocaten, Amsterdam Stibbe N.V., Amsterdam Lovells, London
Communication Advisor	Towers Watson, Amsterdam
ALM Advisor	Towers Watson, Amsterdam
Strategic Asset Allocation	Secor, London
Tactical Asset Allocation	Secor, London
Manager Selection	Secor, London
Transition Management and Portfolio Control	Secor, London
Private Equity	Performance Equity Management, Greenwich
Hedge Funds	Blackstone, New York Secor, London
Property Investments	LaSalle IM, London

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

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

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3 FINANCIAL INFORMATION

3.1 General Financial Market Developments 2013 and outlook 2014

Positive developments dominated in 2013, resulting in outsized market returns and relatively low volatility. In the US, aside from the two-week government shutdown in October, most of the policy/economic news was positive – for example, the avoidance of the fiscal cliff, narrowing of budget and current account deficits, budget compromise in December, and pick-up in growth in the latter half of year. Meanwhile, the Euro area exited recession and entered a modest recovery that appeared to broaden across countries. Despite continuing painfully high unemployment, there was little evidence of social unrest in the Euro area and political crises in Italy, Greece, and Portugal were defused with minimal disturbance. Japan and the UK both significantly exceeded growth expectations, with Japan benefitting from the initial success of Abenomics.

In contrast with the Developed Markets in which positive developments predominated in 2013, the news from the Emerging Markets was mixed. The pace of growth in EMs is still significantly above DMs (~ 4.5% vs. 1%) but growth was slightly below expectations and down ~ 3% from the first decade of the current millennium. Overall, EM growth appears to be decelerating to a more sustainable pace and the reforms initiated by the new administration in China are likely to reduce the possibility of a so-called hard landing for the world's 2nd largest economy.

Developed Markets in 2014 look to continue their slow upward march, while Emerging Markets growth, albeit higher than developed markets on an absolute basis, is expected to be little changed from its 2013 pace. In general, investors are constructive on 2014, but there are a few "elephants in the room" that could derail the relatively sanguine markets. While Central Bank policies should address this year's challenges without serious setbacks, there are still a number of issues to deal with, and this will be a crucial component to continued global growth this year:

- Fed - Tapering does not precipitate sharp jump in rates
- ECB - Supplies adequate credit/avoids deflation
- BoJ - Successfully offsets depressing effects of consumption tax hike

3.2 Return of MPF

The investment portfolio of the Pension Fund has realised a performance of 12.06% in 2013. In the first half of the year the performance was 5.4% and in the second half the performance came out at 6.3%. The benchmark return for 2013 was 8.76% so the plan achieved an outperformance of 3.3%.

3.3 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.

3.3.1 Execution- and administration costs

The execution- and administration costs are specified in the Annual Accounts (11.7 Notes to the statement of income and expenses – note 23.

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

	2013	2012
Annual execution- and administration costs	2,483	1,849
Costs per member in euro's: active members and retirees	970	760
Costs per member in euro's: active members, retirees and inactive members	670	520

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These costs include both the ongoing costs as well as the project costs. In 2012, an improvement project at Lohoff and Partner for the member administration has started, concerning process automation and standardisation. This project continued in 2013. In 2013, the project to implement the new member administration and financial administration including payroll with the new administrator TKP started so a high level of costs for administration is expected until the implementation of the administration is ready.

As we have a high standard on member administration and communication we are aware MPF has relatively high costs. The Pension Board will continue to monitor the costs but will not engage in the CEM benchmark for an annual analysis for the 2013 costs

3.3.2 Investments costs

MPF has in 2013, together with the appointed investment managers, constructed a specification of all investment related costs. Also, a benchmark exercise has been completed with CEM Benchmarking Inc. This company's benchmarking methodology is recommended by the Federation of Dutch Pension Funds.

The table below shows the investment related costs in bps incurred by the Pension Fund in 2013:

Investment related costs	Costs outside the funds	Costs inside the funds	Total costs
	in bps.	in bps.	in bps.
Management fees	0,26%	0,40%	0,66%
Advisory fees	0,14%	0,00%	0,14%
Other fees	0,05%	0,10%	0,15%
Performance fees	0,02%	0,04%	0,06%
Total	**0,47%**	**0,55%**	**1,02%**
Benchmark			**0,68%**
Difference vs Benchmark			**0,33%**

It includes 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. It includes costs related to Management fees, Custody fees, legal fees and administrative / audit costs[1].

This table excludes transaction costs. These costs are invisible for the Pension Fund and generally not yet recorded and available which is recognised by many Dutch pension funds. Transaction costs are difficult to uncover, we will continue to work with the custodian and the IM's to be able to disclose reasonable estimates in the near future. For the so called second-layer costs within Fund of Funds structures (costs charged to the underlying funds) a proxy has been included based on the guidance of CEM.

The total investment related costs in 2012 are 102 bps. The Benchmark from the CEM exercise on 2012 data was 68bps. The outcome of the CEM exercise based on 2013 data, which will provide a new benchmark, will be completed in August 2014; however it can be assumed that the costs structure is reasonably stable across the years.
It can be concluded that the Pension Fund has a high investment costs structure; however one should always consider this together with the investment performance of the Pension Fund. In 2013 the Pension Fund has outperformed the benchmark by 330 bps. Over the last 10 years the Pension fund has added 176 bps annually relative to its strategic benchmark.

[1] Directly invoiced investment related costs are specified in the Annual Accounts (chapter 11.7, note 23).

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The relatively high investment costs can be explained by the way the Pension Fund has structured the investment policy, organisation and approach:

- The assets of the Pension Fund are 100% externally and actively managed, which is the most costly solution, which is assumed to provide the highest outperformance.
- The Pension Fund has a high allocation to risky assets as well as alternative investments, which are assumed to provide the highest return and these managers generally charge higher fees.
- The Pension Fund has a relatively small internal team and pays relatively high fees to obtain strategic advice.

The Pension Board will continue to monitor the costs and will engage CEM for an annual analysis for the coming years.

3.4 Pensions

During 2013 the liabilities have decreased by 3.0% to EUR 852.6 million. An important reason for this is the yield curve change (decrease of AAL of 28,286).
The Mars Pension Fund executes several pension plans with different plan rules. For the active members there are two different sets of plan rules applicable. For the members who were already a member of the plan before 1-1-2004 the final pay plan called “Plan 2006” is applicable. For those members who became a member on or after 1-1-2004 the plan called “Plan 2004” is applicable.

The distribution of the active members (including disabled) at 31 December is:

	2013	2012	2011
Old plan rules[1]	39	43	52
Plan 2004	617	516	272
Plan 2006	771	830	884
Sum of total	**1,427**	**1,389**	**1,208**

For the members in Plan 2006 the pensions in payment and deferred rights were increased as per 1 January 2013 by 0.60%. The reference price inflation for this period was 2.32%, the Wage index for this period was 2.01% and the Funding Ratio was below the Legally Required Solvency Ratio at year-end 2012. This means that the indexation granted was not equal to the ambition of the Pension Fund Together with the outstanding indexation of 2012 (1.73%), there is a total amount of 2.86% on outstanding indexations at the end of 2013.

For the active members in Plan 2004 the (annualised) interest on the ARP was 5.32% for the period 1 January 2013 until 30 June 2013 and 5.92% for the second half of 2013. For deferred members the interest is conditional based on the Funding Ratio per end of December and end of June in any year. The Funding Ratios per end of December 2012 and per end of June 2013 were both lower than the Legally Required Solvency Ratio for that particular month, so the interest for deferred members was not equal to the interest for the active members during 2013, but equal to 1.85% for the first half of 2013 and 2.86% for the second half of 2013.

[1]The active members in the old plan rules are all disabled members whose pension continuously accrues in the old plan.

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3.5 Actuarial

In this section we summarize the actuarial report.

Financial position	31 December 2013	31 December 2012
Market Value of Assets	1,096,588	985,099
Actuarial Accrued Liabilities at the risk of the pension fund	852,648	878,869
Actuarial Accrued Liabilities at the risk of the members	12,783	7,714
Actual Funding Ratio	128.6%	112.1%
Legally Required Solvency Ratio	129.1%	125.2%
Legally Required Minimum Solvency Ratio	104.2%	104.2%

During the financial year 2013 the Actuarial Accrued Liabilities (AAL) at risk of the pension fund decreased with 26,221. An important reason for this is the yield curve change (decrease of AAL of 28,286). The Market Value of Assets increased by 111,489 during 2013.
The profit and loss account (P/L) shows a positive result of 137,710 leading to the own funds increasing from 106,230 to 243,940 in 2013.
The Funding Ratio increased during 2013 from 112.1% to 128.6%. At year-end 2013 there is a reserve deficit.
The cost covering contribution on market value is determined at 27,696. The smoothened cost covering contribution equals 16,557. The actual contribution was 21,510.
For more information please see Chapter 9.

According to the judgment of the certifying actuary the financial position of Stichting Mars Pensioenfonds is not sufficient, due to the reserve deficit.

3.6 Funding Ratio

In the first quarter of 2013 the Funding Ratio increased due to the increased interest rate. In the second quarter the Funding Ratio decreased due to the decreased interest rate. From July 2013 up until the end of the year the funding ratio has increased due to the return on investments. The funding ratio has been above the Minimum Legally Required Solvency Ratio of 104.2% during 2013. During 2013 the pension liabilities of the Mars Pension Fund decreased in total by 3.0% to EUR 852.6 million. The assets have increased by 11.3% over 2013. At year-end 2013 the Funding Ratio was 128.6%. This was below the Legally Required Solvency Ratio of 129.1%, so there is a reserve deficit at year-end.

The real funding ratio, based on European price inflation is 89.2% as of year-end 2013. In the determination of the real funding ratio the AAL is calculated based upon the real interest rate curve, which takes into account the full European price inflation.

According to the plan rules of MPF it is our ambition to conditionally grant 75% of Dutch price inflation. The real funding ratio is calculated for information purposes.

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

	Funding Ratio	Legally Required Solvency Ratio
End 2010	128.5%	127.8%
End 2011	109.3%	126.0%
End 2012	112.1%	125.2%
End 2013	128,6%	129,1%

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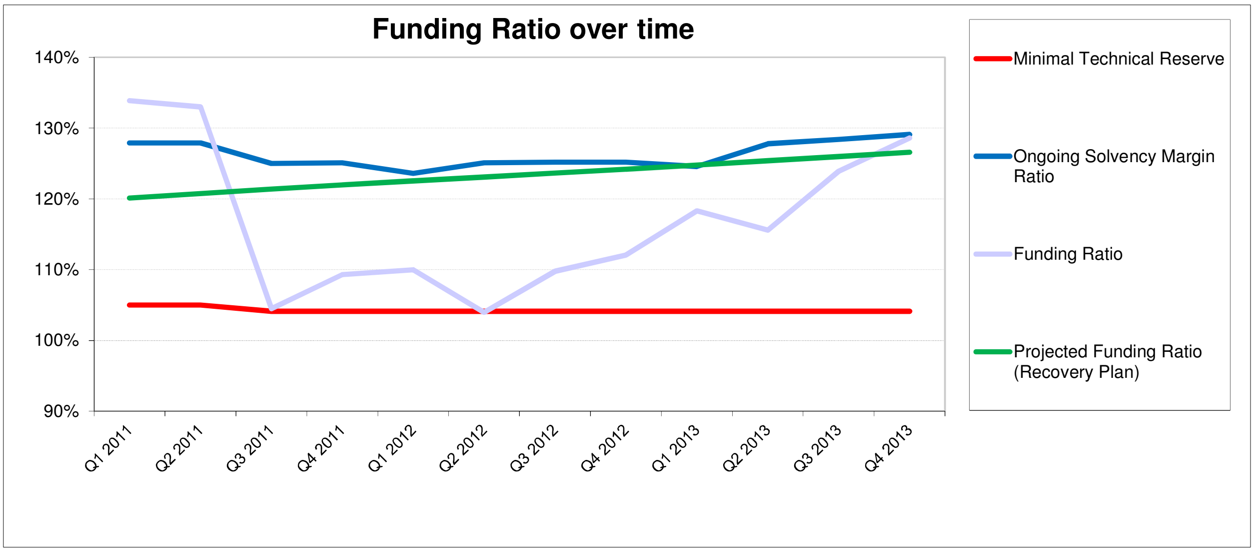
3.7 Recovery plan

In November 2008, the Funding Ratio (115%) was below the Legally Required Solvency Ratio (126%). In March 2009 a long term recovery plan was submitted to *DNB* and in September 2009 a revised one.

The long-term recovery plan has been prepared in accordance with article 16 of the Financial Assessment Framework (*Besluit FTK Pensioenfondsen*) and shows a steady recovery. A recovery plan ends when the Funding Ratio is above the Legally Required Solvency Ratio for three quarters in a row. For MPF this has not been the case because at year-end 2013 the Funding ratio is below the Legally Required Solvency Ratio. This means that the long-term recovery plan is still applicable at year-end 2013.

The Funding Ratio at year-end 2013 of 128.6% is higher than the expected funding ratio in the recovery plan of 126.6% and higher than the expected funding ratio according to the 2012 evaluation of the recovery plan (117.0%).

The graph below shows a graph of the Funding Ratio, the Legally Required Solvency Ratio and the expected Funding Ratio according to the recovery plan.



3.8 Administrative and Financial Agreement

In the Administrative and Financial Agreement the Pension Board and sponsors have agreed a clear method to set the contribution. This is based on objective parameters.

The structural contribution for the employers is 20% of the salary sum of all active members. In case the Funding Ratio is below the Legally Required Solvency Ratio the contribution will increase to a maximum of 25%. In case the smoothened cost covering contribution is higher than 25% the contribution will be equal to the smoothened cost covering contribution. In case of a funding deficit the maximum percentage of 25% is not applicable and the annual contribution will be 20% plus one third of the extra contribution necessary to recover to at least 104.2%. When the Funding Ratio is higher than the Legally Required Solvency Ratio plus 5% a lower contribution is possible. More details are provided in the actuarial section.

As the Funding Ratio as per 31 December 2012 was below the Legally Required Solvency Ratio the Pension Board decided to set the contribution for 2013 at the agreed maximum level of 25% of the pensionable salary sum of all active members. The smoothened cost covering contribution 2013 was below this 25%.

3.9 Supervision

There were no penalties from DNB received during 2013. DNB has not given any instructions to the Pension Fund. DNB has not appointed a trustee nor made the governance subject to the approval of the DNB.

4 RISK SECTION IN TERMS OF OBJECTIVES, POLICIES AND FINANCIAL TOOLS

In its risk management efforts the Pension Fund can utilize the following policy instruments:
- An ALM policy and duration matching;
- A Strategic and tactical investment policy;
- A Funded Status policy;
- A Refund Policy;
- A Contribution Policy;
- An Indexation Policy;
- A Reinsurance policy;
- A Risk Policy for Alternative Investments;
- A Risk Policy for outsourced activities;
- Risk management procedures for operational activities.

Which policy instruments will be utilised when and how, is largely determined by extensive analyses focusing on expected developments in the evolution of the liabilities and the relevant developments on financial markets. The Pension Fund uses Asset-Liability-Management (ALM) studies to focus on the long-term developments of both sides of the balance sheet. An ALM study analyses the structure of the pension liabilities and analyses the behaviour and consequences of various investment policies under many diverse economic scenarios.
One should bear in mind that the Pension Fund will always use a combination of policy instruments to manage and control the risks the Pension Fund is going to be confronted with. More often than not, the application of different instruments simultaneously is more effective than the singular use of one instrument. For example, in its overall policy framework, the Pension Fund has established a direct and explicit link between the funded status and the contribution and indexation policy. Following the outcomes of the ALM study and the investment policy review, the Pension Fund decides on investment policy guidelines on which the actual investments implementations are based. These investment guidelines also define the ranges and limits within which the investment strategy has to be executed, and the ranges and limits are set to manage the most important investment risks. The Pension Fund's tactical asset allocation efforts are also used to control perceived price risks. Based on the insights from the investment advisors overvalued asset classes will be underweighted in the portfolio, and undervalued asset classes will be overweighed. The tactical policy is partly used to reduce the overall absolute volatility of the portfolio and to protect the absolute value of the investments.

In Paragraph 11.7 Risk Management and Derivatives the most important financial and capital market risks a pension fund will normally be confronted with are described including the figures for MPF.

4.1 Operational Risk

The operational risk is related to the execution of administrative and investment activities caused by insufficient internal processes, systems or external events. This risk is mitigated the quality demands of the Service Level Agreements of Stichting Mars Pension Fund with the providers Xerox, Lohoff and Partner and TKP. TKP also has a ISAE 3402 type II report. The transition of the execution from Xerox and Lohoff and Partner to TKP is managed by the Pension office. The Pension Board, together with TKP and Pension Office has assets the risks and are monitoring regularly the developments of the project and the risks.

4.2 Legal Risk

The legal risk is related with the compliance of legislation and changes in legislation or the possibility that contractual provisions are not sufficiently documented. Mars Pension Fund acknowledges the importance of compliance with the upcoming changes in legislation the coming years. The Pension Board keeps up to date with these changes. Besides the legal knowledge of the Pension Board and the Pension Office, Mars Pension Fund is advised by external legal advisors. These legal advisors are also consulted for all the contractual agreements of Mars Pension Fund. The Compliance Officer also monitors the compliance with legislation and has quarterly meeting with the external legal advisor of Mars Pension Fund. The Pension Officer performs with the input of the Compliance Officer and external legal advisor an annual compliance check of all the legal documents which is discussed by the Pension Board in the December meeting.

5 LOOKING FORWARD

5.1 Pension Fund Governance

In 2012, the Dutch Minister of Social Affairs has presented a detailed overview and a proposal for legislation for the new governance models. In 2013, this proposal became legislation that will be applicable as from 1 July 2014. In the December 2013 meeting, the Pension Board decided on the future of its governance model; a Joint Board with an Accountability Council [Verantwoordingsorgaan] and a Review Committee [Visitatiecommissie] as from 1 July 2014. The first review of the Review Committee will be in the beginning of 2015, covering 2014. In 2014, the Pension Board will start with the recommendations from the Code Pension funds. The Pension Board however will continue to review the sustainability of Mars Pension Fund in the future and will explicitly consider other governance and execution alternatives. All stakeholders of the Fund including the members will be timely informed of those considerations when appropriate.

5.2 Investments

In 2013 MPF completed an ALM study and based on the advice of Secor Investment Advisors the Pension Board of MPF has ratified a new Investment Policy. Implementation of the new Investment Policy has led to a re-allocation between existing asset classes and the addition of a new Private Credit asset class. The Interest rate hedge is still on the lowest trance, due to the historically low (real) interest rates.

In 2014, the Private Credit asset class will be completed by the addition of a fourth Private Credit fund. The allocation to Private Equity is expected to further ramp up, and move towards full allocation by the end of the year. The interest rate hedge will generally increase linearly with the relevant interest rate. The specific interest rate environment and the development of the financial position of the Pension Fund will determine the LDI hedge movement in 2014. The tactical Equity Tail Risk Hedge overlay in the portfolio, to mitigate the risk of a negative tail risk event, is in principal extended for a one year period. The ongoing inclusion of an Equity Tail Risk Hedge as part of the portfolio is dependent on the macro economic developments and outlook. The current Property allocation is still below the strategic target and is expected to grow further in 2014. The plan has seized a number of buying opportunities in 2013.

In 2013, the Mars ETBC team completed a comprehensive risk management project, by which risk objectives and risk management procedures for the major investment and operational risks were reviewed and documented. Going forward, this will serve as living document to facilitate improvement and transparency of risk management. The Pension Fund will continue to focus on the funded status volatility of the plan, will increase its focus on the development of risk scenarios, and the policies under those scenarios.

5.3 Pension Schemes

The changes in fiscal legislation as from 1 January 2014 were clear in 2013. The sponsor has decided to make only the necessary changes to the Mars Pension Plans as from January 2014 in order to comply with the new legislation. This meant for Plan 2006 a decrease of the percentage of accrual of old age pension (from 2.0% to 1.9%) and a normal retirement age of 67. For Plan 2004 it meant a decrease of the contributions and a normal retirement age of 67.The sponsor has communicated this to the Pension Board. A communication plan for the pension changes was developed and all participants were informed about the changes.
Besides this change due to fiscal legislation, the Pension Board decided to ask all participants in the ‘old’ final pay plans permission to transfer their accrued pension rights to the new pension plan. This means as from 1 January 2014 all members are either participating in Plan 2014 (the final pay plan) or Plan 2004-67 (the defined contribution plan). Simplifying the administration and communication were the main reasons for this decision to convert all the accrued pension rights to the new plan. 1 Active and 12 inactive members objected to this transfer. After individual communication, 11 objections from inactive members of 3 different final pay plans (2006, 2000 and 1994) remained. The Pension Board took the position in the January 2014 meeting that the continuation of these plans for a few participants only is not reasonable or affordable and decided to inform these members that they will be transferred to the new plan despite their objections.

In 2015, both changes of fiscal legislation and changes of the Financial Framework (nFTK) are expected. As legislation is not final yet, the Pension Board has expressed their worry about timely communication about the changes to the members.
Both the Pension Board and the Pension Office follow the developments closely and make sure that they will stay compliant with new pension legislation.

5.4 Long Term Recovery Plan

Based on the financial position at year-end 2013 it was possible to terminate the long-term recovery plan by the end of 2015; however the likelihood of this decreased in 2014. The decision to terminate the long-term recovery plan will be based on the specific circumstances at the moment the Funding Ratio has been above the Legally Required Solvency Ratio for three adjacent quarter ends.

5.5 Pensions

In addition to the pension plans mentioned in paragraph 7.1 (plan 2006) and 7.2 (plan 2004) there is the pension scheme of the industry wide pension Fund (Stichting Bedrijfstakpensioenfonds voor de Zoetwarenindustrie), the BPF Sweets. Participation in BPF Sweets depends on the level of the pensionable salary. In 2012, there was a significant decrease of the salary ceiling of the BPF Sweets, and a significant increase of the members of Plan 2004. Also for a significant group of active members in Plan 2006 the BPF Sweets accrual stopped in 2012 as a consequence of the decreased ceiling. All these members were given the choice to transfer their accrued pension rights from the BPF Sweets to MPF. This transfer of value has taken place in 2013. DNB has approved this transfer in April 2013. The total amount that is transferred from BPF Sweets to MPF is around 7,700.

6 PENSION BOARD EXPERIENCES

The Pension Board had 4 physical meetings in 2013 and 9 walk in sessions (training sessions for member of the Pension Board and Supervisory Board). 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.

6.1 Governance

The Pension Board uses a dashboard and balance sheet management reports to have a good oversight of the status and development of all activities.
During 2013 Pension Board members have attended several meetings organised by the *Pensioenfederatie* and *DNB* in order to maintain their expertise and also attended the internal training sessions, the “walk in sessions”.

After resignation of 3 Pension Board members in 2013, the Pension Board decided to continue in 2014 with a Pension Board of 6 members as it gets increasingly difficult to find adequate candidates. Mrs. M. de Mars will be Pension Board member of behalf of the employer instead of on behalf of the members as from 1 January 2014. In 2013, the election process started to find a new candidate for the Pension Board member on behalf of the retirees. Mr. H. Faassen was the only retiree that applied for this position and this will be formalized in 2014. As Mr. H. Faassen is currently Supervisory Board member on behalf of the retirees, this will mean a vacancy in the Supervisory Board. A selection procedure for the new Supervisory Board member will start in 2014.

These changes in the Pension Board meant also changes in the Competency Teams. Pension Board members are appointed to areas of expertise defined by DNB. These Competency Teams have detailed knowledge of their area, and also manage the area in more detail and advice other Pension Board members on their topics. As from 2014; the roles and responsibilities of the Competency Teams are as follows:

Topic	Scope	Pension Board Members
Legal	Pension Law Governance	Mr. W. van Ettinger Mrs. A. Poliquin
Actuarial	Actuarial Accrued Liability Contribution ALM / CA	Vacancy 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 Vacancy
Communication	Pension Communication	Vacancy Mr. J. van Lith
Governance	Governance	Mrs. A. Poliquin Mr. W. van Ettinger
Outsourcing	Outsourcing	Mrs. M. de Mars Mr. W. van Ettinger

The vacancies in the Competency Teams will be filled in by Mr. H. Faassen when he is appointed as the new Pension Board member.

Unless explicitly mentioned differently all amounts are in thousands of euros

6.2 Actuarial

Recovery plan and Funding Ratio
The Pension Board has monitored the development of the Funding Ratio and the consequences for the long-term recovery plan on a monthly basis. To perform this task a monthly Asset Liability Watch (ALW) was provided by Towers Watson. In the first quarter of 2013 the Funding Ratio increased due to the increased interest rates. In the second quarter the Funding Ratio decreased due to the decreased interest rate. From July 2013 up until the end of the year the funding ratio has increased due to the return on investments. The funding ratio has been above the Minimum Legally Required Solvency Ratio of 104.2% during 2013. The Funding ratio is below the Legally Required Solvency Ratio at year-end 2013, so there is a situation of a reserve deficit.

A recovery plan ends when the Funding Ratio is above the Legally Required Solvency Ratio for three quarters in a row. For MPF this has not been the case because at year-end 2013 the Funding ratio is below the Legally Required Solvency Ratio. This means that the long-term recovery plan is still applicable at year-end 2013.

Funding and indexation 2013
In line with the funding and indexation policy of the Mars Pension Fund the Pension Board decided in its Board meeting of 28 January 2013 to grant an indexation of 0.60% effective 1 January 2013. Together with the outstanding indexation of 2012 (1.73%), there is a total amount of 2.86% on outstanding indexations at the end of 2013.
The contribution paid in 2013 was the maximum contribution of 25% of the salary bill of all active members. For 2014 the contribution is set at the structural contribution of 20%.

6.3 Investment Policy

In 2013 the Pension Board of MPF has ratified a new Investment Policy, on the basis of the advice of Secor Investment Advisors as well as the results of the ALM study.

One of the key features of the 2013 Investment Policy is a slight increase in the return-seeking posture. The key changes include increasing the equity allocation from 38% to 45% and reducing bond allocations from 25% to 15%. The rationale for this change was that the Pension Board assessed that a slightly more aggressive stance provided an improved probability of achieving their goals with a manageable downside outcome. Based on stochastic analysis conducted by SECOR and reviewed by the Investment Committee, the marginal increase in probability of achieving a 150% funding level decreases significantly for increases in risk exposure above a target funded status volatility of 12%. 150% represents full economic funding and a reasonable check-point beyond which the benefits of additional upside become less clear. In addition to these long term strategic targets, dynamic long term strategic overweight's are approved for Real Estate and High Yield bonds of respectively 10% (from 15% to 25%) and 3% (from 10% to 13%). The Real Estate overweight is sourced using a 55% High Quality Bonds and 45% Global Equity substitution rule and the High Yield bond overweight is sourced by Private Credit entirely.

The new investment policy is scheduled to be implemented in two stages. Stage 1 has been completed in 2013 under the guidance of Secor Investment Advisors. In stage 1, MPF has added Private Credit as a strategic asset class and has hired three Private Credit investment Managers. In addition, the bond asset class was redefined to appropriately and efficiently address collateral requirements for the interest rate risk (LDI) and equity risk (TRH) overlays.
In stage 2, to be completed in 2014, MPF will complete the Private Credit allocation and hire a fourth Private Credit manager. Also, the High Yield and Emerging Market Debt (EMD) asset classes will be combined into a Diversified High Yield Bond asset class. The Diversified High Yield will be designed to be an optimized, flexible allocation to return-seeking fixed income investments.

The Pension Board, the Investment Committee, the ETBC investment team and the Strategic Investment Advisor have continued to monitor the developments of the financial markets. Interest rate movements were dynamically addressed with the LDI programme, whilst equity risk was (partly) covered with the Equity Tail Risk Hedge overlay programme. The aftermath of the Global Financial Crisis has brought forth many regulatory changes and reporting requirements. As such, Secor Investment Advisors and Mars ETBC have actively monitoring these developments including the EMIR (European Marketplace Infrastructure Regulation) and the Dodd–Frank Wall Street Reform and Consumer Protection Act (America's version of EMIR). Both over time will impact the way we manage our plans, particularly around the usage of OTC derivatives.

6.4 Duty of Care (Zorgplicht) Plan 2004

The members of Plan 2004 have the possibility to opt-out of 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 2013 there were 1.1% of the members who have chosen for opting out with a total of 2.5% of the assets.

6.5 Administration

In 2012 an improvement project by Lohoff & Partner GmbH in Isernhagen was started, concerning process automation and standardisation. This project was continued in 2013. However, the decision was made to terminate the contract with Lohoff & Partner GmbH as per 2014, as the Pension Office and the Pension Board did not have sufficient confidence in the future.

The Pension Office, together with the relevant members of the Pension Board, ran a tender to find a new supplier. The preferred candidate was TKP in Groningen. As from 1 January 2014 TKP will be responsible for the full administration, including the member administration, the investment administration of the Associate Selection Plan of Plan 2004, and the financial administration and payroll. We also asked TKP to complete the 2013 member administration for the year end close.
So as from 1 January 2014, the contract with Xerox Services ended, as the financial administration and payroll will be done by TKP. Xerox Services completed activities for the annual report 2013 in the first half year of 2014 in a satisfactory way.

6.6 Communication

During 2013, the Pension Communication Committee together with the communication advisor Towers Watson, has update the communication strategy plan. A separate communication plan has been agreed in order to manage the expected changes in 2014/2015.

In 2013, the changes of the pension plans as from 1 January 2014 were communicated both by the employer and by Mars Pension Fund to all members. This communication was done by letters, several Q&A sessions and a special email address to ask questions.

During 2013 only one session of the Pension Preparation workshop could be attended as the plan changes 2014 were not yet implemented in the pension planner used in this training. About 8 active members participated in this workshop, which is a joint workshop from the company and the Pension Office. This workshop is introduced to help members understand their pension and possibilities as well as the procedures they have to follow once they are planning to retire.

6.7 Legal

In 2013, the plan rules for the two pension plans in 2014 were approved by the Pension Board;
- Plan rules for Plan 2014 (the final pay plan)
- Plan rules for Plan 2004-67 (the ARP/ASP plan)

The attachments of Plan 2014 with the conversion and flexible rates have been updated in 2013.
The ABTN (Administrative and Financial Agreement) has been updated with:
- The changes in the pension plans as from 1 January 2014
- The interim investment policy for 2014.

The Articles of Association were updated in 2013 with:
- The Pension Board has 6 Board members instead of 8 as from 2014;
- Formalization of the structure of the Investment Committee.

6.8 Supervisory Board follow up

In the annual report 2012 the Supervisory Board (SB) gave some attention points to the Pension Board, in their report. In this section we give more insight into the follow-up on these attention points.

- **Pension administration can handle complexity legislative changes**
  Firstly we have noted the actions that the Pension Board are taking in response to already announced legislative change and that additional substantive change is expected in the future. We ask that the Pension Board concentrates hard on ensuring that its administrator is well placed to deal with the complexity that such legislative change will cause to the administration of the plans.

  Follow up Board— This was addressed by choosing a new provider, TKP, in the course of 2013. The transition went well, TKP has shown so far to be a competent reliable administrator.

- **Transfer of BPF Sweets to MPF; assets must match the additional liabilities.**
  We have noted that the membership of Plan 2004 is increasing caused by the significant decrease of the salary ceiling of the Industry Wide Pension Fund (Stichting Bedrijfstakpensioenfonds voor de Zoetwarenindustrie) for Mars as from 1 January 2012. Also for a significant group of active members in Plan 2006 the BPF Sweets accrual stopped as a consequence of the decreased ceiling. We noted that for many Associates the Industry Wide Pension Fund will transfer their accrued rights and we ask that the Board is mindful to ensure that any additional liability assumed by the Pension Fund is matched by an appropriately determined level of additional assets.

  Follow up Board—This transfer was given due attention by the Pension Board and completed on the basis of expert advice by our actuaries. Additional liabilities and adequate assets were transferred from the Industry Wide Pension Fund to Mars Pensionfund.

- **Decide on a workable governance model**
  As in previous years we ask that the Pension Board continues to question whether the existing governance model is appropriate for the future and decide what a workable governance model would be, taking into account the time Pension Board members have available for their membership and the growing complexity.

  Follow up Board—The Pension Board has given due consideration to its future governance organization, following the new governance act and the departure of 3 Board members. One new Pension Board member was chosen from the retiree population and will be nominated in 2014. The Board decided to continue with 6 experienced Board members as from 1 January 2014. In the beginning of 2014 one Board member moved from the employee to the employer side to support the Pension Board continuity. This was confirmed by the employer. As for the new governance legislation; the Pension Board has decided to retain the Joint Model as from 1 July 2014. Also the Accountability Council (Verantwoordingsorgaan), will as from 1 July 2014 be appropriately strengthened in terms of rights and duties following the new governance act. The review of the Review Committee (Visitatiecommissie) will take place beginning of 2015.

- **Keep evaluating the investment approach**
  We ask the Pension Board to continue to evaluate the existing complex approach to investments and whether it offers appropriate value for money and whether it is manageable by the Pension Board and its designated committees.

  Follow up Board – The Pension Board has requested a review of the investment decision process, the functioning of the Investment Committee and the complexity of the investments of Mars Pension Fund. The analysis was done on behalf of all Trustee bodies of the European Mars pension funds. As a result a number of initiatives were taken to improve the investment decision process. The complexity of the investment process has not changed, but more initiatives were taken to educate Pension Board members amongst others by Walk In sessions. The Investment Committee and the Pension Board are more alert to the complexity and challenge all new proposals. At the other hand we are very successful in our results (3.3% ahead of the benchmark) and especially the risk management measures like LDI and TRH appear by nature complex but are extremely important to manage interest rate and market risks.

- **Seek opportunities to share best practice with any other governance boards operated by the sponsoring employer to see if there are any opportunities for learning.**

  Follow up by Board – We are relying on the Pension Office /ETBC to remain alert on best practice opportunities. As ETBC are working across European plans we should be getting the best ideas.

7 BENEFITS SECTION

The Mars Pension Fund ran 2 sets of plan rules for the active members and in total 5 sets of plan rules for deferred members and/or retirees. In the section below a brief description of the plan rules for active members is provided.

In 2013, the Pension Board decided to transfer the 5 sets of plans for deferred members and/or retirees to the new pension plan Plan 2014 as from 1 January 2014.

7.1 Plan 2006

The 2006 Pension Plan is a final pay defined benefit plan, which has been in effect since 1 January 2006. This regulation applies to the closed group of employees who were already active members of the 2000 Pension Plan before 31 December 2003 and were born on or after 1 January 1950.

Old age pension	2% of salary multiplied by the average shift percentage minus offset
Partners pension	70% of accrued old age pension, in case of death it is assumed that the membership would have continued
Orphans pension	14% of accrued old age pension
Disability benefit	Full disabled: 75% of pensionable salary minus social security ceiling. Continuation of accrual on costs of the Pension Fund
Offset (franchise)	As from 1 April 2012: EUR 19,069.25
Employee contribution	0%
Normal retirement age	65
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 the pension plan or the BPF Sweets (*Stichting Bedrijfstakpensioenfonds voor de Zoetwarenindustrie)* or from the Disability Act (*WAO* or *WIA*), are deducted from the Funds' pension benefits.

7.2 Plan 2004

The 2004 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 2004 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 *Stichting Bedrijfstakpensioenfonds voor de Zoetwarenindustrie* (BPF Sweets).

Unless explicitly mentioned differently all amounts are in thousands of euros

	ARP	ASP
Type	Cash balance plan	Individual defined contribution plan with investment module
Employee contribution	No	Compulsory contribution of 3% plus voluntary contribution with an age related maximum
Employer contribution	Age related	Equal to voluntary contribution of employee
Offset (Franchise)	EUR 13,062.00	EUR 13,062.00
Interest	CPI + 3% (which is conditional for deferred members)	Not applicable
Investment choice	Not applicable	Either Life Cycle mix or free choice
Annuity	At retirement with the Pension Fund or insurance company (choice of member)	At retirement with insurance company
Death during active membership	Risk based partner pension of 1.4% of the pensionable earnings for each year of membership that could have been achieved. Balance flows to Pension Fund.	Balance flows to the Pension Fund, surviving benefits comes via ARP
Death before retirement as deferred member	Surviving dependents can use balance to buy annuity with the Pension Fund or Insurance company	Surviving dependents can use balance to buy annuity with Insurance company
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 on costs of the Pension Fund, disability pension is not applicable as it comes via ARP
Normal retirement age	65	65
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

7.3 Developments in Legislation and Regulations

Developments in fiscal legislation
In 2013 the fiscal legislation as from 1 January 2014 became final. For Stichting Mars Pensioenfonds this means there will be two plans as from 1 January 2014:

Plan 2014*
The major two changes compared to Plan 2006 are:

- Standard retirement age is 67;
- Old age pension accrual percentage is 1.9%.

* As from 1 January 2014 all members of Plan 2006, 2000, 1995 and 1994 were transferred to this Plan 2014

Plan 2004-67
The major two changes compared to Plan 2004 are:

- Standard retirement age is 67;
- Decrease of the maximum contributions.

Both the Pension Board and the Pension Office follow the developments of the 2015 legislation changes closely and make sure that they will stay compliant with new pension legislation.

Unless explicitly mentioned differently all amounts are in thousands of euros

Developments in governance regulations

As from 1 July 2014 MPF has to be compliant with the new Dutch rules regarding pension fund governance ("wet versterking bestuur pensioenfondsen".) This new legislation prescribes some new forms of pension fund models and the aim to help the board to look after the interest of all stakeholders and to optimize the responsibilities of the different governance bodies. The Pension Board has decided in the December 2013 meeting for a joint board as new governance model with a stakeholders committee and a yearly GAC starting July 2014. This decision was made as the Pension Board has good experience with the current joint board and has chosen the option with the minimal changes.
As from 1 July 2014 the SB (Supervisory Board) will be called Accountability Council (AC). And the GAC (Governance Advisory Committee) will be called the Review Committee (RC).

Before 1 April 2014, the following documents regarding this change of governance were sent to DNB:

- Articles of Association;
- Selection regulations (of PB and AC Members);
- Regulations of the Accountability Council (AC);
- Instructions Review Committee (RC)

In 2014, the Pension Board will consider how to apply the other recommendations from the Code Pension funds.

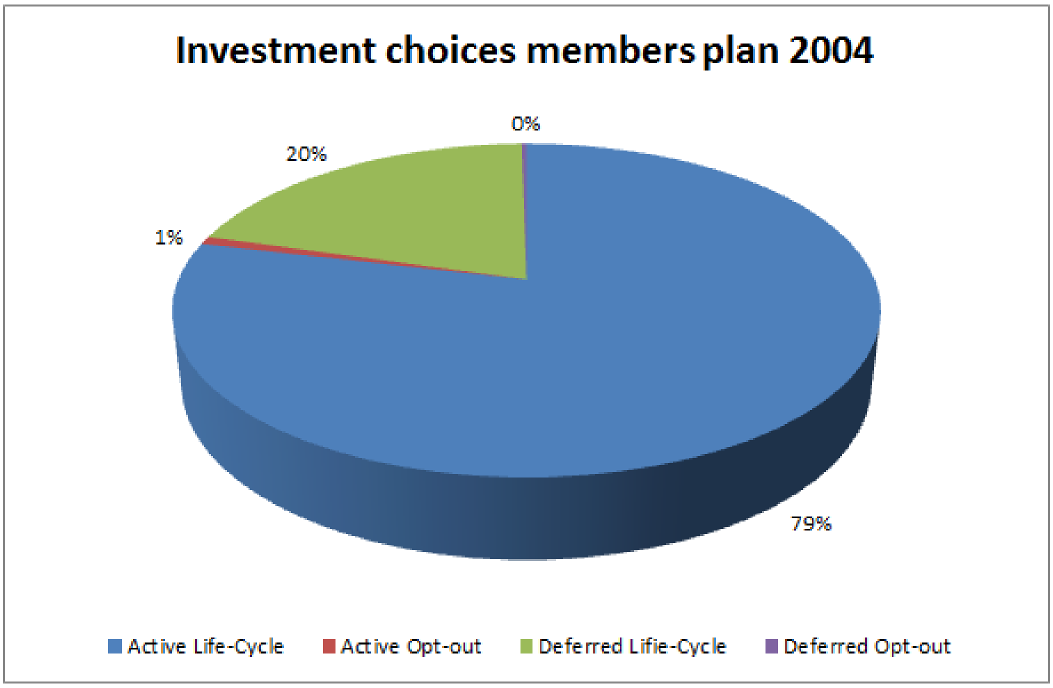
7.4 Developments of the Membership

The development of the membership over 2013 is shown in the table below.

	Active [1]	Deferred	Old age pension	Partner pension	Orphans pension	Disability pension
Balance begin 2013[1]	1.389	1.147	791	236	26	8
New members	141	0	0	0	0	0
Deferred	-49	49	0	0	0	0
Disabled	0	0	0	0	0	1
Retirement	-50	-14	64	0	0	0
Decease	-5	-1	-24	22	3	0
Surrender	0	-16	0	0	0	0
Transfer out	0	-7	0	0	0	0
Other reason	1	2	2	-4	0	0
Difference	38	13	42	18	3	1
Balance end 2013	1.427	1.160	833	254	29	9

[1 The Balance end 2012 has been corrected due to untraceable retirees who are counted as deferred members while in the past these we counted as retirees. At the same time a few corrections were administered.

Unless explicitly mentioned differently all amounts are in thousands of euros



7.5 Indexation Policy and Interest Addition

Final pay schemes:
The Pension Fund aims for annual adjustment of the pension benefits for deferred pensioners and retirees under the final pay pension schemes (2006, 2000, 1995 and 1994 Pension Plans). Each year, the Pension Board decides the extent to which benefits will be adjusted. The Pension Board identifies this indexation in category D1 in the statutory Indexation Matrix.

The annual adjustment/indexation ambition is determined as:

A) 75% of the ConsumerPriceIndex (CPI) 'all-households' as published by CBS over the months September versus September of the preceding year;
B) If A is higher than 3%, the outcome will be maximised at 3%;
C) The final indexation percentage will never be higher than the wage index.

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

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

The Supplementary Retirement Pension entitlements for active members of the 2006 Pension Plan will be annually unconditionally adjusted 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.

Plan 2004
During active membership the balance on the Pension Accrual Account of the ARP is increased by the addition of interest. The interest additions occur on a daily basis and in such a manner that the interest additions on an annual basis are equal to a percentage amounting to "CPI all households" plus 3%. The maximum addition of interest is 13% on an annual basis. The interest addition is financed partly by a component in the cost covering contribution and partly from the general reserves of the Pension Fund.

For deferred members the adjustment only takes place if and insofar as the Pension Fund's financial position permits it. The Pension Board also decides each half year whether or not and, if so, to what extent indexation will be granted. There is no contribution paid for this interest addition, but the interest addition is financed from the general reserves of the Pension Fund.

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

The partner pensions and orphans pensions of members that have deceased during active service are indexed according to the indexation policy for the final pay schemes (indexation category D1).

7.6 Reinsurance

The Pension Fund has reinsured the death-in-service and disability-in-service risks with Generali up until 31 December 2013. This reinsurance can be seen as a catastrophe-risk-coverage because it is based on stop-loss insurance with a net retention of 7,800 which is approximately 600% of the risk premium in the cost-coverage contribution (2010). Over the year 2013 no declaration was applicable.

8 INVESTMENT SECTION

8.1 Investment Strategy

In the table below we have represented the long-term investment policy for the Pension Fund, as has been established after the strategy review in 2013. We also show the dynamic long-term investment policy, interim policy and the actual asset allocation at the end of 2013.[1]

Asset Category	LT Investment Policy	Dynamic LT Investment Policy	31-12-2013 interim policy	End 2013 Asset Allocation	Minimum	Maximum
Equities	**45.0%**	**40.5%**	**49.0%**	**52.5%**	**35.0%**	**55.0%**
Developed Equities	36.0%	32.9%	39.2%	43.5%	26.0%	46.0%
Emerging Market Eq.	9.0%	7.6%	9.8%	9.0%	5.0%	13.0%
Fixed Income	**25.0%**	**22.5%**	**27.8%**	**24.5%**	**5.0%**	**45.0%**
Bonds	15.0%	9.5%	14.8%	10.8%	5.0%	25.0%
Diversified HY Bonds	10.0%	13.0%	13.0%	13.7%	0.0%	20.0%
Alternatives	**30.0%**	**37.0%**	**20.2%**	**20.2%**	**5.0%**	**45.0%**
Property	15.0%	25%	10.5%	10.5%	5.0%	25.0%
Private Equity	5.0%	5%	3.8%	3.8%	0.0%	10.0%
Hedge Funds	5.0%	5%	5.1%	5.1%	0.0%	10.0%
Private Credit	5.0%	2%	0.7%	0.7%	0.0%	10.0%
Cash	**0.0%**	**0.0%**	**3.0%**	**2.8%**	**0.0%**	**8.0%**
Hedges						
Currency	70% - EM Cur	70% - EM Cur	58.32%	57.88%	0.00%	70.00%
Interest Rate	50.00%	50.00%	0.0%-50%	29.00%	0.00%	75.00%
Inflation	0.00%	0.00%	0.00%	0.00%	0.00%	75.00%

The Pension Board has determined the long-term investment policy and the dynamic long-term allocation in the spring of 2013. The interim policy reflects the intended allocations taken account of substitution rules for Alternatives that have not reached Long Term Investment Policy allocations. From the table above one can see that the fund is still in the build-up phase with respect to its property, private equity and private credit allocations. Also, as mentioned earlier, the LDI program that started in 2012 will be brought to strategic allocation following a dynamic table. The specific interest rate environment and the development of the financial position of the Pension Fund will determine the speed of the LDI implementation. The primary goal of the LDI strategy is to reduce the funded status volatility. The collateral required for the LDI strategy is reflected in the actual asset allocation of cash per end of 2013. The results of the ALM Study and the Investment Strategy review indicate that the funded status volatility can be reduced from around 12% currently to 8% when a 50% interest rate hedge will be implemented.

[1] Sources: Investment Policy Statement Stichting Mars Pensioenfonds November 2013
Asset-Liability Watch Stichting Mars Pensioenfonds December 2013 Towers Watson
Exposure Report Stichting Mars Pensioenfonds December 2013 – Secor IA

Unless explicitly mentioned differently all amounts are in thousands of euros

8.2 Returns

The Pension Fund has realised a performance of exactly 12.06% in 2013. The benchmark return for 2013 was 8.76%. The relative excess performance in 2013 therefore has been 3.3%. This large excess performance is attributable to a number of factors that will be elaborated upon below.

For the main asset categories as defined by DNB, the performance has been as follows[1]:

Category	Portfolio	Benchmark	Relative Performance
Property	12.6%	10.9%	1.7%
Public Equities	20.5%	16.1%	4.4%
Private Equities	8.6%	7.3%	1.3%
Fixed Income	-0.2%	-2.2%	2.1%
Hedge Funds	8.0%	8.5%	-0.5%
Other	0.0%	0.0%	0.0%
Total return mandate investments	**11.2%**	**8.0%**	**3.3%**
Plan Level Currency Hedge	1.3%	1.3%	0.0%
Plan Level LDI	-0.8%	-0.8%	0.0%
Plan Level TRH	0.3%	0.3%	0.0%
Total return (including overlays)	**12.06%**	**8.76%**	**3.30%**

The large relative performance was mostly driven by individual manager performances versus their benchmarks. Most managers posted strong absolute returns in 2013. In particular the Equity managers added value over the benchmark, with Vanguard (multi-cap US Equities), Ardevora (Global Equities) and GLG (Japan Equities) achieving the greatest outperformance. The property portfolio experienced an increase in valuation and also the Private Equity portfolios provided a steady return with a small outperformance versus benchmark. Although the Hedge Fund portfolio return was positive, a small negative excess performance was realized versus its peers, thereby being a detractor on total plan excess return. Please take notice that the alternative portfolios are measured against an appropriate market proxy, as result of a 2013 review on alternative benchmarks. The plan overlays did not add or detracts to the relative performance as benchmark is kept equal to actual performance. In absolute terms, the Currency Hedge added value due to the stronger Euro, and the TRH equity mandate added value as result of good performance during volatile periods in 2013. The LDI (interest rate) mandate detracted -0.8% on total return as a result of further decreasing interest rates. Please take notice that the interest rate hedge is currently at a low level as a result of the low interest rate environment. If the hedge would have been at the strategic level (50%) than the return impact would have been bigger.

All these attribution elements, and more, have resulted in a large positive excess performance of 3.3%. The table on the next page presents the average asset class weights in 2013 compared to the asset class benchmark weights.

[1] Source: Mellon Performance Report Stichting Mars Pensioenfonds December 2013

Unless explicitly mentioned differently all amounts are in thousands of euros

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

Asset Category	Benchmark	Average Portfolio weight	Average Policy Weight
US Equity	MSCI US (unhedged)	8.8%	9.1%
Emerging Markets	MSCI Emerging Markets (unhedged)	6.0%	5.4%
EAFE Equities	MSCI EAFE Index (unhedged)	10.9%	9.1%
Global Equity	MSCI All Country World Index (unhedged)	13.4%	13.4%
Global Bond	Barclays Capital Global Aggregate ex JPY (EUR Hedged)	18.1%	24.3%
High Yield	BofA ML US High Yield Master II Index (H0A0) (EUR hedged)	7.2%	6.2%
EMD	50% JPM EMBI Global Index / 50% JPM GBI-EM Global Diversified Index (unhedged)	4.3%	4.9%
GMO Discretionary	80% MSCI ACWI & 20% JPMorgan Global Government Bond Index (unhedged)	11.3%	11.0%
Property	IPD UK Index (EUR hedged)	7.3%	7.1%
Private Equity	Venture Economics All Private Equity 1Q in Arrears	3.8%	3.8%
Private Credit	BofA ML US High Yield Master II Index (H0A0) (EUR hedged)	0.1%	0.1%
Hedge Funds	HFRI FOF Weighted Composite (Eur hedged)	5.4%	5.4%
Cash / Plan Level Overlays	LIBID 1 week	3.6%	0.6%
Total	**Total Plan Benchmark**	**100.0%**	**100.0%**

In 2013 and the longer term, the Pension Fund outperformed relative to the strategic benchmark, please see the table below[2]:

Year	Portfolio	Benchmark
2013	12.1%	8.8%
2012	13.4%	12.4%
2011	0.0%	0.2%
2010	9.0%	8.5%
2009	22.4%	20.7%
2008	-20.5%	-23.9%
2007	5.9%	5.6%
2006	11.6%	11.4%
2005	25.2%	19.3%
2004	12.8%	11.1%
2003	15.7%	14.5%
2002	-12.8%	-17.3%
2001	-2.0%	-8.2%
Average last 5 years	11.1%	9.9%
Average last 10 years	8.4%	6.7%

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

[1] Source: Mellon Performance Report Stichting Mars Pensioenfonds December 2013
[2] Source: Mellon Performance Report Stichting Mars Pensioenfonds December 2013

Unless explicitly mentioned differently all amounts are in thousands of euros

9 ACTUARIAL SECTION

The actuarial analysis of the result 2013 is shown in the next table:

	2013		2012	
	EUR	EUR	EUR	EUR
Contributions and costs				
Employer contributions	16,552		15,758	
Contributions for the account and risk members	2,170		1,579	
Accrual of benefits (including surcharge for future costs)	-20,140		-19,265	
Contribution surcharge for costs	1,839		1,744	
Available for costs out of provision	533		514	
Execution and administration costs	-2,483		-1,849	
		-1,529		**-1,519**
Return and yield curve change				
Return on investments	114,378		113,574	
Interest addition provision	-3,390		-12,607	
Yield curve change	28,286		-55,684	
		139,274		**45,283**
Other results				
Result on benefit transfers	-32		42	
Result on incoming transfer value BPF Sweets (Zoetwaren)	-1,118		-	
Result on other actuarial assumptions	4,128		2,351	
Change IBNR provision due to assumption change	-		1,480	
Other income	1		-	
Indexation	-3,315		-1,429	
Change in mortality assumptions	-		-16,363	
Corrections	313		1,249	
Other costs	-12		-20	
		-35		**-12,690**
		137,710		**31,074**

The figures in 2012 for ‘Execution and administration costs’ and ‘Return on investments’ have been changed in comparison with last year due to different presentation of the MREI figures.

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

	EUR
Cost covering contribution	27,696
Smoothened cost covering contribution	16,557
Actual contribution	21,510

Unless explicitly mentioned differently all amounts are in thousands of euros

Cost covering contribution (CCC)

The CCC is determined by using the interest rate term structure published by the DNB at the beginning of the year and the observed actuarial costs during the financial year. The CCC comprises the following parts:

- 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 required solvency buffers;
- A surcharge for costs for executing the pension plan, 2.3% of pensionable salaries.

The CCC equals 27,696.

Smoothened 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 an ongoing average over the past (with a maximum of 10 years) or by using an expected return. The Pension Fund has opted mitigation based on a fixed actuarial interest rate based on the strategic investment mix of the Pension Fund. The discount rate used to calculate the SCCC is 5.95%. The SCCC equals 16,557.

Actual contribution

The actual contribution is agreed upon between the Pension Fund and the company in the Administrative & Financial Agreement. The actual employer contribution is equal to 20% of pensionable salaries, increased in case of a reserve deficit to a maximum of 25% of pensionable salaries minus the contributions the company paid to the BPF Sweets. The Pension Fund increases contribution when the funding ratio is below the Legally Required Solvency Ratio (RSR). The Pension Fund decreases contribution when the funding ratio is more than 5% above the RSR. When the funding ratio is above the Continuity Test Funding Ratio (CTFR) of 160% the Pension Fund will grant a refund to the Company.
The Pension Fund receives total contribution that consists of employer and employee contributions. The BPF contributions sum to 0.04% of total pensionable salaries for all pension plan members. The actual employee contribution is equal to the compulsory and voluntary MSP contributions. The employee contributions add up to 1.9% of total pensionable salary for all pension plan members.

Due to the Funding Ratio at year-end 2012 the Company and the Pension Board have agreed in January 2013 to set the contribution for 2013 to the maximum contribution of 25% of the salary bill of all active members.

In 2013 the actual total contribution to the pension fund equals 21,510. This total actual contribution is less than the Cost Covering Contribution (market value) but more than the Smoothened Cost Covering Contribution. So, Mars Pension Fund met the requirements regarding the contribution for 2013.

Minimum regulatory own funds

The Minimum legally Required Solvency Ratio (MRSR) 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 MRSR. For Mars Pension Fund the MRSR is calculated in detail as specified in article 11 of the Financial Assessment Framework.

The minimum regulatory own funds are derived from the required margin per risk and amount to 35,385. The minimum legally required solvency ratio amounts to 104.2% of the AAL at risk of the pension fund. The actual Funding Ratio equals 128.6%. Based on these figures the pension fund is not in a situation of a funding deficit.

Regulatory own funds

The Legally Required Solvency Ratio (RSR) 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 RSR 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. For Mars Pension Fund the standard model is slightly adjusted for the calculation of the equity and property risk (S2), because several funds are actively managed.

The regulatory own funds are derived from the required margin per risk and amount to 247,766. The legally required solvency ratio amounts to 129.1% of the AAL at risk of the pension fund. The actual Funding Ratio equals 128.6%. Based on these figures the Pension Fund is still in a situation of a reserve deficit.

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

10 PENSION FUND GOVERNANCE

10.1 Compliance Officer

In 2007 the Pension Board appointed Mrs. J. van den Broek as Compliance officer within the Mars Pension Fund. Main responsibilities of the Compliance Office 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 to third parties any information concerning the business – including individual pension details - and investments of the Pension Fund;
- Insider knowledge: An associated person may not use insider knowledge;
- Restriction on accepting business gifts, invitations, additional functions, participation in other companies and institutions.

10.2 Report Supervisory Board

Introduction

The Supervisory Board has been put in place to be compliant with the rules for good pension fund governance. The roles and responsibilities of the Supervisory Board have been written down in the bylaws of the pension fund and the rules of the Supervisory Board. The Pension Board has to give account to the Supervisory Board.

The Supervisory Board 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 Supervisory Board with respect to the policies and achieved results.

The Supervisory Board provides its opinion on the following topics annually:

- The proceeding of the Pension Board, based on the (draft) annual report, the annual accounts and other information;
- The pursued policy of the Pension Board in the last year;
- The Pension Board's proposed policies for the future.

An external actuary and a pension lawyer advise the Supervisory Board as necessary to allow them to fulfill their job in the best manner.

The Supervisory board in their report have considered the comments they made during past years and the corresponding responses from the Pension Fund Board. In addition we have considered the proposed policies of the board for the coming year.

In Summary the Supervisory Board continues to find that the 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 fund.

The board operates to a clear annual plan and is responsive to the findings of both the Supervisory Board and the Governance Advisory Committee.

With regard to the findings of the Supervisory Board in the 2012 annual report

We note that The Pension Board has made good progress in its responses to the comments made by the Supervisory Board last year.

In particular the change to the new administration provider TKP has been achieved with no disruption to the administration of the plan or interruption of the payment of members benefits. The remaining issues with the previous administrator are being resolved in the course of 2014.

The transfer of members from the BPF Sweets (Stichting Bedrijfsakpensioenfonds voor de Zoetwarenindustrie) to MPF has been achieved with appropriate actuarial advice ensuring that transferred assets matched the transferred liabilities.

The governance structure has been considered and changes made to ensure a sustainable governance structure for the future and a considerable amount of work has been undertaken with respect to risk management, particularly in the area of investments and investment control.

With regard to the findings of the Supervisory Board on the 2013 draft annual report.

The Supervisory Board would like the Pension Board to consider the following areas in 2014.

With respect to governance and board composition, we have commented on the changes made during 2013, but we are concerned that the area of governance is subject to continued legislative change. In particular we have noted that the amount of time required from members of the Pension Board is ever increasing, both to attend meetings and to undertake the training required. We ask the Pension Board to consider what steps could be taken to ensure that succession plans are built such that new Pension Board members can start the training process prior to them taking on board roles. We have an ongoing concern that the current governance model may not be sustainable.

We also ask the Pension Board to consider this same principle of planning for succession for roles in the Executive Board and the Pension Office.

We also note that with the change in Pension Board composition there is no P&O representation on the Pension Board for the first time. We ask that the Pension Board consider how they can continue to obtain P&O input from the sponsoring employers even if there is no P&O Pension Board member.

We have also commented on the Pension Board response to the concerns we raised in our 2013 report regarding the complex investment strategy. The Pension Board has taken action to ensure that appropriate risk controls are in place, but we feel that more can be done to ensure that the complexity of the strategy offers value for money, although we note that the current strategy delivers returns in excess of benchmark returns.

The risk control actions are comprehensive and detailed. We would encourage the Pension Board to ensure appropriate risk control measures are in place to cover the administration of the plan.

We note that the Pension Board are considering the implications of the proposed legislative changes with respect to governance, fiscal legislation and nFTK. We ask that the Pension Board pay particular attention to the prospect of this new framework being introduced and, in particular, ensure that an appropriate dialogue is maintained with the sponsoring employers regarding the potential funding implications of the nFTK.

Finally, we observe that the Pension Board maintain a close working relationship with the sponsor. We are pleased with this approach and ask that the Pension Board continue their efforts in this area particularly in this time of considerable legislative change.

10.3 Response Pension Board on report of Supervisory Board

The Pension Board would like to thank the Supervisory Board for its observations and would like to comment on the individual points in the sequence at which they have been made by the Supervisory Board.

- Governance – We have invested a lot in remaining a solid strong governance including the Pension Board, the Executive Board and Pension Office, with well-developed competencies by investing a lot of time in this. We share the concern that the SB has made as to the governance situation, especially as to the time spend by Pension Board members and the necessary future time investments. Finding new Pension Board members will not be easy. The Pension Board will remain alert in this respect. We will not only investigate succession options for the current model that we are in, but we will also actively investigate alternative governance and execution options to achieve a sustainable governance structure going forward

- Connection to P&O – We share the same concern as to the lack of a Pension Board member with a connection to P&O. To make sure we remain well connected we invite P&O to our Pension Board meetings. So far participation has been on those items that P&O are involved with from a Benefits point of view. We need to maintain this practice and should also insist more on physical presence when those items are discussed.

- Investment Complexity—We can also here only echo the concern. We have taken initiatives here, and have also pushed back in certain areas. Reporting has improved so that each additional added value approach is checked as to actual delivery of what was promised/expected. However we have to keep a long term view instead of judging by the month. It is very important that we do not allow any unnecessary complexity. The current complexities can be split in two main groups. The alternatives such as Hedge Funds and Private Equity that we have for superior long term returns and the hedging solutions such as LDI and TRH, that we have for risk management purposes. We keep on focussing on maximum transparency, and a critical view as to further expansion of the tool set.

- Administration Risk – We have made the change to a new administrator, TKP, with whom we will focus strongly on risk management, The Pension Board has already been more involved through individual Pension Board members focussing on outsourcing and administration and we intend to remain more involved than in the past. The Pension Office has a very good focus on this too .

- New legislation – We are seeking input from the employers as to the expected changes as per 1 January 2015, as we will have to adjust the pension plans and administration again. As to the nFTK we will certainly be in touch with the sponsoring employers about funding and other implications and this will also feed into the work we will undertake as to the future sustainability of the Pension fund as mentioned under Governance.

- Sponsor relationship – We continue to work hand in hand in close consultation with the sponsoring companies , without losing sight of our unique responsibility as a Pension Board of a Dutch pensionfund

Veghel, 26 June 2014

The Pension Board

W. van Ettinger (chairman) J. van Lith (secretary)

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11 ANNUAL ACCOUNTS

11.1 Consolidated Balance Sheet after appropriation of result (in EUR 1,000)

ASSETS	Note	31-12-2013		31-12-2012	
Investments for risk Pension Fund	1[1]				
Real estate investments	2	116,936		52,339	
Equities	3	613,698		464,478	
Fixed income	4	285,967		387,924	
Hedge funds	5	56,283		52,675	
Derivatives	6	28,818		31,553	
Other financial investments	7	32,504		9,941	
			1,134,206		998,910
Investments for risk members	8				
Equities		12,702		7,685	
Fixed income		81		29	
			12,783		7,714
Receivables and prepayments					
Other receivables	9		3,071		2,970
Other assets					
Cash	10		3,976		3,955
			1,154,036		**1,013,549**
LIABILITIES					
Foundation capital and reserves					
Foundation capital	11		-		-
General reserves	12		243,940		106,230
Technical provision at the risk of the pension fund					
Actuarial accrued liabilities	13	851,744		878,033	
Provision for future disability	14	904		836	
			852,648		878,869
Pension provision at the risk of the members	15		12,783		7,714
Current liabilities	16		44,665		20,736
			1,154,036		**1,013,549**

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

Unless explicitly mentioned differently all amounts are in thousands of euros

11.2 Consolidated statement of income and expenses (in EUR 1,000)

INCOME	Note	2013		2012	
Contributions from employer and employees	17[1]		19,340		18,460
Contributions for account and risk of members	18		2,170		1,579
Investment results for risk Pension Fund	19	114,378		113,574	
Investment results for risk of members	20	1,585		914	
			115,963		114,488
Other income	21		1		-
Total INCOME			**137,474**		**134,527**
EXPENSES					
Benefits payment	22		26,651		25,350
Execution- and administration costs	23		2,483		1,849
Change pension provision:					
Accrual of benefits		17,970		17,686	
Indexation		3,315		1,429	
Addition of interest		3,390		12,607	
Change of mortality assumptions		-		16,363	
Yield curve change		-28,286		55,684	
Withdrawal for payments of pension-benefits and pension execution costs		-27,264		-26,018	
Withdrawal for other actuarial- and technical assumptions (retirement)		-1,482		-1,502	
Changes as a result of transfer of rights		596		30	
Incoming transfer value BPF Sweets		7,522		-	
Other changes pension provision		-2,050		-1,185	
Change provision pension liabilities for risk of the pension fund	24		-26,289		75,094
Change provision for future disability	25		68		-1,382
Change provision for risk of the members	26		5,069		2,582
Reinsurance	27		52		40
Transfer of pension rights for risk pension fund	28		-6,968		-11
Transfer of pension rights for risk members	29		-1,314		-89
Other expenses	30		12		20
Total EXPENSES			**-236**		**103,453**
Net income and expenses			**137,710**		**31,074**
Proposed appropriation of net income and expenses:					
- Add to the general reserves			137,710		31,074

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

Unless explicitly mentioned differently all amounts are in thousands of euros

11.3 Consolidated cash flow statement (in EUR 1,000)

Cashflow from pension activities	Note	2013		2012	
Contributions received		21,2434		15,305	
Received from transfers of rights		7,747		161	
Pension benefits paid		-27,171		-25,888	
Paid for transfers of rights		-29		-161	
Paid execution- and administration costs		-1,704		-1,974	
Paid contribution reinsurance		-52		-40	
Total cash flow from pension activities			**34**		**-12,597**
Cash flow from investment activities					
Sale and redemption of investments		323,638		139,334	
Received direct investment returns		11,257		5,302	
Purchase investments		-297,391		-175,116	
Paid costs asset management		-4,515		-4,335	
Other amounts received		3,698		27,639	
Other amounts paid		-7,337		-3,659	
Total cash flow from investment activities			**29,350**		**-10,835**
Net cash flow			**-29,384**		**-23,432**
Exchange results and conversion difference on cash			-116		77
Mutation cash			**29,268**		**-23,355**
Movements in cash and cash equivalents can be broken down as follows:					
Balance per January 1st			8,799		32,154
Mutation cash			29,268		-23,355
Balance per December 31st			**38,067**		**8,799**
This cash is presented in the balance sheet per December 31st as:					
Presented as other financial investments[1]			34,091		4,844
Presented as Cash in Balance sheet	10		3,976		3,955
Total cash balance			**38,067**		**8,799**

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

[1] This includes cash available for investments in Mars Real Estates Investments of 6,409 (2012: 2,224) and cash available for other investments of 27,682 (2012: 2,620)

Unless explicitly mentioned differently all amounts are in thousands of euros

11.4 General

Activities
Stichting Mars Pensioenfonds (hereinafter: Mars Pension Fund or MPF) was established in 1964 and has its statutory seat in Veghel(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 on with the Dutch Mars companies and according to the plan rules.

Notes to the cash flow statement
For the preparation of the cash flow statement 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.

11.5 Accounting policies

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

Investments and pension accruals are valued at fair value. The other assets and liabilities are also being valued at fair value.

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

Estimation changes
In 2013 there were no estimation changes

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

The consolidation includes the financial information of Stichting Mars Pension fund, its group companies and other entities in which it exercises control or whose central management it conducts. Group companies are entities in which of Stichting Mars Pension fund exercises direct or indirect control based on a shareholding of more than one half of the voting rights, or whose financial and operating policies it otherwise has the power to govern. Potential voting rights that can directly be exercised at the balance sheet date are also taken into account.

The consolidated companies are listed below:
- Mars Real Estates Investments B.V., Veghel (100%)

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

Acquisitions and disposals of group companies
Identifiable assets acquired and liabilities assumed in a business combination are recognized in the consolidated financial statements from the acquisition date, being the moment that control can be exercised in the acquired company.

The acquisition price consists of the cash consideration, or equivalent, agreed for acquiring the company plus any directly attributable expenses. If the acquisition price exceeds the net amount of the fair value of the identifiable assets and liabilities, the excess is capitalised as goodwill under intangible assets. If the acquisition price is lower than the net amount of the fair value of the identifiable assets and liabilities, the difference (i.e. negative goodwill) is disclosed under accruals and deferred income (refer to note 3.8). Entities continue to be consolidated until they are sold; they are deconsolidated from the date that control ceases and if they are classified as disposal groups held for sale.

Accounting policies for assets and liabilities

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

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

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

Real estate investments are direct investments in property. Real estate investments are initially valued at cost value; subsequent valuation is done at fair value, being the market value. Market Value is partly based on available market data and is compiled by external appraisers. An independent appraiser values each property in the portfolio in December of each 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.

Investment funds
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 a 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, using the market data at year-end.

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

Negative positions of derivatives are presented as short term liabilities.

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

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

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

Cash
Cash is being valued at cost value. This is the balance per December 31st 2013.

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. No account is taken of the increase of the accrued pension entitlements of the active members with effect from 1 January following the balance sheet date.

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

Life expectancy rates in determining actuarial accrued liabilities:
- For males and females, the life expectancy rates are derived from the AG Projection Table 2012-2062 male mortality table as published by the Dutch Actuarial Association
- For experience rating the mortality rates are adjusted with fund specific correction factors based on the Towers Watson 2012 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 2013, the UFR is used as this is the prescribed term structure of DNB as of September 2012.

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

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

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

The IBNR 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 determination of the cost covering contribution (0.53% of the salary sum of the 2006 pension plan + 5.5% of the sum of the ARP and ASP contribution).

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

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

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

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

Accounting policies for results

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

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

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

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

Reinsurance
The Pension Fund has reinsurance on a stop-loss basis in order to insure the risk of death-in-service and disability-in-service. In 2013, no amounts can be claimed.

Cash flow report

The movements presented in the cash flow report 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.

11.6 Notes to the Balance Sheet

1 Investments for risk Pension Fund

Fair value hierarchy
The following tables summarise the valuation of investments by level within fair value hierarchy as of December 31, 2013 and 2012. Derivatives are shown net of Assets/Liabilities. The derivative liability amounts 32,556 (2012: 15,700) and when this is excluded, the total asset value is 1,134,206 (2012: 998,910) as presented in the consolidated balance sheet in paragraph 11.1.

Asset Category	Level I	Level II	Level III	Total
Real estate investments	934	-	116,002	116,936
Equities	107,053	464,472	42,173	613,698
Fixed income	45,299	232,817	7,851	285,967
Hedge funds	-	-	56,283	56,283
Other financial investments	32,504	-	-	32,504
Derivatives (Assets & Liabilities)	3,360	-7,098	-	-3,738
Value per December 31st, 2013	**189,150**	**690,191**	**222,309**	**1,101,650**

Asset Category	Level I	Level II	Level III	Total
Real estate investments	809	-	51,530	52,339
Equities	76,905	350,670	36,903	464,478
Fixed income	40,077	347,317	530	387,924
Hedge funds	-	-	52,675	52,675
Other financial investments	9,941	-	-	9,941
Derivatives (Assets & Liabilities)	-	15,853	-	15,853
Value per December 31st, 2012	**127,732**	**713,840**	**141,638**	**983,210**

2 Real estate investments

	2013	2012
Balance per January 1st	52,339	25,919
Reclassification	-	414
Purchases	59,953	27,526
Sales	-126	-202
Valuation changes	4,971	-2,135
Other	-201	817
Balance per December 31st	**116,936**	**52,339**

Unless explicitly mentioned differently all amounts are in thousands of euros

3 Equities[1]

	2013	2012
Balance per January 1st	464,478	403,197
Reclassification	-	3,537
Purchases	284,881	160,786
Sales	-171,477	-118,551
Valuation changes	35,816	15,509
Balance per December 31st	**613,698**	**464,478**

4 Fixed income[2]

	2013	2012
Balance per January 1st	387,924	360,494
Reclassification	-	36,129
Purchases	1,841,436	3,038,173
Sales	-1,931,633	-3,063,465
Valuation changes	-11,760	16,593
Balance per December 31st	**285,967**	**387,924**

5 Hedge funds

	2013	2012
Balance per January 1st	52,675	48,024
Purchases	1,571	775
Sales	-1,405	-
Valuation changes	3,442	3,876
Balance per December 31st	**56,283**	**52,675**

6 Derivatives

	31-12-2013	31-12-2012
Derivatives	**28,818**	**31,553**

As far as each individual derivative has a positive balance, it is presented under assets. If each individual derivate has a negative balance, it is presented under other liabilities. A further explanation on the derivatives can be found in paragraph 11.7 “Risk management and derivatives”.

7 Other financial investments

	31-12-2013	31-12-2012
Cash available for investments	34,091	4,844
Other financial investments	-1,587	7,717
Total	**32,504**	**9,941**

The cash in Mars Real Estates Investments B.V. is presented under “Cash available for investments” and amounts to 6,409 as at 31st December 2013. (2012: 2,224)

[1] Including Private Equity, Excluding Convertible Bonds.
[2] Excluding Cash. Including Convertible Bonds

Unless explicitly mentioned differently all amounts are in thousands of euros

8 Investments for risk members

	2013	2012
Balance per January 1st	7,714	5,132
Contributions	2,177	1,579
Total value of transfers of rights	1,314	89
Valuation changes	1,635	922
Other	-57	-8
Balance per December 31st	**12,783**	**7,714**

The investments for risk members are not at risk for the Pension Fund. These investments 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.

9 Other receivables

	31-12-2013	31-12-2012
Contributions from employer	537	2,298
Other receivables	2,529	662
Advanced payments benefits	5	-
Prepaid expenses	-	10
Total	**3,071**	**2,970**

10 Cash

	31-12-2013	31-12-2012
Cash at Rabobank	3,976	3,955
Total	**3,976**	**3,955**

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

11 Foundation capital

The foundation's capital amounts to NLG 1,000 (EUR 454) and remained unchanged during the financial year. As a result of the conversion to Euro the foundation capital has been rounded off to zero.

12 General reserves

The movement in the general reserves can be specified as follows:

	2013	2012
Balance per January 1st	106,230	75,156
Add (Less) result for the year	137,710	31,074
Balance per December 31st	**243,940**	**106,230**

The minimum regulatory own funds, 4.2% of the actuarial accrued liabilities at the risk of the pension fund, is 35,385. The regulatory own funds amount to 247,766 and are equal to 29.1% of the actuarial accrued liabilities at the risk of the pension fund. The present own funds are higher than the regulatory own funds.

The following table shows the regulatory own funds, minimum regulatory own funds and present own funds per December 31st, 2013.

Unless explicitly mentioned differently all amounts are in thousands of euros

Balance per December 31st, 2013		Funding Ratio
Present own funds	243,940	128.6%
Minimum regulatory own funds	35,385	104.2%
Regulatory own funds	247,766	129.1%

The funding ratio is calculated by:
Assets divided by AAL at risk of the pension fund (including IBNR provision). The assets are determined by adding the general reserve to the AAL at risk of the pension fund (including the IBNR provision). The short term liabilities are not taken into account in the assets. There are no subordinated loans and/or special reserves.

In September 2009 a (revised) recovery plan was submitted to DNB. Since November 2008 the Funding Ratio has not been above the Legally Required Solvency Ratio for three quarters in a row. At year-end 2013 MPF is still in a reserve deficit. This means that the long-term recovery plan is still applicable at year-end 2013.

13 Actuarial accrued liabilities

	2013	2012
Actuarial accrued liabilities per January 1st	**878,033**	**802,939**
Interest	3,390	12,607
Indexation to the account of the pension fund	3,315	1,429
Accrual of benefits (including surcharge for future costs)	17,970	17,686
Mortality	-1,733	-333
Other actuarial and technical assumptions (retirement)	-1,482	-1,502
Disability / rehabilitation	-4	397
Individual transfer value (balance)	596	30
Benefit payments (incl. surrender value)	-26,731	-25,504
Available for costs	-533	-514
Yield curve change	-28,286	55,684
Corrections	-313	-1,249
Change of mortality assumptions	-	16,363
Incoming transfer value (balance) BPF Zoetwaren	7,522	-
Total change	**-26,289**	**75,094**
Actuarial accrued liabilities per December 31st	**851,744**	**878,033**

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

The 2006 Pension Plan is a final pay defined benefit plan, which has been in effect since 1 January 2006. This regulation applies to the closed group of employees who were already active members of the 2000 Pension Plan before 31 December 2003 and were born on or after 1 January 1950.
Active members of the 2006 Pension Plan receive unconditional indexation on supplementary benefits. All benefits are conditionally indexed after retirement or after withdrawal.

The 2004 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 the 2004 Pension Plan 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* (BPF Sweets).

Unless explicitly mentioned differently all amounts are in thousands of euros

The balance on the pension accrual account of ARP is – during membership – increased by the addition of interest. The Pension Board has granted an indexation equal to “CPI of all households” plus 3%, with a minimum of 0% and a maximum of 13% on annual basis.
For deferred members the adjustment only takes place if and insofar as the Pension Fund’s financial position permits it.

	31-12-2013	31-12-2013	31-12-2012	31-12-2012
	Numbers	AAL	Numbers	AAL
Actives (including disabled)	1,427	334,163	1,389	377,713
Deferred participants	1,160	125,291	1,179	119,957
Pensioners	1,116	411,204	1,049	406,538
Sub-total	**3,703**	**870,658**	**3,617**	**904,208**
Minus: BPF Sweets		-18,914		-26,175
Total	**3,703**	**851,744**	**3,617**	**878,033**

For more information about the deduction of the liabilities of BPF Sweets with an amount of 18,914 (2012: 26,175) is referred to paragraph 7.1.

14 Provision for future disability

	2013	2012
Balance per January 1st	836	2,218
Incidental change due to change of cost loading	-	-1,480
Regular change	68	98
Balance per December 31st	**904**	**836**

The IBNR provision for future disability at the end of the financial year 2013 is set equal to twice the yearly risk premium for disability. Last year the change of IBNR provision during 2012 was divided into two parts due to the change in cost loading. This year there is only the change due to change in salary sum, which will be taken into account in the result on disability.

15 Pension provision at the risk of the members

	2013	2012
Balance per January 1st	7,714	5,132
Contributions	2,169	1,579
Transfer values balance	1,314	89
Valuation changes	1,642	922
Other	-56	-8
Balance per December 31st	**12,783**	**7,714**

16 Current liabilities

	31-12-2013	31-12-2012
Derivatives	32,556	15,700
Accrued expenses and other liabilities	10,404	4,305
Wage tax and premiums social security	810	731
Contribution to employer	754	-
Contribution for the account and risk of members deposit	141	-
Balance per December 31st	**44,665**	**20,736**

As far as each individual derivative has a positive balance, it is presented under assets. If each individual derivate has a negative balance, it is presented under other liabilities. A further explanation on the derivatives can be found in paragraph 11.7 “Risk management and derivatives”.

Unless explicitly mentioned differently all amounts are in thousands of euros

Rights and obligations not included in the balance sheet
With respect to the investments in private equity, MPF has an off-balance sheet commitment of EUR 71.1 million to PEM to invest in EFFEM Funds. Non-compliance can lead to the charging of interest as well as legal- and other collection costs.

For the administration a 3 year contract is agreed with TKP. This contract expires on 1st January 2017 and an annual fixed fee of EUR 485 thousand is agreed. The agreement has a 9 months notice.

11.7 Risk Management and Derivatives

11.7.1 Market Risk

Market risk can be split into interest rate risk, currency risk and price risk. The investment guidelines define the strategy Mars Pension Fund will adapt 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 will be reported to the Investment Committee and the Pension Board.

11.7.2 Interest rate risk

A pension fund will be confronted with interest rate risk if and when 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.

Balance Sheet Value	31-12-2013	31-12-2012
	YRS	YRS
Fixed Income Duration (excluding derivatives)	4.4	4.5
Fixed Income Duration (including derivatives)	4.4	7.2
Duration of the (nominal) pension liabilities	17.4	17.2

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.
In 2011 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. This hedging process has gone live as of January 1st 2012. The strategic level of the interest rate hedge will be 50% of the assets. Per the end of 2013 the hedge level was still small, 15% of the assets, in line with the dynamic procedures and the interest rate levels per end 2013.

Unless explicitly mentioned differently all amounts are in thousands of euros

The Pension Fund's fixed income portfolio, excluding derivatives, can be divided into the following subcategories:

Asset Categories	2013		2012	
		%		%
Government Bonds	1,685	0.6	52,299	13.5
Index-linked Bonds	-	-	-	-
Mortgages and MBS	9,644	3.4	-	-
Credits	54,100	18.9	166,354	42.8
Mutual Funds	179,133	62.6	129,052	33.3
Cash and cash-like instruments	41,405	14.5	40,219	10.4
Total	**285,967**	**100.0**	**387,924**	**100.0**

11.7.3 Currency risk

At the end of 2013, about 72.5% (2012 79.7%) 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 respectively 42.7 % and 57.9% at the end of 2013. The total net market value of the outstanding currency forward contracts at the end of the year was EUR -3.36m.

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

Currencies			31-12-2013	31-12-2012
	Before Hedging	Currency Derivatives	Net position after hedging	Net position after hedging
Euro	469,634	167,577	637,211	722,715
British pound	56,422	-20,694	35,728	17,325
Japanese yen	54,761	-21,479	33,282	17,930
US Dollar	318,030	-108,715	209,315	86,126
Other	202,032	-16,689	185,343	139,115
Total	**1,100,879**	**-**	**1,100,879**	**983,210**

11.7.4 Price Risk

All investments and all asset classes are subject to the risk of price movement. Some to a limited degree like for example short maturity government bonds, some to a heightened degree like for example 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. Or, in other words, the portfolio of MPF needs to carry some degree of 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 across many asset classes and by considering only active investment management. On a tactical level the Pension Fund controls the price risk by underweighting perceived overvalued asset classes within the allowable ranges. Hedging it through derivatives like options and futures can also mitigate price risk.

Unless explicitly mentioned differently all amounts are in thousands of euros

The equity investments can be divided into the following regions:

Equity - Regions	31-12-2013	31-12-2012
Mature markets	501,178	324,555
Emerging Markets	70,352	103,028
Private Equity	42,168	36,895
Total	**613,698**	**464,478**

11.7.5 Credit Risk

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

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

There are various ways in which a pension fund can control credit and settlement risks, first and foremost to impose counterparty exposure limits on the total fund level and to implement an effective collateral management programme. Mars Pension Fund also gives its fixed income investment managers investment guidelines that seek to diversify the credit risk as broadly as possible. The Pension Fund tries to mitigate the settlement risk by only investing in markets where a proper and reliable clearing and settlement system is in operation. The Pension Fund requires from its investment managers that they perform a due diligence investigation into the clearing and settlement system of each markets before the manager is allowed to invest in a new market. If and when the Pension Fund engages in transactions in non-exchange traded instruments directly, like OTC derivative transactions, it will do so only when ISDA and CSA agreements have been established with the transaction counterparties so that the Pension Fund's financial position in such a transaction is properly collateralised. It should be mentioned that Mars Pension Fund does not provide any mortgage loans and has stopped its securities lending programme in 2009.

In the table below, the sectorial division of the Pension Fund's fixed income investments is presented[1]

Fixed Income - Sector	31-12-2013	31-12-2012
Government	73,324	69,576
Financial	83,017	42,331
Trade and Industrial	129,626	218,687
Service	-	-
Other	-	57,330
Total	**285,967**	**387,924**

[1] Excluding Derivatives

Unless explicitly mentioned differently all amounts are in thousands of euros

The regional split is given below:

Fixed Income - Regions	31-12-2013	31-12-2012
Mature markets	225,530	375,598
Emerging markets	60,437	10,728
BRIC[1] countries	-	1,598
Total	**285,967**	**387,924**

The credit rating split of all debt issues in the fixed income portfolio is as follows:

Credit Rating\	31-12-2013	31-12-2012
AAA	16,018	43,552
AA	29,426	45,088
A	20,340	43,739
BBB	39,302	90,895
Lower than BBB	111,971	96,079
No rating	68,910	68,571
Total	**285,967**	**387,924**

No rating applies to those securities for which no rating can be found due to specific agreements between two counterparties. At the end of 2012 and 2013 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.

11.7.6 Technical Insurance risk

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 participants live longer than assumed in the determination of the AAL. As a result there is too less cash available for the financing of the accrued benefits. The pension fund has used the mortality table AG Projection table 2012-2062 to coop with the most recent mortality assumptions and the increased long-term trend, and therefore the life expectancy, in mortality probabilities.
It has been shown 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 the Mars Pension Fund should be taken into account. For this reason the pension fund uses the MPF specific experience rating based on the Towers Watson 2012-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 of on the one hand the costs for continuation of the pension accrual, which is equal to the cash value of the pension accrual for the future. On the other hand the risks consists of the costs for the disability benefit. For this risk the risk premium for disability-in-service is used.

The death-in-service and disability-in-service-risk are both reinsured by a stop-loss contract with Generali with a net retention of 7.8M (see for more information 28 Reinsurance premiums).

[1] Brasil, Russia, India & China

Unless explicitly mentioned differently all amounts are in thousands of euros

The fund has incorporated these risks into the buffer for insurance technical risk at year-end 2013 by using the standard model as presented by DNB.

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

11.7.7 Liquidity Risk

Liquidity risk is the risk that investments cannot be sold within an acceptable time period and/or cannot be transformed into cash at an acceptable price, as a consequence of which the fund cannot meet its financial obligations. The liquidity needs of the Pension Fund are modelled and taken into consideration in the investment strategy review, and the resulting asset allocation reflects the Pension Fund's liquidity needs. The Pension Fund will invest sufficiently in highly liquid assets that can be sold quickly and efficiently under 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. As of the end of 2013 the Pension Fund has sufficient liquid asset to meet its liquidity needs. However the intention, as said, is not to sell these assets but 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.

11.7.8 Concentration Risk

Large individual investments in the portfolio can lead to concentration risk. In order to determine which investments could be earmarked as large positions one must add all positions against one and 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. As per 31 December 2013 there is no individual position that constitutes more than 2% of the total investment value of the portfolio. Generally speaking, concentration risk can occur if adequate diversification is missing. Concentration risks can then occur in regional, sector or counterparty exposures. For example loan or equity portfolios that are only invested in a handful of sectors could lead to concentration risks.

11.7.9 Other Financial Risks

1 Systemic Risk

One can talk about systemic risk when the global financial system (all financial and capital markets) is no longer functioning properly, in which case the fund would not be able to trade its investments, and absent a properly working market could (temporarily) lose their value. The global financial and banking system has witnessed this to some extent in the credit crisis of 2007/2008 where a lot of "structured" investments 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, because they could not meet their liquidity requirements because they were unable to sell securities for which there suddenly was no market anymore. A systemic risk or systemic failure is hard to control for directly by any financial institution. However, careful monitoring of liquidity, counterparty and concentration risk can help mitigate the impact of a systemic crisis. In the 2013 ALM study, MPF has implemented Tail Risk Hedging strategies that could help mitigate the negative effects of a systemic crisis.

2 Specific Financial Instruments (Derivatives)

Within the ranges of the agreed strategic investment possibility the Pension Fund can use financial derivatives to hedge financial risks or to enhance or restrict certain exposures. The possible financial effects of using derivatives will always be taken into consideration.

The use of financial derivatives will expose the Pension Fund to price risk and counterparty risk (the risk that counterparties to the transaction cannot meet their financial obligations under the transaction). Only using approved counterparties and the use of collateral 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 will be used to implement the Pension Fund's tactical investment strategy and for rebalancing purposes. Tactical deviations from policy are allowable 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, and 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 would write a put option (sell a put option), then the premium would be received but the Pension Fund would be exposed to price risk in case the underlying index would decrease 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, and 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 would write a put option (sell a put option), then the premium would be received but the Pension Fund would be exposed to price risk in case the underlying index would increase 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 pre-agreed price (the forward rate) and at a pre-agreed 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 with 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 swaptions is an option contract on a swap. The option buyer is allowed to enter into a swap contract with a counterparty at a pre-specified interest rate, with a pre-specified maturity at a pre-specified time. The option buyer will only do so if the contract terms are better than the market terms at the time of exercise.

The tables below show the derivatives positions in the Pension Fund as per December 31:

		Value as per December 31, 2013		
Type of contract	Expiry Date	Notional Values	Market Value assets	Market Value liabilities
Futures	Various	48,729	22	495
Currency Forward contracts	Various	648,003	4,606	1,247
Options	Various	2,700	-	6
Interest Rate Swaps	Various	5,732,272	23,805	26,053
Total Return Swaps		73,722	323	1,306
Credit Default Swaps	Various	3,277	62	35
Bond Forwards		240,000	-	3,414
Total		**6,748,703**	**28,818**	**32,556**

Unless explicitly mentioned differently all amounts are in thousands of euros

		Value as per December 31, 2012		
Type of contract	Expiry Date	Notional Values	Market Value assets	Market Value liabilities
Futures	Various	81,913	307	88
Currency Forward Contracts[1]	Various	839,389	11,354	1,340
Options	Various	25,101	116	138
Interest Rate Swaps	Various	5,366,690	19,669	13,838
Credit Default Swaps	Various	23,025	107	296
Total		**6,336,118**	**31,553**	**15,700**

[1] The total notional value of the currency forward contracts includes the notional values of all long legs and all short legs of all currency forward contracts. This introduces a double count, but it represents the preferred method of reporting as indicated by DNB.

Unless explicitly mentioned differently all amounts are in thousands of euros

11.8 Notes to the statement of income and expenses

17 Contributions from employer and employees

The actual employer contribution amounts to 25% of the pensionable salaries reduced with the contributions of the employer to BPF Sweets. The actual premium amounts to 21,510.The cost covering contribution respectively the smoothened cost covering contribution amount to respectively 27,696 and 16,557.

The costs covering-, smoothened- and actual contributions are composed as follows:

	2013	2012
Cost covering contribution	27,696	26,738
Smoothened contribution	16,557	15,954
Actual contribution	21,510	19,978

The actual contribution of 21,510 (2012: 19,978) is excluding the FVP contribution of 0 (2012: 61) and including the contribution for the account and risk of members of 2,170 (2012: 1,579) as mentioned in note 18.

The cost covering contribution is based on the actuarial assumptions applicable as per 31 December 2012, especially an interest rate term structure by the DNB per this date. The smoothened cost covering contribution is, in accordance with the ABTN, based on a fixed discount rate of 5.95%. This causes the smoothened contribution to be less than the cost covering contribution. The actual contribution is based on the contribution policy and at least equal to the smoothed cost covering contribution (determined at the beginning of the financial year) and is expressed as a percentage of the pensionable salary.

The (smoothed) cost covering contribution is composed as follows:

	2013	2013	2012	2012
	CCC	**SCCC**	**CCC**	**SCCC**
Unconditional accrual	21,089	12,192	20,162	11,604
Solvency surcharge	4,768	2,526	4,832	2,606
Surcharge for administration costs	1,839	1,839	1,744	1,744
Total	**27,696**	**16,557**	**26,738**	**15,954**

18 Contributions for the account and risk members

	2013	2012
Obligatory employee contribution	788	601
Voluntary employee contribution	691	489
Employer contribution	691	489
Total contribution	**2,170**	**1,579**

Unless explicitly mentioned differently all amounts are in thousands of euros

19 Investment results for risk Pension Fund

To connect with the categorised presentation of the investments on the balance sheet, a separate category for investment results is presented for Hedge funds and Derivatives. The comparing figures of 2012 in this report are amended in accordance with this more detailed presentation. The investment results from Derivatives and Hedge funds in 2012 are re-allocated from the categories Equities and Other.

Investment results (excl. Investment related costs)	2013	2012
Real estate investments*	16,281	3,275
Equities	97,186	29,310
Fixed income	-3,145	34,085
Hedge funds	2,057	17,126
Derivatives	-19,436	10,490
Other financial investments	30,944	25.977
Total	**123,887**	**120,263**

* In the annual accounts of 2012 the investment results real estate investments amounted 5,686. In this amount the negative revaluation for that year of 2,411 was not included, but was presented as operating costs real estate. The comparing figures of 2012 are adjusted from 5,686 to 3.275 to be in line with the presentation of 2013 and revaluation is shown as result.

Investment category	Direct investment results	Indirect investment results	2013	2012
Real estate investments	11,231	5,050	16,281	3,275
Equities	17,653	79,533	97,186	29,310
Fixed Income	4,749	-7,894	-3,145	34,085
Hedge funds	-35	2,092	2,057	17,126
Derivatives	-	-19,436	-19,436	10,490
Other financial investments	-2,229	33,173	30,944	25,977
Investment results	**31,369**	**92,518**	**123,887**	**120,263**
Investment related costs			9,509	6,689
Net Investment result			**114,378**	**113,574**

Investment related costs

The investment related costs include management fees 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 9,509 also include the operational costs related to the direct investments in real estate. These costs amounted 5,377 in 2013 and 2,353 in 2012 (this is after excluding the negative revaluation of 2,411 mentioned before in this note at *)

	2013	2012
Management fee external asset managers	1,946	2,300
Investment advice	1,507	1.516
Operating costs real estate**	5,377	2,353
Custody fee	326	305
Value added tax on costs foreign asset managers	190	119
Other investment related costs	163	96
Total	**9,509**	**6,689**

** In the annual accounts of 2012 the operating costs real estates amounted 4,764. In this amount a negative revaluation of property of 2,411 was included. In 2013 the positive revaluation of property is presented as indirect investment results real estates, the comparing figures of 2012 are adjusted in accordance with this presentation.

Unless explicitly mentioned differently all amounts are in thousands of euros

20 Investment results for risk of members

	2013	2012
Direct- and indirect investment results	1,642	922
Management fee and administration costs	-57	-8
Total	**1,585**	**914**

21 Other income

	2013	2012
Other	1	-
Total	**1**	**-**

22 Benefits payment

	2013	2012
Retirement pension	23,022	21,823
Partner pension	3,258	3,120
Disability pension	294	348
Orphan pension	77	59
Total	**26,651**	**25,350**

23 Execution- and administration costs

	2013	2012
Administration costs	1,385	744
Actuarial (advising)	173	364
Advisory costs	111	143
Cross charges from the employer	144	144
Governance costs	427	196
Audit and advisory services	114	91
Communication costs	23	87
Contributions	82	47
Actuarial (certifying)	18	26
Other costs	6	7
Total	**2,483**	**1,849**

In 2012 the classification of the Execution- and administration cost has changed and several categories were added. This format is more in line with the recommendations from the Pension Federation and guidelines for the presentation of Execution- and administration costs in the annual financial statements. In 2013 this presentation remained unchanged.

Audit and advisory services

2013	Pricewater-houseCoopers Accountants N.V.	Other Price-waterhouse-Coopers network	Total Price-waterhouse-Coopers
Audit annual accounts	80	-	80
Other auditing services	-	-	-
Tax advisory	15	-	15
Other non-auditing services	-	19	19
Total	**95**	**19**	**114**

Unless explicitly mentioned differently all amounts are in thousands of euros

In the amount for audit annual accounts an amount of EUR 15 is included for the audit of the investments executed by PricewaterhouseCoopers UK. The audit fee 2013 for the investment audit includes a negative result of EUR 6 on the accrual for these costs made in 2012. The costs for other non-auditing services in 2013 relate to investment related advice.

2012	Pricewater-houseCoopers Accountants N.V.	Other Price-waterhouse-Coopers network	Total Price-waterhouse-Coopers
Audit annual accounts	57	-	57
Other auditing services	-	-	-
Tax advisory	-	-	-
Other non-auditing services	34	-	34
Total	**91**	**-**	**91**

In the amount for audit annual accounts an amount of EUR 11 is included for the audit of the investments executed by PricewaterhouseCoopers UK. The audit fee 2012 for the investment audit includes a positive result of EUR 6 on the accrual 2011 for these costs. In the costs for other services in 2012 an amount of EUR 7 is included for the FVP audit, the rest relates to non-auditing services with an amount of EUR 27.

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

	2013	2012
Change provision	**-26,289**	**75,094**

For more details we refer to the notes under reference number 13.

25 Change provision for future disability

	2013	2012
Provision change for future disability	**68**	**-1,382**

For more details we refer to the notes under reference number 14.

26 Change provision for risk of the members

	2013	2012
Provision change for the account and risk of members	**5,069**	**2,582**

For more details we refer to the notes under reference number 15.

27 Reinsurance

The Pension Fund has reinsured the death-in-service and work disability in-service risks with Generali up until 31 December 2013. This reinsurance can be seen as a catastrophe-risk-coverage because it is based on stop-loss insurance with a net retention of 7,800 which is approximately 600% of the risk premium in the cost-coverage contribution (2010). Over the year 2013 no declaration was applicable as the actual damage was lower than the priority of the contract which applied per 2013. The result on (risk) insurance is negative, EUR 52, and contains the risk premium paid to the reinsurer.

28 Transfers of pension rights for risk pension fund

	2013	2012
Incoming transfer values	-6,998	-170
Outgoing transfer values	30	159
Total	**-6,968**	**-11**

29 Transfers of pension rights for risk members

Unless explicitly mentioned differently all amounts are in thousands of euros

	2013	2012
Incoming transfer values ASP	1,358	180
Outgoing transfer values ASP	-44	-91
Total	**1,314**	**89**

30 Other expenses

	2013	2012
ASP premium disability cases	12	15
Other	2	5
Other results	-2	-
Total	**12**	**20**

General comments

As the Pension Fund does not employ any staff, there is no need to pay any salaries and social insurance charges. The work on behalf of the Pension Fund is performed by 3 employees (2012: 3 employees) who have an employment contract with Mars Nederland B.V. and have been seconded to Mars Pension fund. The costs related to this work 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 83 (2012: EUR 76).

Unless explicitly mentioned differently all amounts are in thousands of euros

11.9 Single balance sheet after appropriation of results (in EUR 1,000)

ASSETS	Note		31-12-2013		31-12-2012
Investments for risk Pension Fund					
Real estate investments	31	934		809	
Equities	3	613,698		464,478	
Fixed income	4	285,967		387,924	
Hedge funds	5	56,283		52,675	
Derivatives	6	28,818		31,553	
Other financial investments	32	26,095		7,717	
			1,011,795		945,156
Investments for risk members	8				
Equities		12,702		7,685	
Fixed income		81		29	
			12,783		7,714
Investments in subsidiaries	33		116,367		51,448
Receivables and prepayments					
Other receivables	34		1,425		2,811
Other assets					
Cash	10		3,976		3,955
			1,146,346		**1,011,084**
LIABILITIES					
Foundation capital and reserves					
Foundation capital	11		-		-
General reserves	12		243,940		106,230
Technical provision at the risk of the pension fund					
Actuarial accrued liabilities	13	851,744		878,033	
Provision for future disability	14	904		836	
			852,648		878,869
Pension provision at the risk of the members	15		12,783		7,714
Current liabilities	35		36,975		18,271
			1,146,346		**1,011,084**

Unless explicitly mentioned differently all amounts are in thousands of euros

11.10 Single statement of income and expenses (in EUR 1,000)

INCOME	Note	2013		2012	
Contributions from employer and employees	17		19,340		18,460
Contributions for account and risk of members	18		2,170		1,579
Investment results for risk pension fund	36	106,331		114,633	
Investment results for risk members	20	1,585		914	
			107,916		115,547
Other income	21		1		-
Total INCOME			**129,427**		**135,586**
EXPENSES					
Benefits payment	22		26,651		25,350
Execution- and administration costs	23		2,483		1,849
Change pension provisions:					
Change provision pension liabilities for risk of the pension fund	24	-26,289		75,094	
Change provision for future disability	25	68		-1,382	
Change provision for risk of the members	26	5,069		2,582	
			-21,152		76,294
Reinsurance	27		52		40
Transfer of pension rights for risk pension fund	28		-6,968		-11
Transfer of pension rights for risk members	29		-1,314		-89
Other expenses	30		12		20
Total EXPENSES			**-236**		**103,453**
Net income and expenses Mars Pension Fund			129,663		32,133
Result participation in MREI			8,047		-1,059
Total Net Income			**137,710**		**31,074**

Unless explicitly mentioned differently all amounts are in thousands of euros

11.11 Accounting policies

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

Investments in subsidiaries
This is a 100% participating interest in Mars Real Estates 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.

11.12 Notes to the single Balance Sheet

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

31 Real estate investments

	31-12-2013	31-12-2012
Balance per January 1st	808	-
Reclassification[2]	-	414
Purchases	161	321
Sales	-126	-202
Valuation changes	91	275
Balance per December 31st	**934**	**808**

32 Other financial investments

	31-12-2013	31-12-2012
Cash available for investments	26,649	2,620
Other financial investments	-554	5,097
Total	**26,095**	**7,717**

33 Investments in subsidiaries

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

	Capital	Loans	Total value
2013			
Balance per January 1st	13,205	38,243	51,448
Additions	22,706	34,166	56,872
Result 2013	8,047	-	8,047
Balance per December 31st	**43,958**	**72,409**	**116,367**
2012			
Balance per January 1st	7,320	19,624	26,944
Additions	6,944	18,619	25,563
Result 2012	-1,059	-	-1,059
Balance per December 31st	**13,205**	**38,243**	**51,448**

Unless explicitly mentioned differently all amounts are in thousands of euros

The loans have an average interest rate of 5.19%. The final maturity date of the loans is November 2, 2015 and all loans are denominated in GBP. There are no particular warranties underlying the loan.

34 Other receivables

	31-12-2013	31-12-2012
Contribution from employer	537	2,298
Accrued Interest Intercompany loan MREI	883	499
Advance payment benefits	5	-
Prepaid expenses	-	10
Other receivables	-	4
Total	**1,425**	**2,811**

35 Current Liabilities

	31-12-2013	31-12-2012
Derivatives	32,556	15,700
Accrued expenses and other liabilities	2,714	1,840
Taxes and premium social security	810	731
Amounts to deposit related to Transfers of rights	754	-
Contribution for the account and risk of members to deposit	141	-
Total	**36,975**	**18,271**

As far as the derivatives have a positive balance, they are presented under assets. If the derivatives have a negative balance, they are presented under other liabilities. A further explanation on the derivatives can be found in paragraph 11.7 “Risk management and derivatives”.

Unless explicitly mentioned differently all amounts are in thousands of euros

11.13 Notes to the single statement of income and expenses

36 Investments results for risk Pension Fund

To connect with the categorised presentation of the investments on the balance sheet, a separate category for investment results is presented for Hedge funds and Derivatives. The comparing figures of 2012 in this report are amended in accordance with this more detailed presentation. The investment results from Derivatives and Hedge funds in 2012 are re-allocated from the categories Equities and Other.

Investmentresults (excl. Investment related costs)	2013	2012
Real estate investments	173	317
Equities	97,186	29,310
Fixed income	-3,145	34,084
Hedge funds	2,057	17,126
Derivatives	-19,436	10,490
Other	33,628	27,642
Total	**110,463**	**118,969**

	Direct investment results	Indirect investment results	2013	2012
Real estate	4	169	173	317
Equities	17,653	79,533	97,186	29,310
Bonds	4,749	-7,894	-3,145	34,084
Hedge funds	-35	2,092	2,057	17,126
Derivatives	-	-19,436	-19,436	10,490
Other	593	33,035	33,628	27,642
Total	**22,964**	**87,499**	**110,463**	**118,969**
Investment related costs			4,132	4,336
Net investment result			**106,331**	**114,633**

37 Costs asset management

	2013	2012
Management fee external asset managers	1,946	2,300
Investment advice	1,507	1,516
Custody fee	326	305
Value added tax on costs foreign asset managers	190	119
Other investment related costs	163	96
Total	**4,132**	**4,336**

Veghel 26 June 2014

The Pension Board,

W. van Ettinger (chairman)

J. van Lith (secretary)

Unless explicitly mentioned differently all amounts are in thousands of euros

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12 OTHER INFORMATION

12.1 Statutory Arrangement for the appropriation of result

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

The annual appropriation of the balance of the statement of income and expenses is arranged in the funds' ABTN.

Proposed appropriation:

Proposed is to add the positive balance result of 2013 with an amount of EUR 137,710 to the general reserve. This proposal has already been incorporated in the balance sheet.

Administrative and Financial Agreement

For the funding of the accrual of the pension entitlements with Mars Pension Fund the companies are obliged to pay contribution to the Pension Fund. The rules to determine the contribution, based on the Funding Level are described in detail in the Administrative and Financial Agreement.

Subsequent events

The Pension Board has decided in the Pension Board meeting in January 2014 to grant a partial indexation of 1.93%. This decision was in accordance with the Administrative and Financial Agreement based on the Funding Ratio as per December 31, 2013, as available in January 2014.

In the Pension Board meeting of 28 January 2014 the Pension Board has decided to transfer all members to the new plans.

12.2 Actuarial Statement

Assignment
The assignment to issue an Actuarial Statement, as referred to in the Pension Act in respect of the financial year 2013 was issued to Towers Watson Netherlands B.V. by Stichting Mars Pensioenfonds, established in Veghel.

Data
The data on which my audit was based were provided by and were compiled under the responsibility of the management 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.

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 judgment.

Activities
In carrying out the assignment, I have examined whether the provisions referred to in the Actuarial Report comply 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; and
• I have formed an opinion of the financial position 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. I have formed an opinion on the probability with which the pension fund will be able to meet its liabilities incurred up until the balance sheet date, also taking into account the financial policy of the pension fund.

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

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

Measured in accordance with the statutory criteria with regard to the liabilities incurred up until the balance-sheet date, the pension fund has a reserve deficit.
Taking into account the above, I have satisfied myself that, viewed as a whole, the pension fund has complied with Sections 126 up to and including Section 140 of the Pension Act, with the exception of Section 132 (reserve deficit).
In my opinion, the financial position of Stichting Mars Pensioenfonds is not sufficient, due to the reserve deficit.

Apeldoorn, 26 June 2014

R. Kruijff AAG
Attached to Towers Watson Netherlands B.V.

12.3 Independent auditors report

Report on the financial statements

We have audited the accompanying financial statements 2013 of Stichting Mars Pensioenfonds, Veghel, which comprise the consolidated and company balance sheet as at 31 December 2013, the consolidated and company profit and loss account for the year then ended and the notes, comprising a summary of accounting policies and other explanatory information.

Board of directors' responsibility

The board of directors is responsible for the preparation and fair presentation of these financial statements and for the preparation of the board report, both in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the board of directors is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the foundation's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Stichting Mars Pensioenfonds as at 31 December 2013, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2: 393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2: 392 sub 1 at b-h has been annexed. Further we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2: 391 sub 4 of the Dutch Civil Code.

Amsterdam, 26 June 2014
PricewaterhouseCoopers Accountants N.V.

drs. H.C. van der Rijst RA

12.4 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)*
BoJ	Bank of Japan
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*
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	Minimum legally Required Solvency Ratio
OTC	Over The Counter
PCC	*Pensioen Communicatie Commissie*
RIG	Russel Investment Group
RSR	Required Solvency Ratio
RTS	*Rentetermijnstructuur*
SLA	Service Level Agreement
SCCC	Smoothened Cost Covering Contribution
UPO (Uniform Pension Overview)	Benefit Statement *(Uniform Pensioen Overzicht)*