MARS PENSIOEN FONDS

Annual Report

2019

Stichting Mars Pensioenfonds
Established in 1964

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

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Unless clearly stated otherwise all amounts are in thousands of euros

REPORT OF THE PENSION BOARD

INTRODUCTION BY CHAIRMAN

During 2019 the financial position of MPF went gradually down from a Policy Funding Ratio of 132% at the beginning of 2019 to 123% at the end of 2019. This is equal to the required solvency level (123%).
Our investment return in 2019 was very strong at 13.5%, but 0.5% below our own benchmark. Interest rates kept going down albeit with ups and downs. This had a negative impact on the development of our funded status, which was partially mitigated by our interest rate hedge at 50% of nominal liabilities and by very strong equity markets.
We were able to make a positive decision about a regular annual company contribution to the fund and an indexation of nearly 2%, which was a full indexation according to our ambition. Seen in the context of pension funds in The Netherlands this is a very good result.

As mentioned earlier we have put the new de-risking strategy in place and we have hit the first trigger. This policy tries to lock in gains when we reach favorable funding positions. However, our financial position will first have to improve considerably before we hit the second trigger. What we have achieved is a much lower risk position which will come in handy when markets take a dive, as mentioned later in this Introduction when reviewing what has happened in the first quarter of 2020.
In addition to the de-risking policy we are paying increasing attention to the ESG element of our investment policy and investments and have been working on an updated policy document that we approved at the end of 2019. The ESG policy is not a stationary point but will be further developed over the next years as it has become a permanent factor of consideration.

On request of the Company we started the year 2019 with a project to redesign the ARP/ASP pension plans. However a lot of uncertainty about the design of all our plans going forward was caused by the new Dutch Pension Agreement that saw light in June 2019. As a result we agreed with the Company that we should delay our plans till the moment that new legislation will necessitate overall changes to all our plans. This will give us time to focus on finding a new pension administrator as our current administrator has terminated the contract as per 1 January 2022. We have been in touch about all these developments with DNB.

As of 1 January 2019 we have installed a Supervisory Council which succeeds the previous Review Committee. Also the Supervisory Council consists of external experts. The Supervisory Council looks at the strategies and the management of MPF as well as our policies and risk management. These accounts contain the first report by the Supervisory Council.
We performed a Board Self-Assessment and worked on an updated Mission, Vision and Strategy document in the 4th quarter of 2019. We concluded that notwithstanding the ongoing pressures we are a sustainable fund and have a good Board and Pension Office/T&B organization to take on the challenges ahead, be it in governance, administration, investments and pension plan management.

To strengthen our governance and to be fully in line with legislation we completed our work on Integral Risk Management (IRM) as per IORP II and on our compliance organization. The IRM framework was completed with Risk Self Assessments for all major risk areas, and we appointed Key Function Holders (KFH´s).
These are cornerstones in the further development of our Integral Risk Management. The KFH Actuarial has been approved by DNB. The other KFH´s for Risk and Internal Audit still need to be proposed to DNB before September 2020 and subsequently endorsed by DNB so that the Board can finally appoint them by the end of 2020.
As to our compliance organization, we appointed Mr. P. van Bree as Compliance Officer working closely with our external Legal Counsel. Mr. P. van Bree was appointed by the Company as European Risk and Compliance Manager, so he is very well suitable for the position of Compliance Officer of MPF.

With the support from the Company we were able to add five associates to our Talent Pool so that we created ample succession options for the future. Two of them have been appointed as aspiring Board Member and one as aspiring Accountability Council member. Besides the continuity in the Board we also dealt well with the continuity in the Pension Office. Because of all the actions we have taken in 2019 we think we have achieved business continuity and a sustainable position going forward.

Finally I have to say a few words about the developments in the first part of 2020 due to the Corona crisis. First of all we have seen a strong drop in equity markets, some by about 30% with a concurrent drop in interest rates to almost minus 0.7%. At the end of March we had a Funding Ratio of 110%, and a Policy Funding Ratio of 120%, which is below the required solvency ratio of 123%. Considering what had happened in the financial markets the impact was very limited. The hedging and de-risking strategies put in place in various forms over the years had worked very well but as said we could not totally escape from the misery on the financial markets. As a consequence of being below the required solvency level at the end of March we have to issue a Recovery Plan to DNB by 1 July 2020. We expect this Recovery Plan to show recovery well within the period required (10 years).
As to business continuity the Board has installed a Crisis Management Team, that gathers regularly via Skype. All parties including MPF, Secor, TKP, WTW, BoNYM, NautaDutihl, etc, work from home and all meetings are now digital meetings and up till now it works, although we hope of course that matters start to take a more normalized course as soon as possible.

William van Ettinger
Chairman of the Board

1 KEY FIGURES

	2019	2018	2017	2016	2015
Members and retirees					
Active members	1,388	1,401	1,414	1,411	1,419
- Final Pay Plan	607[1]	601			
- ARP/ASP Plan	781	800			
Deferred members	1,267	1,223	1,145	1,126	1,199
Retirees	1,289	1,263	1,230	1,206	1,160
Retirees per type					
Old age pension	987	958	927	902	872
Partner- and orphan pension	302	305	303	330	288
Pensions					
Cost covering contribution	33,6%	31.6%	32.7%	30.0%	29.0%
Smoothed cost covering contribution	22,1%	20.4%	17.6%	16.9%	19.8%
Actual contribution	7.2%[2]	23.1%	25.0%	25.0%	22.8%
Execution- and administration costs	2,805	2,357	2,407	1,947	2,221
Benefit payments	33,900	31,700	30,300	30,300	29,300
Indexation ARP					
Active members (year+1)	5.36%	4.23%	3.60%	3.56%	3.63%
Inactive members (year+1)	2.26%	4.32%	3.52%	1.80%	3.63%
Indexation Final Pay plan					
Deferred members and retirees (year+1)	1.98%	1.41%	0.97%	0.02%	0.30%
Deferred members and retirees (catch-up)	0%	Max 2.9%[3]	-	-	-
Additional pension entitlements actives (year+1)	2.88%	2.05%	1.53%	0.74%	1.33%
Additional pension entitlements actives (2015/2018)	2.88%	2.05%	1.36%	0.26%	0.90%

[1] Due to a different way of counting disabled members with a double status in 2019, the total number of members in the Final Pay plan, which is a closed plan, increased with six.
[2] In 2019 a discount was applicable.
[3] Depending on the date of becoming an inactive member.

Unless clearly stated otherwise all amounts are in thousands of euros

	2019	2018	2017	2016	2015
Assets and solvency					
Required general reserve	314,400	279,500	367,100	290,800	270,300
Minimum general reserve	53,900	48,900	47,000	47,800	44,100
Regulatory own funds	306,400	310,800	368,500	367,700	352,100
Profit/loss in year	-4,349	-57,700	77,700	20,500	19,500
AAL at the risk of the pension fund	1,290,100	1,134,300	1,094,000	1,123,400	1,051,000
Funding ratio	122.4%	126.0%	132.2%	125.0%	124.9%
Policy Funding Ratio	123.3%	133.3%	132.3%	116.6%	124.2%
Market Value of assets	1,674,000	1,504,000	1,515,000	1,455,000	1,329,000
Investment returns	197,000	1,000	64,000	108,000	79,800
Investment portfolio					
Real estate investments	83,000	77,000	98,000	122,400	195,500
Equity	740,000	549,000	847,000	865,800	704,400
Fixed income	487,000	515,000	378,000	319,000	261,800
Other investments	365,000	363,000	192,000	148,000	167,000
Investment results					
Total portfolio	13.0%	0.3%	4.5%	7.5%	6.6%
Benchmark Return	13.5%	0.6%	5.8%	6.3%	4.7%
Average return per year					
Last 5 years	6.4%	7.2%	9.5%	11.2%	9.4%
Last 10 years	8.1%	8.9%	6.4%	6.5%	6.8%
Investments for risk of the members (ASP and ARP)	76,921	58,900	51,500	41,800	34,900

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2 GENERAL INFORMATION

2.1 Legal structure

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

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

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

2.2 Statutory objectives

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

Mars Pension Fund has updated the mission, vision and the strategy as part of the ABTN in 2019. In the next chapters, a summary of the mission, vision, strategy and of the risk attitude based on these fund documents is included.

Mission
Mars Pension Fund ('MPF') executes the pension agreements the sponsoring companies have entered into with their (former) associates and have entrusted to the Mars Pension Fund. The core values and identity of MPF are based on the five key principles of MPF:

- Quality
- Responsibility
- Mutuality
- Efficiency
- Freedom

Vision
Mars Pension Fund identifies the following relevant events in the coming years:
- The characteristics of Mars Pension Fund will gradually change going forward due to the closed nature of the Final Pay plan and the increasing size of the ARP/ASP plan.
- Mars Pension Fund will have to find a new pension administrator for the administration of its pension plans.
- A new pension contract will be introduced in the Netherlands.

Given these developments, MPF has the following vision on the execution of the pension agreements of the sponsoring companies:
- MPF wants to deliver the accrued pension benefits of its members and strives for the indexation ambition on these accrued benefits for its (former) members.
- We strive for excellent quality in our services, supported by excellent expertise from internal and external parties.

- We want to continue the good relationship with the sponsoring company and the trust the members have in MPF.
- We aim for less complex pension plans which are regulatory proof by making clear agreements with the Sponsor (also under the new pension contract).
- At all times the Pension Board will consider the interests of all stakeholders to the plans in a balanced way.

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

<u>Actuarial risk</u>
MPF will continue the sound financial structure of the fund with a solid contribution policy and quick recovery from a funding deficit.

<u>Investment risk</u>
- MPF will continue, and possibly improve, the de-risking policy for the Final Pay plan within the boundaries of the short term and long term risk attitude. The de-risking policy takes into account the change in characteristics of MPF due to the closed nature of the Final Pay plan and the increasing size of the ARP/ASP plan.
- MPF will further improve the design and monitoring of the lifecycles in the ASP pension plan within the boundaries of the risk attitude.
- MPF will monitor the expected pension results in the combination of ARP/ASP plan in order to use this in communication with social partners and members.
- MPF will further develop the ESG-policy for both the Final Pay and the ARP/ASP plan.

<u>Pension administration</u>
MPF will execute the pension plans in an adequate, cost efficient and future proof way with specific attention in the coming years for:
- the choice for a new pension administrator and the subsequent transition to this new pension administrator;
- the impact of the new pension deal;
- IT.

MPF will continuously discuss with both the sponsoring company and the (new) pension administrator any possibilities to decrease the complexity of the pension plans.

<u>Business operations</u>
- MPF will continue to develop the Talent Pool to be prepared for succession in the various governance bodies, in order to sustain our Parity Board structure.
- MPF will continue to operate the Pension Board and a professional Pension Office, supported by external experts.
- MPF will further develop the Integral Risk Management (IRM) within MPF.
- MPF will continue, and possibly improve, the communication strategy in order to maintain, and possibly improve, the trust of the members in MPF.
- MPF will further improve the capability and suitability of all the relevant officers within MPF.

<u>Compliance</u>
- MPF will maintain, and possibly improve, the trust of the members in MPF.
- MPF will comply with laws and regulations.

<u>Strategic</u>
- MPF will regularly discuss all relevant aspects of the execution of the pension plans with the sponsoring companies.
- MPF will monitor the development of the new pension deal and will proactively discuss the implications with the sponsoring companies.

Risk attitudes
The objectives, policy principles and risk attitudes of the Pension Fund are results of the mission, vision and strategy of the Pension Fund. As from December 2017 the Pension Fund has, besides the risk attitude of the Final Pay plan, also defined a risk attitude for the ARP/ASP plan. The risk attitudes describe the risk appetite and risk tolerance as agreed with the stakeholders by the Pension Fund, and is part of the ABTN and the Administrative and Financial Agreement (AFA, 'Uitvoeringsovereenkomst'). The AFA specifies mutual responsibilities, authorities, entitlements and financial and other obligations between Mars Pension Fund and the companies listed below:

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

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

ABTN
The ABTN, one of the most important documents of MPF, provides insight into the operation of Mars Pension Fund and gives a description of the policies pursued by the Pension Fund. The ABTN was last modified on 12 December 2019 and applies from 31 December 2019.

2.3 Organization

2.3.1 Pension Board

Mars Pension Fund is governed by a Pension Board. The Pension Board consists of six members: i.e. three employer and three member representatives from whom one is elected by the retirees and two by active members.
The Pension Board appoints one of its members as chairman. The Pension Board's composition meets the criteria specified in the so-called Suitability Policy (Geschiktheidsbeleid) of Mars Pension Fund. This Policy was updated and approved by the Board on 25 March 2020. The Pension Board shall pass resolutions by a simple majority vote unless the Articles of Association (Statuten) require otherwise. Each Pension Board Member may authorize another Pension Board Member in writing to represent him/her during a Pension Board meeting, including the authority to vote. A Pension Board Member may not represent more than one other Pension Board Member. Valid resolutions may only pass if at least four Pension Board Members are present or represented at the meeting, of which two being member representatives and two employee representatives. Pension Board meetings are generally physical meetings, but skype/telephone meetings are also allowed if necessary/agreed by all Board members.

As of 31 December 2019 the Pension Board has the following members:

On behalf of employers:

Name	Job title in Pension Board	Job title	Year of appointment	Year of stepping down
Mr. P. van Bree (1974)	Board member	European Risk & Compliance Manager	2018	2022
Mrs. R. Steenbergen (1969)	Board member	Investment & Control Manager EMEA	2016	2020[4]
Mr. W. van Ettinger (1955)	Chairman of the Board	Retiree, former Director T&B EMEA	1997	2022

On behalf of employees:

Name	Job title in Pension Board	Job title	Year of appointment	Year of stepping down
Mr. W. van de Laar (1959)	Secretary of the Board	Retiree former Technology Manager Bars Global Scale Team	2003	2021
Mr. H. van Heesch (1964)	Board member	Process Operator	2018	2022

On behalf of the pension beneficiaries:

Name	Job title in Pension Board	Job title	Year of appointment	Year of stepping down
Mr. H. Faassen (1951)	Board member	Retiree former Factory Director	2014	2022

Following the 2014 legislation on Improved Governance for pension funds, Pension Board members are appointed for a term of four years counting from 1 July 2014. Pension Board members can be reappointed for a maximum of two terms, so max 12 years in total counting from the date of the new legislation (2014).

2.3.2 Key functions

MPF has set up key functions under the IORP II legislation. The structure is such that the key function holders Risk and Internal Audit will be placed within the Board so with existing Pension Board members. Mr. P. van Bree is the intended key function holder for Risk and he is assisted in this task by Willis Towers Watson (WTW), Purmerend. Mr. Faassen is intended key function holder Internal Audit and was assisted by Mars Internal Audit. Both key function holders will be notified to DNB for review before September 2020.
The Actuarial key function is performed by Mr. R. van de Meerakker, WTW, who is also the certifying actuary. DNB approved his nomination in 2019.

2.3.3 Executive Board

The Fund’s day-to-day policy shall be determined by at least two (co-)policymakers, being natural persons to be designated by the Board. This is the Executive Board.

[4] On 25 March 2020, Mrs. R. Steenbergen was appointed for a 2nd term.

Unless clearly stated otherwise all amounts are in thousands of euros

The Executive Board consists of:

Name	Job title
Mr. W. van Ettinger	Chairman of the Pension Board
Mrs. H. Bakermans[5]	Interim Director of MPF
Mr. W. de Korte	Investments & Funding Manager EMEA

2.3.4 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 Suitability Policy also applies to the Director. The responsibilities of the Pension Office are documented in 2018 in the document "Regulations of the Pension Board of MPF". The Pension Office is supported by a Benefits Professional, an Investment Professional and a secretary. Their tasks, authorities and responsibilities are also documented in the before mentioned document.
The Pension Office is part of an internal Mars service group called the Treasury & Benefits Centre (TBC). Investment activities are also coordinated by the TBC. A service level agreement has been agreed between the Fund and TBC. The Pension Office manages its responsibilities by frequent meetings and the use of a dashboard, annual activity calendar and a condensed reporting and decision tool, with professional advice from a number of consultants such as WTW and NautaDutilh.

The Pension Office consists of:

Name	Job title
Mrs. H. Bakermans[4]	Interim Director of MPF
Mr. W. de Korte	EMEA Investments Manager

2.3.5 Accountability Council and Supervisory Council

<u>Accountability Council (Verantwoordingsorgaan)</u>
The Accountability Council's role is to critically review the Pension Board's range of policies. It focusses specifically on the stakeholders interests and whether these interests are adequately balanced by the Board.The Council consists of three members each representing a key stakeholder: the plan members (medewerkers), the beneficiaries (pensioengerechtigden), and the sponsor. In this way all relevant stakeholders are represented.
A separate section is included in the Annual Report that reflects the Accountability Council's findings for the year 2019.

At the end of 2019 the Accountability Council consists of:

Name	Job title	Year of stepping down	On behalf of
Mr. I. Langer (1965)	Global Benefits Director	2022	Employer
Mrs. J. Vermeulen (1973)	Manager Associate Rewards and Secretary of the AC	2021	Employees
Mr. A. van Gestel (1961)	Retiree and Chairman of the AC	2020	Beneficiaries

Accountability Council members are appointed for a term of 4 years. The term of Mr. I. Langer ended in 2019. He was reappointed on 18 June 2019 for a term of 3 years. The term of Mr. van Gestel ends on 1 July 2020. He has been reappointed on 18 June 2020 for a term of 4 years.

To find adequate, available and motivated (future) members for the various governance bodies, the Pension Board has set up a Pension Talent Pool, with identified talents who are developed (through training, aspiring membership, etc.) to create succession options.

[5] During Mrs. S. Tonnaer's absence, Mrs. H. Bakermans acts as Interim Director of MPF.

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Supervisory Council (Raad van Toezicht)
MPF have appointed a Supervisory Council (Raad van Toezicht, who supervises the policies of the Pension Board and the general position and governance of MPF, with a special attention on risk management both short and long term. The Council is a legal requirement and its members need to be independent to the Mars Fund, so by definition these are external people. The council members need (together) to cover the entire Pension Fund management spectrum.
A separate section is included in the Annual Report that reflects the Supervisory Council's findings for 2019.

At the end of 2019 the Supervisory Council consists of:

Name	Year of stepping down
Mr. B. Davis	2020
Mr. F. Valkenburg	2022
Mr. A. Slager	2023

The selection procedure to replace Mr. Davis at the end of 2020 has started.

2.3.6 Administration

As from 1 January 2014 TKP is responsible for the full administration, including the member administration, the investment administration, the financial administration and retiree payroll of the Final Pay plan, the Associate Retirement Plan (ARP) and the Associate Selection Plan (ASP). In 2019 TKP has made the strategic decision to stop servicing a number of relatively smaller funds including MPF. For MPF this means that the contract is terminated as of 1 January 2022. As a result of that MPF has started the search for a new pension administrator.

2.3.7 Custody and performance measurement

The custodian for the Defined Benefits assets and the ARP Defined Contribution plan is Bank of New York Mellon (BoNYM). BoNYM is responsible for custody accounting for all segregated accounts of the Plan, as well as record keeping accounting of all assets held outside BoNYM, with administrators of the various pooled funds that the Plan invests with, as well as the operational cash account of the Plan. A subsidiary of BoNYM, called Global Risk Solutions, is appointed as Performance measurer.

2.3.8 Investment committees

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

As from January 2012 the investment committees of the Mars European pension plans have been harmonized. MPF's Investment Committee has as from mentioned date the same members as the other six investment committees in Europe. The investment committee's responsibilities are to advise the Pension Board on all investment matters and to appoint and monitor investment managers and performance for the final pay schemes and the cash balance plan. The responsibilities have been documented in an Investment Committee Charter. This Investment Committee Charter is currently reviewed and where necessary it will be actualized.

Unless clearly stated otherwise all amounts are in thousands of euros

At the end of 2019 the Investment Committee was composed of the following members:

Name	Job title	Details
Mr. W. van Ettinger	Retiree (before: T&B Director EMEA)	Also Chairman of the Pension Board
Mr. R. Lottermann	Retiree (before: President Asia Pacific)	
Mr. A. Parton	Commercial VP Global Petcare	
Mr. J. Price	Retiree (before: VP Operations Europe Mars Petcare and Main Meal Food)	
Mr. F. Nieuwland	Chief Investment Officer	Chairman IC
Mr. H. Fleige	Financial Planning & Analysis Director, Global Petcare Finance Support	
Vacancy[6]		

The Advisory Committee Investments ASP provides the Pension Board with both asked and unasked advice related to the investments of the Associate Selection Plan (ASP), which is part of ARP/ASP plan. The responsibilities have been documented in an IC ASP Charter.

On 31 December 2019 the Advisory Committee Investment Structure ASP for the defined contribution plan is composed of the following members:

Name	Job title	Details
Mr. H. van Heesch	Process Operator	Member representative and Chairman IC-ASP
Mr. M. de Vries	Sr. Technologist R&D	Member representative
Mr. J. Janssen	Treasury Operations Manager	Member representative
Mr. R. van den Beucken	Proces Area Operator Supply	Member representative
Mr. J. Gottschalk	Proces Operator Supply	Member representative

Mr. H. de Graauw and Mr. H. van Berkel retired at 3 October 2019 from the committee and Mr. R. van den Beucken and Mr. J. Gottschalk filled the two vacancies as per the same date.

2.3.9 Investment managers

The main investment managers, ranked by value, are PIMCO, PEM, GMO, Blackstone, Lazard and Nomura. The investment manager for the Associate Selection Plan is Vanguard. All available funds for investment by members are index funds.

[6] Mr. W. Rigler retired at the end of 2019, this position was filled as from 1 February 2020 by Mr. S. Anthoons (Organizational change S&F Director, Global Pet Nutrition Finance)

2.3.10 External Advisors

Advice	Third party
Advisory Actuary	Willis Towers Watson, Eindhoven
Tax Advisor	PricewaterhouseCoopers Belastingadviseurs N.V.
Legal Advisors	NautaDutilh, Amsterdam Stibbe N.V., Amsterdam Hogan Lovells, London
Monitoring and Controls	Secor Investment Advisors LLP, London
Communication Advisor	TKP Pensioen B.V., Groningen
IT Advisor	Ortec Finance
ALM Advisor	Willis Towers Watson, Amsterdam
Integral Risk Advisor	Willis Towers Watson, Purmerend
Strategic Asset Allocation	Willis Towers Watson, Amsterdam Secor Investment Advisors LLP, London
Tactical Asset Allocation	Secor Investment Advisors LLP, London
Manager Selection	Secor Investment Advisors LLP, London
Transition Management	Secor Investment Advisors LLP, London
Private Credit	Blackrock, Delaware
Private Equity	Performance Equity Management (PEM), Greenwich.
	LGT Capital Partners GCM Grosvenor
Hedge Funds	Blackstone, New York Secor Investment Advisors LLP, London
Property Investments	AEW UK, London Secor Investment Advisors LLP, London

Audit and control	Third party
Independent auditor	PricewaterhouseCoopers Accountants N.V.
Certifying actuary	Willis Towers Watson, Rotterdam
Performer Internal Audit	Mars Internal Audit

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

3 FINANCIAL INFORMATION

3.1 Funding Ratio

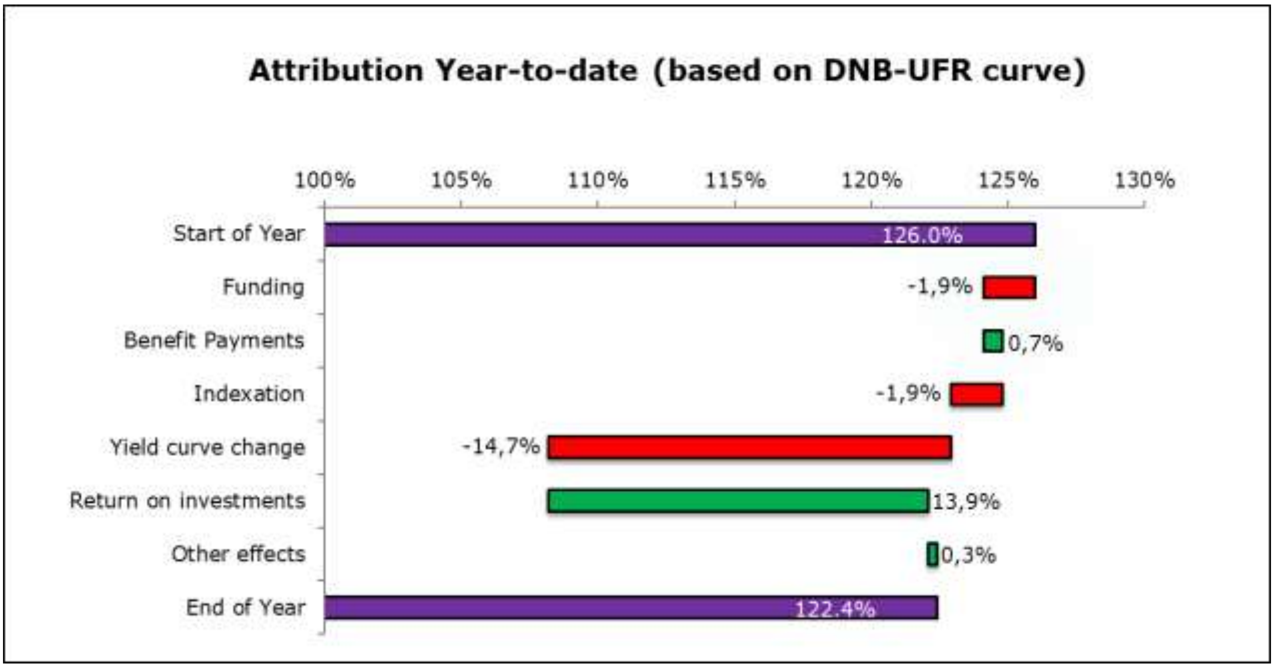
The most important indicator of the financial position is the Funding Ratio (FR). This is the ratio between the assets of the pension fund and the liabilities. The FR of MPF at year end 2019 is 122.4%.

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

	Funding Ratio	Ongoing Solvency Margin Ratio
31 December 2013	128.6%	129.1%
31 December 2014	124.6%	126.7%
31 December 2015	124.9%	132.4%
31 December 2016	125.0%	131.3%
31 December 2017	132.2%	132.1%
31 December 2018	126.0%	123.4%
31 December 2019	122.4%	123.1%

During 2019 the FR decreased considerably, mainly due to an increase in the AAL (because of a lower applied interest rate). The investments increased also due to positive returns. The Ongoing Solvency Margin Ratio (OSMR) is explained in chapter 3.3.

The impact of the developments in 2019 is shown in the next figure:

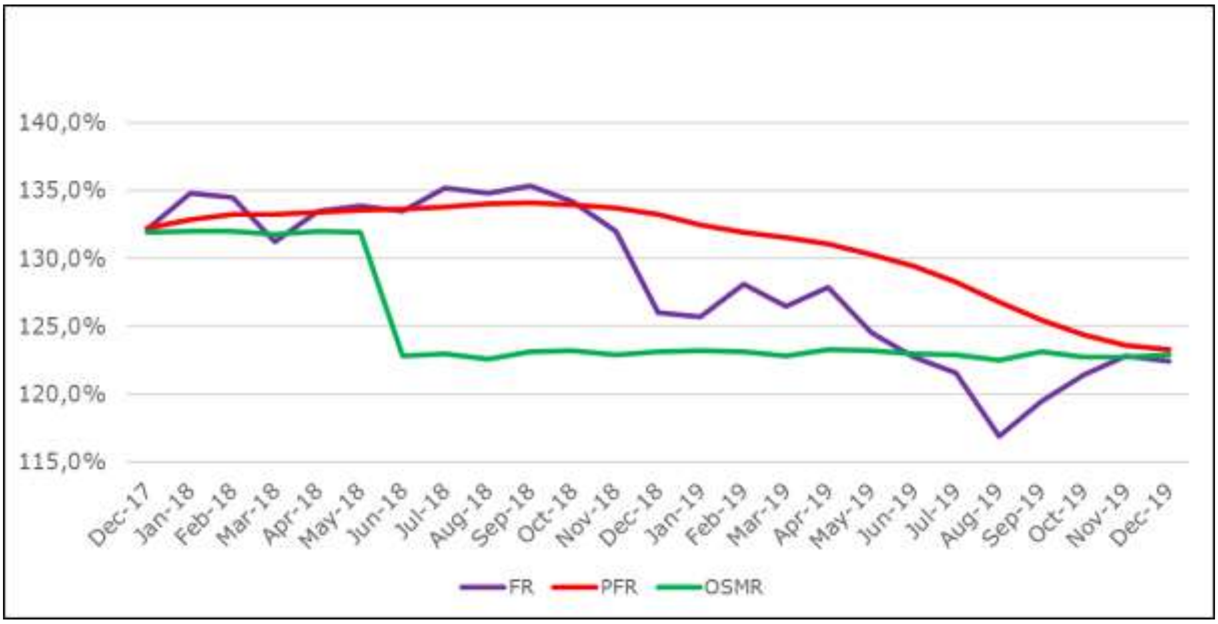


3.2 Policy Funding Ratio

The Policy Funding Ratio (PFR) is the average of the funding ratios over the past twelve months. The PFR is relevant to determine if the pension fund is allowed to index or to execute transfers of pension rights. Due to the development of the Funding Ratio during the year 2019 the PFR decreased from 133.3% to 123.3%.

Unless clearly stated otherwise all amounts are in thousands of euros

The next figure shows the development of the ratios during the past 2 years.

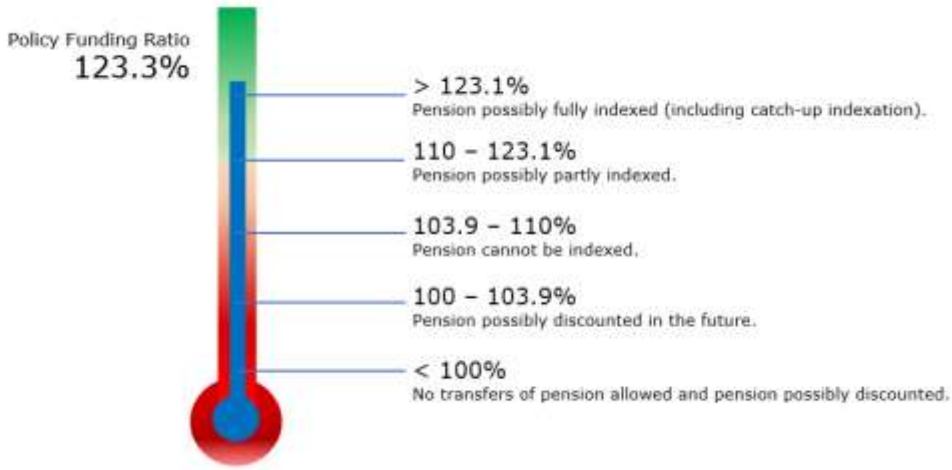


3.3 Other relevant ratios

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

- The **funding ratio for future proof indexation** at 31 December 2019 is approximately 122.1%. The new FTK determines that pension funds are only allowed to give full indexation according to their indexation policy if the Policy Funding Ratio is more than the funding ratio for future proof indexation. Below that level only partial indexation is allowed.
- The **Ongoing Solvency Margin Ratio** (OSMR) at year end 2019 is 123.1%. This ratio depends on the strategic risk profile of the pension fund. The OSMR is an important ratio for the financial position of the pension fund. If the Policy Funding Ratio is below the level of the OSMR, the pension fund has a deficit.
- The **Target Indexation Limit** (TIL) is the maximum of the funding ratio for future proof indexation and the OSMR and equals 123.1% at year-end 2019. When the Policy Funding Ratio is at or above this limit, MPF will give a full indexation according to the indexation policy of MPF.
- The **Lower Indexation Level** (LIL) is also relevant for indexation. If the Policy Funding Ratio is below this level, indexation of pension rights is not allowed anymore. The LIL is equal to 110.0% at the end of 2019.
- The **Minimum Technical Reserve** (MTR) is 103.9%. A reduction of pension rights is required if a pension fund has a Policy Funding Ratio that is for a consistent period of five years lower than the MTR.
- The **100%-border** is significant for transfers of pension rights. If the Policy Funding Ratio is below this level, pension funds are not allowed to pay amounts to or receive amounts from other pension funds. Although the Policy Funding Ratio of MPF is beyond this level, other pension funds can be in a situation that transfer of rights cannot take place.
- The **Contribution Cut Limit** (CCL) is the maximum of the funding ratio for future proof indexation and the OSMR plus 5% and equals 128.1% at year-end 2019. When the Policy Funding Ratio is at or above this limit, MPF is allowed to reduce the contribution to be paid by the employer. This was the case at the end of 2018 and the contribution for 2019 was adjusted.
- The **critical funding ratio** is the lowest possible Funding Ratio at which the pension fund can recover within the legally required period without any additional contributions from the employer and without reduction of the pension rights.

In the next scheme an overview of all relevant ratios is set out (as at 31 December 2019):



3.4 Recovery plan

As a consequence of the financial position at 31 December 2019 (PFR above OSMR) and on the basis of the definitions as established by DNB there is a no reserve deficit. A recovery plan is therefore not required based on the financial position at the end of 2019. However, at 31 March 2020, the Policy Funding Ratio (120.2%) was below the OSMR (122.4%). Therefore the pension fund is required to provide a recovery plan to DNB before 1 July 2020.

3.5 Feasibility test

The feasibility test provides insight into the expected pension result at fund level and the risks concerned, given the financial structure of the Pension Fund. According to the regulations pension funds are obliged to perform an annual feasibility test. This test should show that the expected pension results are within the financial limits for the long term as defined in the risk attitude (see paragraph 4.3). This risk attitude including the financial limits for the long term is developed by Mars Pension Fund together with the stakeholders.
In June 2019, the annual feasibility test was performed by WTW. This test shows that the expected pension result at fund level is sufficiently in line with the established lower limit and that the pension result at fund level in a negative scenario does not deviate too much from the expected pension result at fund level.

3.6 Contribution policy

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

The contribution policy is agreed between the Company and the Pension Fund in the Administration & Financial Agreement. The actual employer contribution is equal to the structural contribution of 20% of pensionable salaries and is at least equal to the smoothed cost-covering (employer) contribution for that year as calculated in November of the preceding year.
If the Policy Funding Ratio is below the OSMR as per the calculation date, the actual contribution is increased to a maximum of 25% of the pensionable salaries. The maximum of 25% does not apply in this scenario if the resulting actual contribution would not be cost-covering or would be insufficient for timely recovery according to the recovery plan. In that case the actual contribution will be equal to the smoothed cost covering contribution.

In case the Policy Funding Ratio is lower than the MTR, the maximum percentage of 25% is also not applicable and the annual contribution will be the maximum of 20% and the smoothed cost covering contribution plus one fifth of the extra contribution necessary to recover to at least 103.9% (MTR).
On the other hand, if the Policy Funding Ratio is above the CCL and the Pension Fund complies with the relevant legal conditions, then the Pension Board may decide to lower the actual contribution
More details are provided in the actuarial section (Chapter 8).

The Pension Board may decide to deviate from the contribution policy and can decide to increase or reduce the actual contribution. In 2019 the employers were given a contribution discount because of the high Policy Funding Ratio in 2018. The contribution applicable in 2019 was 7.2% of the pensionable salaries (2018: 23.1%) and only covered the contribution needed for the ARP plan.

The guidelines for the adjustment of the contribution are described in the ABTN.

3.7 Costs

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

3.7.1 Execution- and administration costs

The execution- and administration costs are specified in the Annual Accounts (see 12.9 Notes to the statement of income and expenses – note 17).

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

	2019	2018	2017	2016
Annual execution- and administration costs in thousands of euros	2,805	2,357	2,407	1,947
Costs per member in euros: active members and retirees	1,048	885	910	744
Costs per member in euros: active members, retirees and inactive members	711	607	635	521

As MPF has high standards on plan governance, risk management, member administration and communication, it results in relatively high costs compared to other pension funds. The costs for 2019 include 468 VAT. The costs are higher compared to 2018 due to the services of the Supervisory Council (+47) and compensations for Pension Board members, higher administration fees (+25), advisory costs (+156) and higher certifying costs (+57).

3.7.2 Investment costs

The table below shows the investment related costs incurred by the Pension Fund in 2019.

	Costs outside the funds (in bps)	Costs inside the funds (in bps)	Total costs (in bps)	2018
Management fees	0.14%	0.24%	0.37%	0.42%
Advisory fees	0.10%	0.00%	0.10%	0.11%
Other fees	0.05%	0.11%	0.16%	0.19%
Performance fees	0.00%	0.13%	0.13%	0.16%
Total	**0.29%**	**0.47%**	**0.76%**	**0.87%**
2nd layer costs		0.70%	0.70%	0.55%
Total 1st and 2nd layer	**0.29%**	**1.17%**	**1.46%**	**1.42%**
Transaction costs			0.13%	0.16%
Total Investment costs			**1.59%**	**1.58%**

The percentages in the table represent all investment-related costs (EUR 23.2 million) which include the costs for real estate management. The average amount of investments during 2019 amounts to EUR 1,589 million, which gives an investment cost ratio of 1.46%. The operational costs for the direct real estate portfolio (EUR 11.1 million) are not included in this table.

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

Transaction costs are estimated. These costs are invisible to the Pension Fund and generally not yet recorded and available from the custodian records. Based on the directions provided by the Federation of Dutch Pension Funds, an estimation of the transaction costs has been made by Secor, which are adopted in this report. Including transaction costs the investment costs ratio is 1.59%

The investment managers have provided data for the so-called second-layer costs within Fund of Funds structures (costs charged to the underlying funds). For those funds where final audited accounts are not yet available (PEM Effem Fund I, PEM Effem Fund II, PEM Effem Fund III, Pramerica Precap IV, BAAM Effem and BAAM SAFII), a best estimate was included. A best estimate is included based on 2018 actual costs data.

The table below shows the investment related expenses per asset category as % of Total Plan NAV.

Actual invoiced amounts represented in the Annual accounts are different since most of the investment manager fees are not invoiced to the fund, instead these costs are netted in the results. The total of 2.158M EUR represents the actually invoiced fees.

	Real Estate	Equity	Fixed Income	Hedge funds	Other	Total
Fees (K EUR)	2,423	13,179	1,008	3,611	3,009	23,229
Fees invoiced (K EUR)	66	801	645	0	646	2,158
Fees (%)	0.15%	0.83%	0.06%	0.23%	0.19%	1.46%
Transaction costs (K EUR)	0	482	609	0	980	2,071
Transaction costs (%)	-	0.03%	0.04%	-	0.06%	0.13%

Unless clearly stated otherwise all amounts are in thousands of euros

MPF has a relatively high investment costs structure; however, one should always consider this together with the Risk profile, Investment strategy (diversification) and performance of the Pension Fund. Investment returns are provided net of fees.

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

The key drivers that MPF believes to drive investment success are:

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

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

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

The Pension Board believes that the costs involved with implementing MPF's investment strategy are justified by the longer-term excess performance.
The Pension Board will continue to monitor the costs, with the input from the Strategic Advisor, T&B Investment and the Investment Committee.

3.8 Pension plans

The current pension plans (Final Pay Plan and ARP/ASP plan) became applicable as of 1 January 2018. For those members who were already a member of the pension plan before 1 January 2004 the "Final Pay Plan" applies. For those members who became a member on or after 1 January 2004, the defined contribution plan called "ARP/ASP plan" applies.

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

	2019	2018
ARP/ASP plan	781	800
Final Pay plan	607[7]	601
Total	**1,388**	**1,401**

More information about the pension plans can be found in chapter 6 (Pensions).

BPF Sweets (Stichting Bedrijfstakpensioenfonds voor de Zoetwarenindustrie)
MPF has dispensation for the mandatory participation by Mars Veghel in the pension plan of BPF Sweets. In the past BPF Sweets has requested updated tests of equality in order to maintain the dispensation. The result was always that both the Final Pay plan and the ARP/ASP plan were actuarially equivalent to the pension plan of BPF Sweets.

3.8.1 Indexation

Below the indexation granted as per 1 January 2020 in the Final Pay plan and the interest addition in 2018 in the ARP plan are described. More information about the indexation policy itself can be found in chapter 6 (Pensions).

Note that the indexations per 1 January 2020 have already been included in the AAL year-end 2019.

Indexation of the accrued pensions of the members of the Final Pay plan
The Fund was able to meet its indexation ambition and implemented an indexation of 1.98% as of 1 January 2020. The decision for the indexation was made on 12 December 2019 based on the PFR at the end of September 2019 (125.5%). The indexation per 1 January 2020 is included in the AAL year-end 2019.

Indexation for retirees and deferred members in January 2020
The PFR at the end of September 2019 is above the OSMR (or TIL); therefore the full indexation of 1.98% is granted, which is in line with the indexation policy. This is based on the following: The CPI is 2.65%. The target indexation is 75% of this CPI: 1.98%. As the (corrected) Wage index (2.88%) is higher than the target indexation, this does not limit the target indexation. As there is no retained wage indexation over the previous years, no catch up for wage index is given. So, the full target indexation according to the policy is 1.98%. Based on the PFR, the full target indexation of 1.98% can be granted per 1 January 2020.

Unconditional indexation EOP and EPP 2014 and 2006 for active members
This indexation is unconditional and is based on the CBS wage index for Food & Beverage industry private sector and will be 2.61% on 1 January 2020, based on the full period of September-September. This is corrected for differences between tentative CBS numbers and definitive CBS numbers in the past. This results in the indexation EOP and EPP of 2.88%.

Conditional indexation EOP and EPP 2015 and 2018 for active members
This indexation is conditional (depending on the Policy Funding Ratio) and based on the CBS wage index for Food & Beverage industry private sector based on the full period of September-September. The corrected index is 2.88%. Based on the Policy Funding Ratio, the full indexation of 2.88% can be granted per 1 January 2020.

Catch-up indexation for retirees and deferred members
As of 1 January 2019, the full catch-up indexation was given, and as of 1 January 2020, the Fund was also able to realize its full indexation ambition. As a result, there is no backlog in indexation applicable.

[7] Due to a different way of counting disabled members with a double status in 2019, the total number of members in the Final Pay plan, which is a closed plan, increased with six.

Unless clearly stated otherwise all amounts are in thousands of euros

<u>Interest ARP/ASP plan</u>
For both the active and inactive members in the ARP/ASP plan, the (annualized) interest on the ARP Plan is conditional and depending on the means available. Means are the 'depot' and the realized investment return in the previous year. MPF strives for a yearly return accrual (interest) equal to CPI plus 3%. In the first half of 2018, the actual return on assets was enough to grant a yearly interest of CPI plus 3%. Therefore the interest for the active members was equal to the target interest of 4.88% in the period 1 January 2019 until 30 June 2019. For the inactive members the interest given in the first half year of 2019 was 4.51%. For the second half of 2019 the actual return on assets in combination with the means available was enough to give the active members the target interest of 5.83%. For the inactive members the interest given in the second half year of 2019 was equal to 0%. For active members the total yearly interest is 5.36% for 2019. For the inactive members the total annual interest is 2.26% for 2019.

3.9 Actuarial

This section contains a summary of the actuarial report.

	31 December 2019	31 December 2018
Market Value of Assets at risk of the pension fund	1,596,521	1,445,072
Market Value of Assets at risk of the members	76,921	58,886
Market Value of Assets Total	1,673,442	1,503,958
Actuarial Accrued Liabilities at the risk of the pension fund	1,290,084	1,134,286
Actuarial Accrued Liabilities at the risk of the members	76,921	58,886
Actuarial Accrued Liabilities Total	1,367,005	1,193,172
Actual Funding Ratio	122.4%	126.0%
Policy Funding Ratio	123.3%	133.3%
Ongoing Solvency Margin Ratio	123.1%	123.4%
Minimum Technical Reserve	103.9%	104.1%

During the financial year 2019 the Actuarial Accrued Liabilities at risk of the pension fund (AALPF) increased with 155,798. An important reason for this change is the yield curve change (increase in AALPF of 162,987) and the granted indexation per 1 January 2020 (increase in AALPF of 19,571). The Market Value of Assets at risk of the pension fund increased by 151,499 during 2019.

The profit and loss account (P/L) shows a negative result of 4,349 leading to the general reserve decreasing from 310,786 to 306,437 at the end of 2019. The Funding Ratio decreased during 2019 from 126.0% to 122.4%. At year-end 2019 the Funding Ratio is above the minimum Technical Reserve, but below the Ongoing Solvency Margin Ration of 123.1%.

The cost covering contribution at market value is determined at 28,363. The smoothed cost covering contribution equals 18,656. The actual contribution was 8,740. For more information we refer to Chapter 8.

The structural contribution for the employers is equal to 20% of the pensionable salary sum of all active members. Because the Policy Funding Ratio at 30 September 2018 was above the Ongoing Solvency Margin Ratio plus 5%-point and all conditions for a contribution reduction were met (all catch-up indexation was granted), the actual contribution is decreased to 7.2% of the pensionable salary sum (2018: 23.1%).

3.10 Administrative and Financial Agreement

The Administrative and Financial Agreement (AFA) was updated at the end of 2018 and signed in the first half of 2019.

Unless clearly stated otherwise all amounts are in thousands of euros

As a consequence of the de-risking Policy the OSMR (Vereist Eigen Vermogen, VEV) level will be variable over time and that means that after a de-risking or re-risking trigger the OSMR changes and thus also the various Funded Status limits that are important for decisions related to Partial or Full Indexation, or Catch Up indexation and Full, Partial or no Contribution from sponsoring employers. The AFA and ABTN were changed to pick up on this practice/policy.

4 RISK SECTION

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

4.1 Risk management framework

The IORPII legislation took effect from 13 January 2019. Following a Pension Board workshop about risk management in 2018, MPF has started a project with regard to Integral risk management (IRM). The aim of the project is to design an IRM framework which improves the risk management within MPF and which complies with all applicable legal rules (IORP II amongst others). The project was divided in two phases. In the first phase the IRM framework was designed and documented in an IRM Policy document, which was completed in January 2019. As a consequence the Outsourcing and Remuneration Policy have been adjusted and during 2019 MPF has implemented and improved the IRM governance framework. In the second phase the risk attitude for the non-financial risks and a series of Risk Self Assessments for non-financial risks have been performed for all identified risk areas. The second phase was started in 2019, and will be finished in 2020, including approved risk monitoring.

The established IRM document describes:
1) The risk strategy, basic requirements for effective IRM and objectives of IRM;
2) The IRM governance framework based on the three lines of defense principle, including the key functions as defined in IORP II;
3) The IRM policy which describes the IRM process, periodic monitoring, reporting and evaluation.

1. Strategy and objectives

Risk is defined as any event that affects the realization of the mission, vision, strategy and objectives of MPF. Being a financial institution, MPF is obviously exposed to financial risk. Knowingly taking and managing financial risks is one of the core tasks of MPF. In the ongoing management and daily operations, MPF is also exposed to a variety of non-financial risks. Effective management of both financial and non-financial risks should help the Pension Board in the achievement of the mission, vision and strategy of MPF. Therefore, IRM has always been acknowledged to be an essential part of the overall management of MPF.

The objectives of MPF’s IRM that result from the risk strategy are summarized as follows:

- provide insight in risks (related to the mission, vision and strategy);
- illustrate the amount of risk that is desirable / necessary;
- provide overview of risks to properly determine priorities;
- offer opportunities to intervene in order to achieve the desired level of risk (for example by introducing or improving control measures).

2. IRM governance

The basis for setting up the IRM governance of MPF is a clear allocation and appropriate segregation of tasks, responsibilities and authorities. The Pension Board is ultimately responsible for the appropriate control of all risks MPF is exposed to. This implies the responsibility to structure the organization (governance) and the key functions. The governance structure is based on the so-called 'Three Lines of Defense' principle and makes a distinction between risk owners (first line), control function (second line) and internal audit (third line):

- A risk owner is a role or individual responsible for managing all aspects of a particular risk and the reporting on it. Risk owners are part of the Pension Board. This includes the outsourced administration and asset management, as well as the Pension Office, T&B, the Daily Board, Competency Teams and Committees. Together they form the first line;

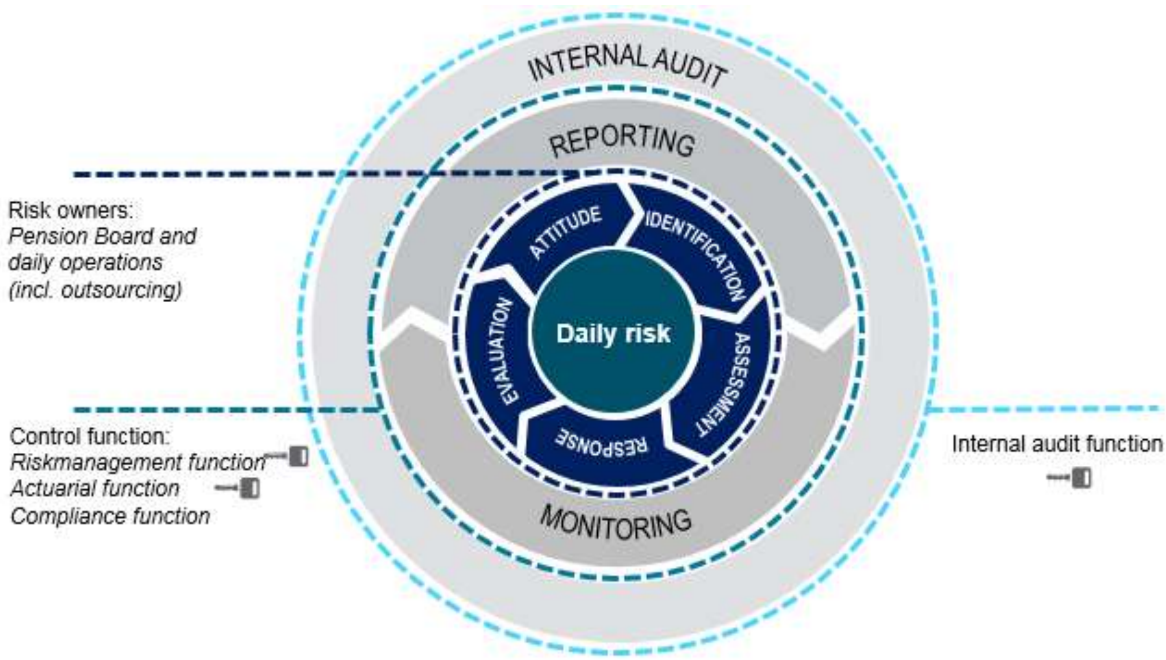
- The second line of defense is the control function that oversees the risk management and compliance of MPF. The responsibility of the control function must be separated from the responsibility of the risk owner. The activities involved with the control function are covered by several components of internal governance which play a role in the control function with regard to a specific risk area. All together they form the second line. In particular, the key function risk management and the actuarial key function are part of the control function.

  In the third quarter of 2019, Mr. P. van Bree has been appointed as acting KFH Risk. He is a Pension Board member but is not involved in any primary processes. He has separate second line contacts at the service providers of MPF and a direct line to the also in 2019 appointed Key Function Holder actuarial (which also serves as the certifying actuary). A KFH Risk charter enables connection to the Supervisory Council, and controls via the Supervisory Council MPF decisions regarding the KFH Risk.

  Also, in the third quarter of 2019, Mr. P. van Bree has been appointed as the MPF compliance officer, a function that also serves in monitoring risks with regards to adherence of laws and regulations. Also, this function is created in such a way that it can operate in a fully independent manner, supported by the renewed Compliance Charter.

- The internal audit function will periodically evaluate the adequacy and effectiveness of the internal control system. This function is filled in by the key function holder internal audit and forms the third line. Taking into account the size and organization of the fund, the Pension Board has chosen that the acting key function holder is assigned to a member of the Pension Board. In the third quarter of 2019, Mr. H. Faassen has been appointed as acting KFH Internal Audit and during 2019 the first internal audit has been performed by Mars Internal Audit on the investment processes. The audit revealed seven observations which have been implemented in 2019 directly. Observations were around the design of the investment process, where an audit charter needed to be created, and around the operating effectiveness of the investment process. Mr. Faassen is a Board member and not involved in any primary processes. A RfP process is started to select another Internal Audit performer as Mars internal Audit announced early 2020 that they no longer supports pension funds.

The figure below illustrates the distinction between risk owners, control function and internal audit function.



In December 2019 the setup of the IRM governance within MPF has been approved by DNB after carefully reviewing independence of the second and third line of defense from the first line of defense.

3. IRM process

The Pension Board is responsible for the implementation of an IRM process that leads to a systematic (and repetitive) risk analysis. This process consists of the following steps:

1. **Attitude**: high level view of how much risk is acceptable or necessary, based on the general strategy of MPF;
2. **Identification**: events that could affect achievement of the mission, vision, strategy and objectives of MPF;
3. **Assessment**: estimation of chance and impact of risks on both gross (inherent) and net (residual) basis;
4. **Response**: assess the estimated risk against risk attitude, identify and evaluate possible responses to risk (cost versus benefit of potential response), define actions to execute response;
5. **Ongoing monitoring and periodic reporting**: monitor the risks and the control measures on a continuous basis and report about the status of these risks and control measures on a periodic basis;
6. **Evaluation**: in order to achieve continuous improvement of the IRM process, a periodic evaluation of the effectiveness of the risk management framework is necessary. MPF is obliged to carry out and document an own risk assessment. This own-risk assessment shall be performed at least every three years or without delay following any significant change in the risk profile of MPF or of the pension schemes operated by the MPF.

During 2019 MPF has taken the first four steps of the above process for the non-financial risks. MPF has defined the risk attitude for the non-financial risks and renewed all the Risk Self Assessments for the non-financial risks. The end result is one uniform risk management framework for non-financial risks that fully coincides with the Mission, Vision, Strategy and Objectives of MPF. Furthermore, MPF has a clear action list to manage the exposures that are beyond the risk appetite.

For the financial risks a well-functioning risk process was already in place and no major changes were required. One new process was added in 2019: the de- and re-risking operational procedure process as consequence of the de-risking policy that was started in 2018. The investment related financial risks are daily monitored and shared with the board on a regular basis.

In 2020 MPF will further improve the ongoing monitoring and periodic reporting about the risks (step 5) and will also evaluate the process so far.

4.2 Main risk categories and control measures

The Pension Board has identified several risks and related control measures. The four main net non-financial risks and the two main net financial risks are presented below.

4.2.1 Main non-financial risk categories

1. Pension Administration - Continuity
<u>Risk description</u>
The set of risks MPF is exposed to regarding discontinuity of the pension administration processes. Risks associated are the ability to find a new administrator for current plans, late or faulty implementation or an increased rate of issues after the move. If this risk manifests itself, it will damage MPF's reputation and the confidence of the participants in MPF.

<u>Risk assessment</u>
MPF has assessed the magnitude of this risk in relation to its risk attitude as unacceptable. The reason for this judgment it that the current pension administrator has announced the end of the contract with MPF. The consequence of this risk assessment is that follow-up work is required and planned for over the course of 2020 and 2021.

Control measures
The Pension Board and Pension Office have created an experienced project team with external support which is managing the search for a new pension administrator. A clear process has been agreed with all stakeholders and the AITO competency team is closely involved. Regular updates are shared with the social partners, and the search for a new pension administrator is now a returning topic on the Pension Board meetings.
The project team follows the current and up-to-date Outsourcing Policy, which includes a selection procedure in which quality is an important criterion.
The current a) Outsourcing Agreement Pension Administrator b) Service Level Agreement pension administrator and c) Control- and Monitoring framework pension administrator all can be used to manage current administrator as well as serves as a starting point for the new administrator around levels of services, about liability agreement and to ensure reliability of data processing.

Developments in 2019
The end of the service agreement between MPF and its administration provider was announced in 2019 and hence the future net risk increased significantly. With the above control measures in place, both the KFH Risk and the Pension Board are assured this project will come to a successful result, independent of and potentially despite of interdependent developments (such as the new Dutch pension agreement).

2. Pension Administration – IT Agility
Risk description
The risk that the pension administrator's IT is not able to implement changes in business operations - against acceptable costs and acceptable risks - that may be necessary due to internal and external causes.

Risk assessment
MPF has assessed the magnitude of this risk in relation to its risk attitude as alarming. This means that there should be focused attention to reduce this risk in the short term.

Control measures
Several control measures are in place to ensure the provider can adequately implement novelties. For instance, the MPF-IT policy requires external guidelines for the field of IT and information security to be applied. We require our Pension Administrator to report according to the ISAE 3402 (type 2) control framework, which includes specified processes and reporting around change management. This report is being monitored by MPF. Additionally, MPF reviews and monitors TKP on non-financial risks, the Service Level Agreement report and administration provider’s In Control Statement.
The admin provider needs to demonstrate a maturity level of 3 or better (DNB COBIT methodology).

Developments in 2019
The new pension agreement from June 2019 has several implications for the two plans MPF currently offers. However, the legislation will only be ready around the beginning of 2021 and hence the impacts to the ARP/ASP plan and the Final Pay plan are not yet clear. Only then the full impact and the needed IT agility can be assessed. Implementation of law on 1 January 2022 is expected.

Due to the complexity of the ARP/ASP plan, the development of the software for the URM calculations turned out to be more difficult and the publication on the NPR was too late, upon which a new deadline was imposed for meeting the requirements. MPF did achieve meeting the renewed deadline of 1 February 2020 by providing the best available indications, and with that prevented a notification to AFM.

3. Continuity – Pension Office
Risk description
Due to the size of the Pension Office and the fund-specific knowledge required for this function, there is a Key man risk.

Risk assessment
MPF has assessed the magnitude of this risk in relation to its risk attitude as alarming. This means that there should be focused attention to reduce this risk in the short term.

Control measures
MPF maintains a good history of documents. MPF also has a highly interactive team, most fund-related people sitting closely together in the office, with a spirit of open communication and joint brainstorming. Pension Board members structurally join Pension Board meetings, and the annual calendar is kept closely up to date. Lastly the Pension Board has selected a good set of advisors and external consultants that help us manage the agenda.

Developments in 2019
The risk has materialized, and MPF has been able to find an adequate replacement in the first months by increasing the efforts from the Pension Board (mainly by the chairman), and later-on has found a qualified interim director, supported by an external administrator.

4. Loss of support / value for money
Risk description
The loss of support among stakeholders, because MPF is not able to deliver sufficient value for money.

Risk assessment
MPF has assessed the magnitude of this risk in relation to its risk attitude as alarming. This means that there should be focused attention to reduce this risk in the short term.

Control measures
The board pursues active stakeholder management, with focus on sponsor. There is a strong tradition of good dialogue to resolve issues. New developments (including cost implications) are discussed and agreed with the Company. MPF holds periodic evaluation of added value after costs.
There is transparent communication to participants, creating awareness, and there are Pension Office and Pension Board members on site to contact.

Developments in 2019
MPF are closely watching the events happening around the new pension agreement. In first instance this is for social partners to decide on. MPF does seek active contact with social partners though in order to manage complexity and execution ability of the future pension agreement and dealing with old rights.

4.2.2 Main financial risk categories

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

Strategic area
Pursue policies of de-risking when appropriate.

Control measures
The interest rate risk is partially covered by the interest rate hedge. This is comprised of the interest rate swaps and the bonds portfolio. The Pension Board has adopted a de-risking policy in which the interest rate hedge is depending on both the de-risking phase and the level of the real interest rate (the interest rate hedge will increase with increases in the level of the real interest rate). During 2018 MPF implemented the first de-risking step. On a regular basis ALM studies are conducted to assess the appropriate level of "mismatch risk" given the maturity of the Pension Fund, the relationship with the sponsoring companies and the available buffers.
The net impact of the interest rate change on the funding level is reported in the quarterly Trustee reporting by the Pension Office.

Developments in 2019
The Plan remained in its first de-risking step over the course of 2019 and the interest rate hedging target remained at 29% of the economic liability (including future indexations). MPF approved a reduction of the real yield triggers in the LDI target table by 0.5%, following the further decline in yields over the year and the consensus view of a lower longer-term equilibrium interest rate. Liability coverage targets at each stage of the LDI target table were unchanged. Over the course of 2019, long end rates decreased leading to a decrease in Funding Ratio of -/-14.7%.

2. Market risk
Risk description
The risk of asset value reduction.

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

Control measures
To mitigate this risk, the investment portfolio is diversified over a range of asset classes, currencies and investment managers and is invested through a range of well diversified pooled funds. In the Investment Policy Statement overall investment risk is controlled by defined limits to asset class weightings as well as volatility in funded status. Undesired risk such as concentration risk, counterparty risk, etc. is being managed by IMA's and investment guidelines. All of the above is being monitored on an overall portfolio level by the Strategic Advisor and reported at least quarterly and immediately in case of breach of these limits.

Developments in 2019
Over 2019 there have been no breaches to the investment guidelines and limits. The overall well-diversified portfolio provided a solid return over 2019, adding to an increase of the Funding Ratio of 16,2% (fully offsetting the above interest rate impact). In particular Equity markets, led by the US, enjoyed a strong rally over 2019, as markets recovered from the lows reached at the end of 2018. Fixed income also performed well as interest rates fell.

Looking forward the events in the beginning of 2020 (Corona-crisis) the MPF realizes a further negative impact on Funding Ratio due to interest and investments cause MPF to keep paying close attention to developments, and has done so by installing a Crisis Management Team which has a clear agenda regarding both business continuity as financial monitoring.

Sensitivity of Funding Ratio
The below table shows the sensitivity of the Funding Ratio to interest rate movements and/or an equity market shock at 31 December 2019:

		Shock interest rates								
		-1,00%	-0,75%	-0,50%	-0,25%	0,00%	0,25%	0,50%	0,75%	1,00%
Shock equity and real estate	-25%	100,4%	102,8%	105,1%	107,4%	109,7%	111,9%	114,0%	116,0%	118,0%
	-20%	102,6%	105,1%	107,5%	109,9%	112,2%	114,5%	116,7%	118,9%	120,9%
	-15%	104,8%	107,3%	109,8%	112,3%	114,8%	117,1%	119,5%	121,7%	123,9%
	-10%	106,9%	109,6%	112,2%	114,8%	117,3%	119,8%	122,2%	124,6%	126,8%
	-5%	109,1%	111,8%	114,6%	117,2%	119,9%	122,4%	124,9%	127,4%	129,8%
	0%	111,3%	114,1%	116,9%	119,7%	**122,4%**	125,1%	127,7%	130,2%	132,7%
	5%	113,4%	116,4%	119,3%	122,1%	124,9%	127,7%	130,4%	133,1%	135,7%
	10%	115,6%	118,6%	121,6%	124,6%	127,5%	130,4%	133,2%	135,9%	138,6%
	15%	117,8%	120,9%	124,0%	127,0%	130,0%	133,0%	135,9%	138,8%	141,6%
	20%	120,0%	123,2%	126,3%	129,5%	132,6%	135,7%	138,7%	141,6%	144,5%
	25%	122,1%	125,4%	128,7%	131,9%	135,1%	138,3%	141,4%	144,5%	147,5%

Unless clearly stated otherwise all amounts are in thousands of euros

4.3 Risk attitude Final Pay plan

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

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

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

This risk attitude is translated in financial limits for both the short and the long term as determined in the ABTN and AFA of MPF. The limits for the short term are dependent on the de-risking phase.

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

4.4 Risk attitude ARP/ASP plan

The Pension Fund has a so-called ARP/ASP plan that consists of two parts, the Associate Retirement Plan (ARP) and the Associate Selection Plan (ASP). The ARP part has a relatively stable capital accumulation with a CPI +3% annual credit and a guarantee of 0% (see 6.4), The ASP part is invested using a lifecycle (or a selection of the offered investment funds) and does not have any guarantees regarding the investment return.

Members in the ARP/ASP plan have relatively high incomes. The pension contributions are sufficient for an adequate pension result, taking 2019 market conditions into account. Members are roughly equally invested in the ARP part and ASP part. This resulted in the preliminary conclusion that plan members are able to absorb quite some risk in the ASP part. This conclusion was subsequently shared and tested with the Investment Committee of the ASP plan (that consists of Plan members), the Accountability Council (Verantwoordingsorgaan) and obviously finally with Social Partners. The outcome of these extensive consultations was that all parties/stakeholders were in agreement with the conclusion of the Pension Board.

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

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

The risk attitude test has been performed in Q3/Q4 of 2017, for all ages the results of the lifecycle are within the maximum allowable deviation. As from Q2 2020 MPF plans to monitor the expected pension results in the combination of ARP and ASP plan more closely in order to use this in communication with social partners and members. The results are planned to be included in the quarterly risk dashboard updates, using a straw man replacement ratio calculation.

For members that wish to deviate it is possible to choose the self-select option. A member that opts for this option will be warned about the risks and will be asked about their risk profile.
The pension fund annually informs and advises the members with regard to their actual asset mix in relation to their risk profile in order to meet the duty of care requirements (see 7.2).

5 INVESTMENT SECTION

5.1 Investment policy and strategy

The long-term investment policy for the Pension Fund remained unchanged during 2019. A further decline in yields over the year and the consensus view of a lower long-term equilibrium interest rate led to a reduction of 0.5% points to each of the real yield triggers in the LDI target table. Liability coverage targets at each stage of the LDI target table were unchanged. The table below also shows the interim policy allocation (which considers that alternatives may deviate from their policy allocations) and the actual asset allocation at the end of 2019.

	Long Term Investment Policy	31-12-2019 interim policy	End 2019 Asset Allocation	Minimum	Maximum
Equities	**20.0%**	**26.1%**	**27.9%**	**10.0%**	**30.0%**
Developed Equities	16.0%	20.9%	22.2%		
Emerging Market Eq.	4.0%	5.2%	5.7%		
Fixed Income	**45.0%**	**45.5%**	**44.0%**	**25.0%**	**65.0%**
Bonds	35.0%	35.5%	34.3%	25.0%	45.0%
Diversified HY Bonds	10.0%	10.0%	9.7%	0.0%	20.0%
Alternatives	**30.0%**	**23.0%**	**23.0%**	**0.0%**	**55.0%**
Property	10.0%	5.5%	5.5%	0.0%	20.0%
Private Equity	10.0%	8.1%	8.1%	0.0%	15.0%
Hedge Funds	5.0%	5.5%	5.5%	0.0%	10.0%
Private Credit	5.0%	3.8%	3.8%	0.0%	10.0%
Global Real Return	**5.0%**	**5.0%**	**4.6%**	**0.0%**	**10.0%**
Cash	**0.0%**	**0.4%**	**0.5%**	**0.0%**	**5.0%**
Hedges					
Currency	58.5%	62.7%	62.7%	54.0%	91.3%
Interest Rate	71.0%	29.0%	29.0%	29.0%	71.0%
Inflation	13.0%	0.0%	0.0%	0.0%	13.0%

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

Unless clearly stated otherwise all amounts are in thousands of euros

The size of the Liability Driven Investing (LDI)-program is dependent on the de-risking step of the Plan and the level of real interest rates. As of 31 December 2019, the investment policy reflects the asset allocation prescribed by the first de-risking step of the de-risking Policy for the Plan. Risk reduction at this step was achieved primarily by a reduction of Equity exposure and increase of government bond exposure. The LDI program has a minimum interest rate target of 29% of the Economic Liability and a maximum target of 71% of the Economic Liability. The interim policy and end 2019 interest rate figures are at the minimum, as defined by the trigger table, given the prevailing level of real interest rates. The primary goal of the LDI strategy is to reduce the Plan's funded status volatility. The instruments traded for the LDI program are now all centrally cleared. Margin balances are held in the bonds allocation at year end.

5.2 General financial market developments 2019 and outlook 2020

Equity markets, led by the US, enjoyed a strong, broad-based rally at the start of 2019, as markets recovered from the lows reached at the end of 2018. The soft patch in economic activity in late 2018 appeared to have run its course in response to dovish posturing by most major central banks and improved data from China. Equity markets continued to perform strongly for the rest of the year, largely due to more accommodative monetary policies, despite brief reversals in May and August which were caused by US-China trade tensions flaring up.

Fixed income markets also rallied. Accommodative central bank policies created expectations of low interest rates for a longer period of time which, combined with a continued demand for hedging, caused long-term interest rates to fall significantly across all major markets. Credit markets, including high yield and EM debt, performed strongly, benefiting from both the risk-seeking environment and falling interest rates.

As 2020 began, factors appeared to be in place for a modest pickup in global growth and some of the headwinds that slowed the pace of growth in 2019 appeared to be moderating. The global economy's principal supports in 2019: confident consumers and stimulative monetary and fiscal policies were expected to remain in place.

However, the outbreak of the coronavirus, COVID-19, led to shutdowns in China's Hubei province in January and soon after, a pandemic engulfed the world. The spread of the virus has had a significant negative impact on the global economy, as lockdowns and quarantines have suppressed supply and demand, and brought the 11-year global expansion to an abrupt halt. Markets reacted strongly, as equity and credit markets experienced precipitous sell-offs in late February and into March. However, policymakers have acted aggressively to preserve liquidity and counteract weakness in both the economy and the financial markets caused by the unprecedented actions being taken around the world to combat the spread of the virus. The extent of the stimulus, combined with a view that lockdowns will not last as long as initially feared, and hope of a medical breakthrough, caused equity and credit markets to strongly rebound in April and May.

Despite optimism in the equity markets, it is widely expected that global GDP will decline significantly in the first half of 2020. Although there are considerable tail risks in the current environment, particularly with the elevated equity valuations, our baseline outlook is that the recession (as defined by consecutive quarters of negative growth) will be deep, particularly in the first half of the year, but the global economy is expected to start to rebound in the second half of the year, as economic restrictions are relaxed.

5.3 Return on investments

The investment portfolio of the Pension Fund achieved a net performance of 13.0% versus a net benchmark return of 13.5%, performing slightly behind the benchmark.

The table below shows the detailed performance versus Passive Investable Alternative benchmarks for all the main components of the policy mix. For the main asset categories as defined by DNB, the performance over the year was as follows[8]:

	Portfolio	PIA Benchmark	Relative Performance
Public Equities	26.1%	27.1%	-1.0%
Fixed Income	6.9%	5.1%	1.8%
Global Real Return	8.4%	4.3%	4.1%

[8] Source: Mellon Performance Report Mars Pension Fund December 2019

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Property	-12.4%	-12.6%	0.2%
Private Equities	17.4%	9.5%	7.9%
Private Credit	0.8%	5.1%	-4.3%
Hedge Funds	3.5%	2.9%	0.6%
Total return mandate investments	**11.4%**	**11.2%**	**0.2%**
Plan Level Currency Hedge	0.0%	0.0%	0.0%
Plan Level LDI	2.4%	2.4%	0.0%
Plan Level TRH	-0.9%	-	-0.9%
Total return (including overlays)	**13.0%**	**13.5%**	**-0.5%**

The strong absolute Plan return over the year primarily reflects the joint rally in global equity and fixed income markets, which was underpinned by: a universal U-turn in global monetary policies toward easing, a reduction in trade tensions between the US and China toward the end of the year, and stabilising economic conditions. The Property asset class experienced large negative returns as the direct UK property portfolio, which is in the process of being liquidated, suffered a further decline in valuation in 2019, though the allocation is small enough that the impact at a Plan level was not significant. The TRH programme, whilst ahead of its put-based benchmark for the year, detracted from Plan returns as global equity markets were exceptionally strong (MSCI ACWI was up 26.2% in local terms). Yields fell sharply as a result of accommodative central bank policies, which led to a strong positive contribution from the Plan's LDI overlay.

Public Equity detracted from Plan excess performance predominately as a result of the underperformance of two Equity managers (GLG and Primecap). The only other asset class to detract from Plan performance over the year was Private Credit, which was not able to keep up with its Global Aggregate benchmark as fixed income markets rallied. Private Equity was a strong positive contributor to excess returns, largely offsetting the negative impact from Public Equity and Private Credit. Outperformance from Fixed Income, Global Real Return, Hedge Funds, and Property all contributed to the Plan's (excluding overlays) positive excess return.

The 2019 average portfolio weight compared to the 2019 average PIA benchmark weights have been as follows[9]:

Asset Category	Benchmark	Average Portfolio weight	Average Policy Weight
US Equity	MSCI US Net Div (unhedged)	5.4%	5.4%
Emerging Markets	MSCI Emerging Mrkt Net Div index (unhedged)	4.2%	4.3%
EAFE Equities	MSCI EAFE Net Div Index (unhedged)	7.8%	7.9%
Global Equity	Total Equity Benchmark	8.3%	8.3%
Global Bond	Barclays Global Aggregate index (EUR Hedged)	35.0%	35.2%
Diversified Credit (High Yield / EMD)	75% Barclays Global Aggregate index (EUR Hedged) 25% Barclays Global Aggregate index (USD Hedged)	9.5%	10.0%
Global Real Return	HICP + 3%	4.6%	5.0%
Property	MV weighted blend of: IPD AREF UK Property Fund of Fund Index (EUR Hedged) and 50% NCREIF Fund Index ODCE3 50% INREV Quarterly Index Extract of European Core open end funds (EUR Hedged)	5.7%	5.7%
Private Equity	Cambridge FoF Vintage Year Weighted	8.3%	8.3%

[9] Source: BNY-Mellon Performance Report Stichting Mars Pensioenfonds December 2019, SECOR Analytics

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Private Credit	Barclays Global Aggregate Index (EUR Hedged)	4.0%	4.0%
Hedge Funds	HFRX Equal Weighted Index (EUR Hedged)	5.4%	5.4%
Cash / Plan Level Overlays	LIBID 1 Week Bid Index (EUR)	1.9%	0.7%
Total	**Total Plan Benchmark**	**100.0%**	**100.0%**

Longer term, the Pension Fund outperformed relative to the PIA and Market benchmarks, please see the table below[10]:

Year	Portfolio (Net)	PIA Benchmark (Net)	Market Benchmark (Net)
2019	13.0%	13.5%	14.2%
2018	0.3%	0.6%	0.5%
2017	4.5%	5.8%	6.2%
2016	7.5%	6.5%	9.3%
2015	7.0%	5.1%	5.0%
2014	17.2%	15.1%	17.2%
2013	11.6%	8.3%	8.0%
2012	12.9%	9.8%	11.3%
2011	-0.4%	-0.3%	0.2%
2010	8.5%	8.4%	8.4%
Average last 5 years	6.4%	6.2%	6.9%
Average last 10 years	8.1%	7.2%	7.9%

Measured over a longer period of ten years, the average return for the Pension Fund was 8.1%, 0.9% ahead of the PIA benchmark and 0.2% ahead of the Market benchmark.

5.4 Sustainability

As a Pension fund, our primary responsibility is to act in the best long-term interests of our beneficiaries. The Pension Board believes (thus far still on a more intuitive basis) that environmental, social and corporate governance (ESG) can contribute to the realization of the objectives of the Pension fund.

To confirm that thinking, the Pension fund is focusing on gathering ESG information and interpretations; as all our investment are managed externally, this information gathering is done on the basis of questionnaires with all managers and follow up interviews with selected managers. These have taken place in 2019, and provided encouraging results in terms of what managers already do in the area of ESG.

This approach has resulted in an updated Policy document, approved by the Pension Board in December 2019. It includes a concrete action plan for 2020 to make a next step in the development of the ESG Policy, with support from the strategic investment advisor.
As before, the Plan encourages the managers to:
- Consider incorporation of ESG factors into their investment analyses
- Be active owners (investors engaging with companies on ESG issues), where possible
- Be a signatory to the UN principles for Responsible Investment (UNPRI) or similar principles
- Provide annual reporting on their ESG investing policies and activities.

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

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As with any substantive new development, the Pension Board believes it is important to be thoughtful and make progress step by step, supported by research findings about the investment efficiency and impact on performance of integrating ESG into the investment process.
Consequently the Board will review the ESG policy on an annual basis to integrate any new findings.

6 PENSIONS

There have been important developments in 2019 in the area of pensions. Below we describe the legal developments that have had consequences for the Pension Fund in 2019 and /or will have consequences for the Pension Fund in the future (see 6.1). The Pension Board adopts an active attitude with regard to all pension developments.

Mars Pension Fund manages two sets of plan rules for the active and deferred members and retirees. The Pension Board coordinates the impact of the legal developments to the plan rules, together with the legal, actuarial and communication advisor of the Pension Fund and the administrator. A brief description of these plan rules is provided in paragraph 6.2 and 6.3. In addition, the indexation policy is provided in paragraph 6.4 and reinsurance in paragraph 6.5.

6.1 Developments in legislation and regulations

AOW-age (‘*Wet temporisering verhoging AOW-leeftijd*')

The retirement age for state pension *(“Algemene Ouderdomswet*”, AOW, first pillar) has been increasing in steps since 2013. These increases are a result of a retirement rule as defined in fiscal legislation. The rule states that an increase in the remaining life expectancy of a 65-year old individual may lead to an increase in AOW-age and retirement age.

In 2019 the fiscal legislation changed the calculation rules for increasing the AOW-age (state pension age) as a consequence of an increase in the remaining life expectancy of a 65-year old individual. Up to 2019 the methodology stated that for every year of increment in the remaining life expectancy of a 65-year old individual, the AOW-age would also be increased by one year.
Due to legislation ‘*Wet temporisering verhoging AOW-leeftijd*’ this link had been decreased to 8 months (two-thirds of a year). Therefore from 2025 for every year of increment in the remaining life expectancy of a 65-year old individual, the AOW age will be increased by 8 months. Up to 2025 the AOW-age is defined as follow.

Year	AOW-age	Date of birth from	to
2020	66+4	1-9-1953	31-8-1954
2021	66+4	1-9-1954	31-8-1955
2022	66+7	1-9-1955	31-5-1956
2023	66+10	1-6-1956	28-2-1957
2024	67	1-3-1957	31-12-1957

On the basis of new figures from Statistics Netherlands (CBS) about life expectancy the AOW-age for 2025 remains 67 years.

Pension agreement (‘Pensioenakkoord’)

Ten years in the making, the agreement reached among the government, employers and unions in June 2019 will result in fundamental redesigns of almost all employer-provided retirement arrangements. The main principles underlying the agreed retirement changes are that plans should be generationally fair, delivering a more equitable distribution of retirement savings across generations, and be better-suited to the modern labor market, turbulent financial markets and to higher longevity.
The key agreed changes include:

- Employer defined benefit (DB) retirement plans will need to have accrual rates that decline with age (they currently remain the same, although the cost of accrual rises with age);
- Employer defined contribution (DC) retirement plans will need to have the same contribution rates at all ages (they currently mostly increase by age);
- There will be a new age-independent limit on total contributions to DB and DC plans;

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- A new type of "defined ambition" plan will build on the concept of collective defined contribution that has been available in the Netherlands for some years (and is coming in the U.K.). The new ambition design will not offer benefit guarantees and as a consequence will not require funding "buffers," in contrast to current Dutch ambition plans;
- Employers have to think about transition measures to compensate employees whose accruals/contributions will be less under the new system. On average, full compensation (which will not be mandatory) would come down to around two to three years of aggregate contributions per employer, or some EUR 60 - 100 billion nationwide. Every company will, in agreement with workers' representatives, have to set their own compensation plan;
- Compensation can be paid out of new contributions or, in case of a pension fund, out of existing assets.

On 19 December 2019, the Minister of Social Affairs and Employment, informed the House of Representatives about the progress of the work of the steering group. Discussions include compensation for the abolition of the average contribution and the calculation rules for converting accrued pensions into new contracts. A further elaboration of on earlier version of a ''Head Lines'' memorandum by the minister is expected in the summer of 2020.

6.2 Final Pay plan

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

Types of pension	Description
Old age pension	1.657% of pensionable salary including the average shift percentage minus offset
Partner's pension	70% of accrued old age pension, in case of death it is assumed that the membership would have continued
Orphan's pension	In case of death before retirement: 20% of total partner's pension in payment In case of death after retirement: 14% of old age pension in payment
Disability benefit	Full disabled: 75% of pensionable salary minus social security ceiling. Continuation of pension accrual on costs of MPF
Offset (franchise)	As from 1 January 2019: EUR 20,982.68 As from 1 January 2020: EUR 21,537.78
Top-up limit (excedentgrens)	As from 1 January 2019: EUR 58,182.27 As from 1 January 2020: EUR 58,737.37
Employee contribution	0%
Normal retirement age	As from 1 January 2019: 68 As from 1 January 2020: 68
Flexible options	Early or postponed retirement, purchase of temporary retirement pension, exchanging partner's benefit for additional old age pension or vice versa

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

Unless clearly stated otherwise all amounts are in thousands of euros

6.3 ARP/ASP plan

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

1. Associate Retirement Plan (ARP) (*Medewerker Uittredings Plan MUP*)
2. Associate Selection Plan (ASP) (*Medewerker Selectie Plan MSP*)

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

	ARP	**ASP**
Type	Individual defined contribution plan with no individual investment choices	Individual defined contribution plan with investment module
Employee contribution	No	Compulsory contribution of 3.9% of the pension base plus voluntary contribution with an age related maximum up to 6.5% of the pension base
Employer contribution	Age related	Equal to voluntary contribution of employee
Offset (Franchise) As from 1 January 2019: As from 1 January 2020:	 EUR 14,382.65 EUR 14,763.14	 EUR 14,382.65 EUR 14,763.14
Addition of interest	CPI + 3% (conditional, depending on the return made by MPF)	Not applicable
Investment choice	Not applicable	Either Life Cycle mix or free choice
Fixed or variable annuity	Choice of member	Choice of member
Fixed annuity	At retirement with the Pension Fund or insurance company (choice of member)	At retirement with insurance company
Variable annuity	At retirement with insurance company	At retirement with insurance company
Death during active membership	Risk based partner pension of 1.33% of the pensionable earnings (excluding offset of EUR 20,982.68 for 2019) for each year of membership that has been achieved until 1 January 2015 plus 1.16% of the pensionable earnings (excluding offset of EUR 20,982.68 for 2019) for each year of membership that can be achieved after 1 January 2015. Balance flows to Pension Fund.	Balance flows to the Pension Fund, surviving benefits arranged via ARP
Death before retirement as deferred member	Surviving dependants can use balance to buy annuity with the Pension Fund	Surviving dependants can use balance to buy annuity with the Pension Fund

Unless clearly stated otherwise all amounts are in thousands of euros

Disability	Full disabled: disability pension of 75% of pensionable salary minus social security ceiling. Continuation of contributions on costs of the Pension Fund	Continuation of contributions for costs of the Pension Fund, disability pension is arranged via ARP
Normal retirement age	As from 1 January 2018: 68 As from 1 January 2019: 68	As from 1 January 2018: 68 As from 1 January 2019: 68
Flexible options	Buy-in at MPF: Early or postponed retirement, purchase of temporary retirement pension, ratio of partner's pension to old age pension. Buy-in at insurer: whether the above flexible options are possible depends on the offer of the insurer.	Depending on offer insurer: Early or postponed retirement, purchase of temporary retirement pension, size of partner's benefit and old age pension

6.4 Indexation policy and interest addition

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

The annual adjustment/indexation ambition is determined as:

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

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

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

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

The Additional Pension entitlements for active members resulting from the conversion in 2015 and 2018 will be conditionally adjusted annually according to the wage index. This indexation depends on the financial situation of MPF. There is no financial reserve for this conditional indexation and no contribution is paid for the indexation. The costs of the indexation are financed from the reserves of the Pension Fund.

ARP/ASP plan
The balance on the Pension Accrual Account of the ARP is increased by the addition of interest during active and inactive membership. The interest additions occur on a daily basis and in such a manner that

Unless clearly stated otherwise all amounts are in thousands of euros

the interest additions on an annual basis are at a maximum equal to a percentage amounting to ”CPI all households” plus 3%. This will never exceed an addition of interest more than 13% on an annual basis. The interest addition is depending on the actual interest made by MPF. The minimum addition is 0%.
The Pension Board decides every six months whether or not, and to what extent indexation will be granted. There is no contribution paid for this interest addition.

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

The Balance of the ASP depends besides contribution on the investment results (lifecycle based on a mix of Vanguard funds).

The partner’s and orphan’s pension of members that have died during active service are indexed according to the indexation policy for the Final Pay plan.

6.5 Reinsurance

The Pension Fund has a reinsurance contract for the death-in-service and disability-in-service risks with Zwitserleven. The contract ended on 31 December 2019. In 2019 the board concluded that the reinsurance contract is suitable for the Pensions Fund and a new contract was negotiated with Zwitserleven. With the result that the reinsurance contract for the death-in-service and disability-in-service risks with Zwitserleven was renewed for three years. The new contract is applicable from 1 January 2020 until 31 December 2022.
This reinsurance can be seen as a catastrophe-risk-coverage because it is based on stop-loss insurance with a net deductible amount of EUR 2.5 million (was EUR 2.2 million) which is approximately 250% (was 200%) of the risk premium. Claims are possible up to 24 months after the contract period.

7 GOVERNANCE AND COMPLIANCE

The Pension Board had four physical and a conference call, all formal Pension Board meetings in 2019, and a Day Away session. The Competency Teams of the Pension Board were involved with 'their' topics during the whole year with several meetings and telephone conferences. Besides this, part of the Pension Board participated in the tripartite meeting on behalf of the year end close. In 2019 there were five so-called Walk In sessions (internal training sessions for members of the Pension Board and Accountability Council and Talent Pool members). Besides the physical meetings, regular and ad hoc conference calls were organized to deal with specific topics and to monitor the dashboard.

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

7.1 Governance and governance committees

The Pension Board uses a dashboard and balance sheet and investment management reports in order to have an adequate oversight of the status and development of all activities and financial position. The Board also keeps itself informed by attending various internal and external meetings and seminars. During 2019 Pension Board members have attended several seminars organized by the Pensioenfederatie, DNB and external experts in order to maintain their expertise and also attended the internal training meetings, the "Walk In sessions".

Competency teams
Pension Board members are allocated to areas of expertise defined by DNB. These Competency Teams are the ''first contact'' Pension Board members for these areas. They have developed thorough knowledge of their area, and also manage the area in more detail and advise other Pension Board members on their topics. The roles and responsibilities of the Competency Teams are as follows at the end of 2019:

Topic	Scope	Pension Board Members
Legal, Actuarial and Governance (LAG)	Pension Law Actuarial Accrued Liability Contribution ALM / CA Governance	Mr. W. van Ettinger Mr. H. van Heesch
Investments	Strategic Asset Allocation First point of contact with IC	Mr. W. van Ettinger Mr. H van Heesch (in training)
Administration, IT and Outsourcing (AITO)	Member administration Financial administration Pensioners payroll IT Data protection / (GDPR) Outsourcing	Mr. W. van de Laar Mrs. R. Steenbergen
Communication	Pension Communication	Mr. H. van Heesch Mr. W. van de Laar

The acting Key Function Holders for Risk and Internal Audit are no longer a member of a Competency Team but are always invited to join Competency Team meetings as an attendant.

Succession members Pension Board and Accountability Council
The sustainability of Mars Pension Fund going forward is a topic the Pension Board will continue to review. One of the main challenges the Mars Pension Fund faces is to find adequate, available and motivated (future) members for the Pension Board, Accountability Council, Advisory Committee ASP and Investment Committee. For this reason the Pension Board set up a Pension Talent Pool that has been rather successful. In 2019 four new candidates for the Talent Pool have been recruited. These members will

follow the training program for one or two years, before entering in their future role. At the moment we are identifying succession options for Mr. W. van de Laar as member representative as his term ends in 2021.

Governance documents
In 2019 the Pension Board has, together with their advisors, worked on updating several governance documents and has agreed on some new policies to adopt the new IORP II requirements.

- Regulations of the Pension Board
- Remuneration policy
- Regulations of the Accountability Council
- Regulations of the Supervisory Council
- Actuarial Key Function Holder and Charter
- Privacy Council Charter
- Internal Audit Charter
- IT Policy
- Complaints and Disputes regulations
- Plan rules 2018
- Privacy Policy
- IRM policy document

Internal Supervision
In expectation of the legislative requirement as from 1 January 2019 to have a Supervisory Council as internal supervision (intern toezicht) instead of a Review committee (Visitatiecommissie), MPF has drafted Regulations for the Supervisory Council. These have been finalized early 2019.

Self-assessment
At the beginning of 2019 the Pension Board held a self-assessment under the guidance of Mr. De Koning (Trivu) with the aim of strengthening its own functioning and cooperation. As a result, preparatory walk-ins have been planned and the already existing walk-in's will be used specifically for extra knowledge deepening. Examples of subjects discussed in these walk-in meetings are the background of new policies and applicable legislation, impact of low interest rates, risk attitude APR-ASP. This has enabled the Pension Board to give more focus on policy and strategy. The assessment on suitability has been used to set the new Suitability Policy and Suitability Plan. Further on conclusions are used to conclude on the policies which were completed during the year.

7.2 Duty of care (Zorgplicht) ARP/ASP plan

Members of the ARP/ASP plan have the possibility to opt-out from the Life Cycle Mix and choose their own investment mix. Opting out is only possible after completing the Investment Guide (in Dutch 'Beleggingswijzer'); this guide help members learn and understand what their risk profile is and provides an advice on the investment choice. Only when a certain risk profile outcome is achieved, opting out is allowed. The website www.marspensioen.nl supports the members in their choice and keeps a record of member's risk profiles. At the end of 2019 1-2% of the membership had chosen for opting out.
As of 1 January 2018 the choice for a fixed or variable lifecycle was implemented in the Investment Guide for members of 55 years or older.

7.3 ARP/ASP plan changes

Because the employer intended to carry out a review of the ARP/ASP plan, the risk attitude of the ASP component was determined in a joint project with members in the plan. The results were approved by the Social Partners (companies and works councils). The project was then put on hold with the arrival of the Pension Agreement in May. In order to be able to manage future developments effectively, a Game Plan was developed to cope with future changes and shared with DNB.

7.4 Communication

Communication plans
In December 2019 the Pension Board approved of the new Communication Action plan 2020. The Communication Strategy Plan for the period 2019-2021 is in place.

UPO (Uniform Pension Statements)
In 2019 all UPO's have been prepared to comply with new IORP II requirements. All UPO's have been sent before the deadline. The UPO's 2018 for retired members have been sent in the first quarter of 2019.

My Pension Overview (MPO)
The IORP II legislation requires MPF to provide scenario amounts of attainable pension rights for all its members to MijnPensioenOverzicht (MPO) before 1 October each year. These scenario amounts of attainable pension rights should be determined based on the Uniform calculation method (URM). The URM scenario results are gross amounts of the attainable pension rights in a pessimistic, expected and optimistic scenario discounted to Euros of today.

TKP has performed the calculations and the actuary has checked the outcome of these calculations based on a sample of the members. For the Final Pay plan MPF was able to meet the deadline of 30 September 2019 for delivery to MPO. Due to the complexity of the ARP/ASP plan, the development of the software for the URM calculations turned out to be more difficult and the publication on the NPR was too late, upon which a new deadline was imposed for meeting the requirements. MPF did achieve meeting the renewed deadline of 1 February 2020 by providing the best available indications, and with that prevented a notification to AFM.

7.5 Legal

Legal advisor MPF
NautaDutilh is the legal advisor of MPF. Part of the services performed by NautaDutilh is the legal support during the Pension Board meetings. The legal advisor of MPF was present during all MPF meetings in 2019.

Plan changes as from 1 January 2018
The pension plan rules were adjusted in 2018 and were approved by the sponsoring Companies and the Pension Board in March 2019. With these adjustments both plans meet the requirements of fiscal legislation and the ARP/ASP plan meets the requirements of the Premium Schemes Improvements Act ('*Wet verbeterde premieregeling*').

GDPR
As from 25 May 2018, the General Data Protection Regulation (GDPR) or in Dutch the *Algemene Verordening Gegevensbescherming* (*AVG*) applies. MPF must comply with the requirements of this Regulation. In the context of the GDPR, MPF is seen as a data controller. MPF started in 2017 with a project to meet the requirements of this legislation in time. MPF keeps a record of processing activities ('*register van verwerkingsactiviteiten*)'. Furthermore, MPF has set up a Privacy Statement, Cookie Policy, and Data Processing Agreements ('*verwerkersovereenkomst*'). Since Q1 2019 also a Privacy Policy was adopted. Moreover, MPF appointed NautaDutilh as their Privacy Counsel.

The Privacy Policy describes the roles and responsibilities of people involved with MPF in data security and privacy protection, including the tasks of the Privacy Counsel. See paragraph 7.9 for implementation of the Privacy Councel.

The pension fund has been GDPR compliant in 2019. GDPR remains a continues process.

ABTN
The ABTN was updated and approved in the Pension Board meeting in December 2019.
Amendments that were made include:
- Update of mission, vision, strategy and objectives;

- Privacy Council and Policy;
- IT Policy.

7.6 Supervisory authorities

There were no penalties from DNB received during 2019 and DNB has not given any instructions to the Pension Fund, nor has an administrator been appointed or has the authority of the governance bodies of the pension fund been restricted by DNB. Reports and Surveys were submitted within the legal timeframes. For some policy documents we failed to file in time, but DNB was informed of the absence of the Director.

Besides the plans to change the ARP/ASP plan we were confronted with the Pension Deal reached in May and with the fact that TKP announced that they will terminate the contract per 1 January 2022. In order to be able to manage future developments effectively, a Game Plan was developed to cope with future changes and shared with DNB.

As part of the IRM Policy development and the adoption of IORP-II legislation we reviewed all aspects of the new structure with the key function holders and the way they are supported by external parties with DNB. Important aspects as Key Function Holders allocated to existing Board members and segregation of advisory functions between the various lines of defense were discussed and finally approved by DNB.

Due to the complexity of the ARP/ASP plan, the development of the software for the URM calculations turned out to be more difficult and the publication on the NPR was too late. Finally, MPF did achieve meeting the renewed deadline by providing the best available indications, and with that prevented a notification to AFM.

In the beginning of 2019 DNB have informed us that they are planning a Periodic Review in spring. As a result of the Corona Crisis it was decided in good consultation to delay the periodic review to autumn 2020.

7.7 Pension funds code

On 24 September 2018 the Dutch Pension Funds Code was published. The Code applies to all pension funds having their corporate seat in the Netherlands. MPF complies with most of the principles in the Code Pension Funds 2018.

In some situations the principles are not (yet) completely met. In 2019, these principles are:

Principle number	Subject	Explanation why the principle is not completely met
31, 33, 35, 37, 38.	Diversity in governance bodies MPF	With regards to its governance bodies and their respective composition and appointment procedures, MPF has a policy in which it takes into account diversity with regard to age and gender after suitability and diversity in location and pension plan. This policy is described in the Regulations of the Pension Board of MPF. Although there is no plan setting out concrete steps for the promotion of diversity it is taken into account when adding candidates to the Talent Pool. One of the members of the Pension Board and one of the members of the Accountability Council are female. When we include the aspirant Board members, we have 2 female Board members and 1 below age 40

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

Principle number	Subject	Explanation why the principle is met
5	In its annual report the Pension Board is accountable for its policy, the results achieved by this policy and the policy choices it may make for the future. The Pension Board takes into account the different interests of the stakeholders. The Pension Board also provides insight into the risks of stakeholders in the short and long term, related to the agreed level of ambition.	The accountability of the Pension Board is described in detail in the annual report. The annual report is published on the MPF website that is available for all members. In the event of interim events, the Pension Board involves its stakeholders in order to safeguard a balanced weighing of interests. The Pension Board consults the Accountability Council, the Supervisory Council and the Company on a regular basis on the conducted policy, the outcomes, choices and risks. The policy of the Pension Board is extensively explained.
47	Internal supervisory involves the Code in performance of its duties.	Internal supervision preferably reports annually in the annual report on the basis of the eight themes of the Code, how the Code is observed and applied within the pension fund.
58	In its annual report, the Pension Board must unambiguously and clearly describe the mission, vision and strategy of the pension fund. In addition, it should describe whether and the extent to which the pension fund has achieved its objectives.	The Pension Board has defined a mission, vision and strategy that are part of the ABTN. In the annual report a summary of the mission, vision and strategy is included and is described how the strategic principles were met in a year.
62	The Pension Board reports its considerations regarding ESG investment policy and ensures that these are available to stakeholders.	As from 2020 the ESG investment policy is available on the website of the fund.

64	In its annual report, the Pension Board will report the degree of compliance with the code of conduct and this Code, as well as providing an evaluation of the board's performance.	Part of the annual report process is the confirmation of the Compliance Officer to the Pension Board, and so monitoring the compliance with the Code of Conduct (CoC) and with the law and the effectiveness of internal rules and procedures. In the annual report is reported if any incidents happen in a year. The annual confirmation of all relevant parties with the CoC is accessible for all Pension Board members and members of the AC. The compliance with the Code Pension funds is explained in the annual report as from 2014. The Pension Board regularly evaluates the performance of the Pension Board as a whole, the individual members or the Competency Teams. Due to other priorities the self-assessment of the Board for the year 2018 was postponed till February 2019. A summary of the results are reported in paragraph 7.1.
65	The Pension Board must ensure there is an adequate internal complaints and disputes procedure, which is easily accessible to stakeholders. In its annual report, the Pension Board will elaborate on the way complaints have been dealt with and set out any ensuing changes to the schemes or processes.	MPF has a complaints & disputes policy that can be downloaded by every member via the website of MPF. Pension Board members can find the complaints & disputes policy in MPF's online portal (BoardPacks). In the quarterly report from the administrator (TKP) there will be an overview of complaints in that quarter and how they are dealt with. This report is also accessible for each Pension Board member on BoardPacks. And the number of complaints is also an item on the monthly dashboard.

7.8 Compliance function

Part of the Compliance Function is the Compliance Officer and the external compliance counsel. The Compliance Officer will fulfil the actual compliance and will keep the Code of conduct (CoC) up-to-date, create awareness of the CoC and supervise, assisted by the PO, compliance to the CoC. This also includes advising the Pension Board in case of reports of potential conflicts of interest, gifts, conflicting functions, etc. The compliance counsel is responsible for the annual reviews of MPF's compliance with local law and regulations the internal regulations, the assessment of the Ways of Working (WoW), etc. as described in the Compliance Charter and the WoW of the Compliance Function. The Compliance Officer and the compliance counsel will be responsible for the annual review, which will be reported to the Pension Board.

In the October 2019 meeting the Pension Board appointed Mr. P. Van Bree as Compliance Officer and NautaDutilh as external compliance counsel. Pending the appointment of Mr. P. van Bree, the Director acted as Interim Compliance Officer.

NautaDutilh and the Compliance Officer performed the 2019 Annual Compliance Review. This is part of the MPF compliance framework. The purpose of the Annual Compliance Review is to verify whether there are indications that MPF's processes or way of business do not comply with applicable laws and regulations. The process consisted of a document review, interviews, and a report of the Compliance Officer of the most important events of the past year. The Compliance Officer received and handled a limited number of compliance-related filings. There were no serious incidents or matters of non-compliance.

The main compliance responsibilities are:

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

The main provisions in the Code of Conduct are:

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

The Code of Conduct holds general rules of conduct for associated persons of MPF. Associated persons sign the Code of Conduct at the start of the job and make an annual written statement. The annual declaration of compliance has been received by the Compliance Officer from all persons and service providers except for one person who is chronically ill. This declaration is about a confirmation that the CoC was adhered and the ancillary positions of the signee. The CO has reported to the Board that every individual has acted according to the CoC.

7.9 Privacy Counsel

To ensure that continued implementation and supervision as to compliance with the GDPR is adequately arranged, MPF appointed a Privacy Counsel that will fulfil tasks in connection with the GDPR. The Privacy Counsel is not a formal data protection officer within the meaning of the GDPR. NautaDutilh will act as the Privacy Counsel for MPF. The tasks of the Privacy Counsel are set out in MPF’s Data Protection Policy and the Privacy Counsel Charter. These tasks include keeping MPF’s privacy documentation up-to-date, monitoring compliance with data protection laws and internal policies, raising privacy awareness in MPF’s organization, performing data protection impact assessments, handling certain data subject requests as well as personal data breaches. The Privacy Counsel can be contacted through a dedicated e-mail address and in performing its tasks, the Privacy Counsel has regular contact with the director of the Pension Office. The Privacy Counsel will report to the Pension Board on the general course of business regarding the GDPR. Furthermore, the Privacy Counsel will report in the annual report.

The GDPR demanded the necessary time and attention from MPF. A phased plan has been set up to implement the GDPR requirements into policies, processes and where necessary system adjustments. Compliance with the GDPR is a continuous process that will remain on the agenda of MPF in 2020.

There have been no incidents of privacy-related nature that had to be reported to the Dutch data protection authority.

7.10 Diversity

Diversity within the governance bodies of the Pension Fund is pursued and is an element for the composition of the governance bodies. In addition to the required expertise and competences and professional behavior, the Pension Fund takes the diversity within the governance bodies into account. The suitability of the members of the governance body of the Pension Fund comes first.

For the composition of the Pension Board and the Accountability Council, the following objectives are pursued:

- A composition that is consistent with the structure of the participant base;
- A composition that matches a balanced gender ratio between men and women.

For further details see also paragraph 7.7.

Governance body	Male	Female	<40	>40
Pension Board	5	1	0	6
Accountability Council	2	1	0	3

Within the Talent Pool, a woman under the age of 40 is trained.

7.11 Outsourcing

The Pension Fund has outsourced a number of important activities, including its financial administration, member administration, and investment management, to service providers.

With this outsourcing the Pension Board pursues goals such as cost reduction, cost control, focus on core activities and increasing the quality of services.

As a consequence of the outsourcing the Pension Fund is exposed to certain outsourcing risks. Although processes are outsourced, the Pension Fund is still accountable for these processes. To address and mitigate these risks, the Pension Fund has put a number of controls in place:

- The Pension Board has established and adopted an outsourcing plan in December 2015. The outsourcing plan was amended and approved in the first meeting of 2020 and is now fully up to date. The outsourcing plan includes a description of the processes that have been outsourced, the objective of the outsourcing policy, the organisation of countervailing power; requirements which the outsourcing parties have to meet and the selection procedure for outsourcing parties, control measures, and the way in which the outsourcing process is evaluated. The MPF Outsourcing Plan also lists the outsourcing policy MPF developed to control the outsourcing risks MPF identified. The outsourcing policy describes the general outsourcing framework within the Pension Fund.
- The contracts and the service level agreements with the Pension Fund's service providers have to comply with certain statutory standards, providing the Pension Fund with the necessary tools to manage, monitor and evaluate the outsourced activities. To demonstrate that the Pension Board is 'in control', service providers are requested to provide for regular reports, assurance declarations by means of an ISAE 3402 Type II or similar statement on the quality of outsourcing partner and an In-Control Statement. The Pension office evaluates these reports and the conclusions are presented and discussed in the Board meeting.
- To safeguard compliance, it is important that sufficient monitoring and evaluation takes place on a regular basis, bringing to life the information and audit rights included in the agreements with to service providers.
- Fixed agenda items for the Pension Board meetings are the (evaluation) reports on outsourcing.

7.12 IRM

Over the past years Integrated Risk Management (IRM) has taken a substantial amount of time and effort.

In 2019 - as part of the second phase of the IRM project - the IRM policy has been reassessed, monitoring reports have been designed and improved and the audit function will be further developed.

We have agreed all Key Function Holder positions including Risk, Audit and Actuary as follows:

- Acting Key Function Holder Risk is Mr. P. van Bree, who is also Performer as European Risk & Compliance Manager
- Acting Key Function Holder Internal Audit is Mr. H. Faassen, with Mars Internal Audit as Performer.
- Key Function Holder Actuarial is Mr. R. vd Meerakker (WTW).

For all functions there have been adequate Charters developed and approved by the Board. Our set up was questioned by DNB and ultimately approved.

The Key Function Holder Risk and the Key Function Holder Internal Audit, will be proposed to DNB for approval before September 2020.

During the summer of 2019, five Risk Self-Assessment ("RSA") sessions were carried out. The sessions were led by WTW and where necessary, the advisors from NautaDutilh and Ortec were present. The IRM Policy has been updated in December 2019, showing the latest experiences from the RSA sessions and the process. The risk attitude and the way in which risks are managed have also been updated.

Further the "uitwerkingsdocument" non-financial risk ("NFR") analysis has been renewed according to an improved methodology. The (de)prioritization of action points will be a regular agenda item for all competency teams to ensure that list is kept up-to-date.

8 ACTUARIAL SECTION

The actuarial analysis of the 2019 result is shown in the next table:

		2019		2018
Contributions and costs				
Employer contributions	3,739		16,502	
Employee contributions*	2,258		2,543	
Accrual of benefits (including surcharge for future costs)	-23,689		-20,406	
Contribution surcharge for costs	1,940		1,931	
Available for costs out of provision	679		636	
Execution and administration costs	-2,806		-2,357	
		-17.879		-1,151
Return and yield curve change				
Return on investments	188.577		3,346	
Interest addition provision	2,619		2,886	
Yield curve change	-162,987		-43,248	
		28.209		-37,016
Other results				
Result on benefit transfers	294		0	
Result on other actuarial assumptions	1.945		-2,255	
Other income	0		5	
Indexation	-17.980		-26,048	
Change mortality assumptions	0		10,862	
Corrections	1.062		-2,125	
Other costs	0		0	
		-14.679		-19,561
Result		**-4,349**		**-57,728**

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

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

	EUR
Cost covering contribution	28,363
Smoothed cost covering contribution	18,656
Actual contribution	8,740

Cost covering contribution (CCC)

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

In 2019 the CCC equals EUR 28,363.

Unless clearly stated otherwise all amounts are in thousands of euros

Smoothed Cost Covering Contribution (SCCC)

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

The term structure of interest rates used to determine the SCCC in 2019 corresponds to a single expected return of approximately 5.3% (2018: 6.1%). The decrease of this expected return in comparison to 2018 is due to the first de-risking step that was taken in 2018.

In 2019 the SCCC equals EUR 18,656.

Actual contribution

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

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

The pension fund receives a total contribution that consists of employer and employee contributions. The employee contribution is equal to the compulsory and voluntary ASP contributions. The employee contributions in 2019 add up to 3.2% of total pensionable salary for all pension plan members. The employer contribution in 2019 according to the contribution policy is equal to 7.2% because all conditions for a contribution reduction were met.

In 2019 the actual total contribution to the pension fund equals 8,740. This total actual contribution is less than the Cost Covering Contribution (market value) and the Smoothed Cost Covering Contribution due to the contribution reduction.

Minimum Technical Reserve

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

The minimum regulatory own funds are derived from the required margin per risk and amount to 53,858. The Minimum Technical Reserve amounts to 103.9% of the total AAL (including risk of the pension fund and risk of the members). The Funding Ratio equals 122.4%. Based on these figures the pension fund is not in a situation of a funding deficit.

Ongoing Solvency Margin Ratio

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

The regulatory own funds are derived from the required margin per risk and amount to 315,707. The Ongoing Solvency Margin Ratio amounts to 123.1% of the AAL (including a 1% margin for the ARP/ASP plan). The Funding Ratio equals 122.4%. Based on these figures the Pension Fund is in a situation of a reserve deficit.

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

9 REPORT BY THE SUPERVISORY COUNCIL

9.1 Report

As from January 2019, MPF has a Supervisory Council, i.e. Raad van Toezicht. The Council is made up of 3 external, independent persons, i.e. Mr. B. Davis, Mr. F. Valkenburg and Mr. A. Slager. The Supervisory Council looks at the strategies and the management of MPF as well as our policies and risk management.

This is the first report of the Supervisory Council. In drawing up this report, account has been taken of relevant legislation and guidance notes.

The Supervisory Council met on 5 occasions in 2019 and kept an action list of where attention was required.

We carried out our formal obligations, including the approval of the Supervisory Regulations, the Remuneration Policy and the Report & Accounts in 2019.

We believe we have established a good working relationship with the Pension Board. We have been kept up to date on all the main issues in a most open fashion, have had access to all the documents of the Pension Fund and attended two meetings of the Pensions Board.

We have been involved in the chief areas of strategy and have had an opportunity to give our opinion on the most important aspects. These areas were: the continuity of the Pension Fund, possible changes to the DC and DB schemes, the search for a new administrative provider, the embedding of the Key Functions under IORP II, the de-risking investment policy and the progress towards ESG.

We have made five recommendations:
1. Review periodically the overall strategy of the pension fund.
2. Continue to evaluate the degree to which the schemes, amended where necessary, can be administered and communicate this in a clear and understandable way.
3. Monitor carefully if the selected administrative provider can satisfy all the wishes of the pension fund at an affordable cost.
4. Evaluate the changes made under the IORP II regulations.
5. Evaluate ESG policy and state the lessons learned.

9.2 Response Pension Board on report of the Supervisory Council

The Pension Board would like to thank the Supervisory Council for its observations. The Pension Board is of the opinion that a good review was delivered and that the subsequent discussions we have had with the members of the Supervisory Council were constructive and useful. In general we think that the first year of working with the Supervisory Council was good. The Pension Board would like to comment briefly on the main points raised by the Review Committee.

1. **Review periodically the overall strategy of the pension fund**– We agree with this recommendation. Especially during a time with so much change like administrator change, ReDesign, Pension Agreement and the many new requirements that significantly change the way we manage the Fund are reasons for regular strategic reviews.
2. **Continue to evaluate the degree to which the schemes, amended where necessary, can be administered and communicate this in a clear and understandable way**– We will explicitly consider the sustainability and practicability of the new plans, and whether we can explain the changes and the new plans to all members. That is why we have decided together with the Company not to continue with the Re–Design before all Pension Agreement changes are clear.
3. **Monitor carefully if the selected administrative provider can satisfy all the wishes of the pension fund at an affordable cost** – This will be done as part of the RfP , SLA and Contract with the new administrator.

4. **Evaluate the changes made under the IORP II regulations**– In the March 2020 meeting the Board requested a review by the IORP/2 Project Team of the various processes such as the Risk Self Assessments and the added value from advisors as to the whole project. We will also review the new structure with the Key Function holders and how this is functioning in practice. Lessons learned and recommendations will be presented to the Board, later this year.
5. **Evaluate ESG policy and state the lessons learned** — At the end of 2019 we have updated our ESG policy document. In the December Board meeting we agreed the next steps to be explored in 2020, including the establishment of guiding ESG principles and a number of specific actions that can be read in the ESG chapter in the Investments section of this Annual Accounts.

9.3 Follow-up on recommendations last year

The recommendations by the Review Committee in the 2018 Annual Accounts are listed below with a brief comment from the Board behind them;

1. **Establish clear priorities under the long list of action points, taking feasibility into account** -We have finalized an exercise whereby action points of the Risk Self Assessments were prioritized. In addition objectives can only get to the Annual Plan when they are absolutely critical and required, not nice to have.
2. **The Accountability Council should be explicit about the competences which it needs in 'Ways of working** -This point was addressed by the Supervisory Council with the Accountability Council.
3. **Draw up a total summary of all recommendations from Supervisory Authorities so that progress can be monitored** - We have drawn up such a list of recommendations.
4. **The Pension Board needs to record its plans regarding to all continuity risks which the pension fund experiences** - Early 2019 we have done a strategic risk analyses that we discussed with DNB. Later in 2019 we will have finalized a new SWOT analysis and updated our Vision Mission Strategy document addressing continuity risks and other risks.
5. **Integrate the de-risking policy in the investment policy**- We have an Annual Investment Plan as part of a 3 annual Investment Strategy based on an ALM study, an LDI Policy and a De Risking Policy with a long term flight plan based on Funded Status of the Plan. We would like to keep them in separate policy documents. We however need to be cognizant of the interaction between the various policies and this interaction needs to be adequately addressed in the various documents with appropriate cross references. We reviewed our documentation on this aspect, and made some updates.
6. **When implementing ESG make full use of the established practices**- Although we have not undersigned the Dutch Pension Fund Covenant for ESG, because we want to remain free [one of our principles] we do follow what is happening in the outside world to adopt external ideas where we are supportive of them.
7. **Ensure that there is a clear program to communicate the changes to the DC schemes -** As part of a Re Design, communication to Associates/Members is of extreme importance. Although the Re Design was stopped by the middle of 2019, we will obviously take this to heart when the next changes are made.
8. **Make the website at least partially approachable from the outside**- We will investigate this with the new administrator which parts can be made available external and which parts should remain inside.
9. **Reevaluate the outsourcing agreement with TKP. So much has changed and is going to** change - As we are changing administrator we will obviously focus on the new outsourcing contract with the new administrator. Early 2020 we have approved a new Outsourcing Policy that is now very helpful with the RfP and a new SLA-Contract.
10. **Review risk reporting and other related information channels, to check whether they can be streamlined. Further, to test in different scenarios if the risk framework, which is being built, works as desired** - We have taken this advice into account as part of the work done by the European Risk and Compliance Manager on IRM and the Risk Self Assessments where various risk scenarios were considered.

10 REPORT BY THE ACCOUNTABILITY COUNCIL

10.1 Report

Introduction

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

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

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

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

The Accountability Council has the right to advise on a number of subjects in relation to the AC itself and the structure of the internal governance:

- The remuneration policy for the Pension Board, Accountability Council members and other bodies within MPF;
- The structure of the internal governance (Supervisory Council);
- Selection of members of the Supervisory Council;
- The MPF complaints and disputes procedure;
- The MPF communication and information policy;
- Transfer of the liabilities or acquisition of liabilities;
- Liquidation, merger or split of MPF;
- The termination, change of the administration & financial agreement;
- Change of the legal form of MPF;
- Merger of MPF with another pension fund;
- Structure and level of the actual pension contribution (percentage).

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

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

Activities/Sources for Accountability Council’s Judgment

- The AC met four times in 2019 via Skype/Teleconference; in these Quarterly AC Calls the BoardPack of the upcoming Board Meeting is reviewed in detail including the minutes of the previous Board Meeting. Other agenda items are the status of the PB annual plan, current affairs & legislation and progress tracking of our AC priorities. Resulting questions are raised with the MPF Director. Minutes are being posted on BoardPacks.

- The Pension Board & MPF Director have had three joint informal meetings with the Accountability Council with respect to the policies and achieved results. In these so-called Walk-in sessions, Pension Board and AC get information on latest developments and agenda-topics from the Board. These Walk-in sessions are also an excellent platform for internal training. An open atmosphere allows all to add freely to the discussions.
- In the PB-AC-SC Consultation Meeting in December 2019 there was an AC presentation on self-evaluation of the AC and AC priorities for 2020.
- In April 2020 the AC had a working session with the EB in preparation of the annual report. Topics included a review of 2019, 2020 priorities for MPF (including Covid-19 impact) and how the AC can support those pro-actively.
- External Conferences: the AC has had ample opportunity to attend relevant external conferences regarding pensions in the Netherlands as organized by e.g. the Dutch Pension Federation. These provide the opportunity to learn and to assess the position of MPF in the Dutch national context.

With regard to the findings of the Accountability Council in the 2018 annual report

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

Appropriate prioritization and resourcing have been provided for all key projects like:
- de-risking;
- integral risk management;
- the structure of the internal supervision.

Continuity: the talentpool has provided successful candidates who have been appointed as aspiring member of Pension Board and Accountability Council after a candidate period. We commend the Pension Board for this.

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

PB requests for AC advice during 2019

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

Advice request topic	**Date PB advice request**	**Date AC advice**	**AC advice**
Review Committee for Annual Report 2018	01-03-2019	05-03-2019	Positive
Remuneration policy	01-04-2019	15-05-2019	Positive
Regulations of Supervisory Council	01-04-2019	15-05-2019	Positive
AFA	23-04-2019	01-05-2019	Positive
Regulations of Accountability Council	09-05-2019	07-06-2019	Positive
Complaints- and Disputes Regulations	06-11-2019	12-11-2019	Positive
Contribution 2020	14-11-2019	20-11-2019	Positive

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

Unless clearly stated otherwise all amounts are in thousands of euros

With regard to the findings of the Accountability Council on the 2019 annual report

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

The Pension Board operates within a robust & updated Mission-Vision-Strategy framework, with a clear annual plan and is responsive to the findings of both the Accountability Council and the Supervisory Council.

The AC has the following observations regarding this year's annual report:

- We recognize that despite a very challenging staffing situation for the Pension Office during 2019 excellent progress has been made on all major projects in particular.
- Integral Risk Management: PB worked hard on this important topic during 2019, especially with respect to Risk Self Assessments. MPF is IORP II compliant: DNB approved the structure with three Key Function Holders: KFH Actuarial appointed and KFH candidates for Risk and Internal Audit identified.
- Compliance officer appointed and efficient combination with current role of European Risk and Compliance Manager. Compliance charter is in place, so CO can take independent position with possibility of escalation to SC.
- Supervisory Council, PB-AC have made a good and clear agreement: all requests will first go to AC, also if only SC approval is required. In case of topics which require AC advice and SC approval this workflow has been already agreed last year: AC questions and comments first, then SC approval and finally AC advice.
- ESG: Document has been updated and approved by the PB (12-2019) and we are pleased that there is ongoing focus on the principles and implementation of our ESG Policy e.g. in the PB and Investment Committee meetings.
- The Pension Board has clear policies in place and the correct mechanisms to execute these policies.
- We also recognise the ongoing considerable effort made by the Pension Board to ensure that the Accountability Council is consulted on all relevant matters.
- Finally, as we did last year, we observe that the Pension Board maintains a close working relationship with the sponsor. We are pleased with this approach and ask that the Pension Board continue their efforts in this area.

AC Recommendations for 2020

The Accountability Council would like the Pension Board to consider the following areas in 2020:

- Re-design ARP/ASP and review DB plan; continue close cooperation with the sponsor on developing sustainable solutions which take into account the interests of all stakeholders and which are aligned with the Dutch government's pension agreement once its details have been finalized. An important part of this process will be clear communication to support the members for future decision making.
- ALM study; important to know that the ALM process has been approved by Board/IC and that assumptions will be updated by WTW, because of Covid-19 impact. As a result of the ALM study the de-risking policy will be updated and we would like to emphasize the importance of ensuring that any changes will maintain the current positive impact of de-risking on all stakeholders.

- Long term investment policy/ESG; we encourage the PB to focus on the implementation of the 2020 ESG action plan and regularly review and update the ESG policy in close cooperation with the IC and its strategic investment advisor.
- Integral Risk Management; continue current focus on, and resourcing of, IRM. Keep the IRM policy up-to-date based on lessons learned during 2020.
- Search for new pension administrator; obviously a key project which should continue to receive the PB's focus and resourcing.
- Continuity/Talent Pool; we are pleased that MPF has a strong talent pool again with high calibre, motivated candidates for various governance roles within MPF including the AC. We would like to continue our support for internal training and "training on the job" wherever possible.
- Impact of Covid-19 pandemic;
  - continuity planning to allow MPF to continue to operate in accordance with social distancing guidelines.
  - more regular review of asset liability performance because of increased market volatility.
  - longer term: a review of how well placed MPF was to deal with the crisis.
- PB-AC-SC Consultation Meeting; like last year we would like this meeting to be organised at year end as a "connecting & discussion platform" to review and reflect on the past year and jointly look ahead to the priorities for next year.

10.2 Response Pension Board on report by the Accountability Council

The Pension Board would like to thank the Accountability Council (AC) for its observations and recommendations. Before commenting on the individual recommendations for 2020 the Pension Board would like to commend the AC for their way of working and by investing time and energy in improving their knowledge by attending internal and external trainings, on which basis we get a lot of constructive feedback. This is very useful to the Board.

Finally we would like to confirm our interest to continue to work positively together with the AC, our sponsors and Works Councils of Veghel and Oud Beijerland.

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

- **Re-design ARP/ASP and review DB plan; continue close cooperation with the sponsor on developing sustainable solutions which take into account the interests of all stakeholders and which are aligned with the Dutch Pension Agreement once its details have been finalized. An important part of this process will be clear communication to support the members for future decision making** – We are definitely fully aligned on this.
- **ALM study; important to know that the ALM process has been approved by Board/IC and that assumptions will be updated by WTW, because of Covid-19 impact. As a result of the ALM study the de-risking policy will be updated and we would like to emphasize the importance of ensuring that any changes will maintain the current positive impact of de-risking on all stakeholders –** Again we are fully aligned with the AC on these points.
- **Long term investment policy/ESG; we encourage the PB to focus on the implementation of the 2020 ESG action plan and regularly review and update the ESG policy in close cooperation with the IC and its strategic investment advisor-** We will keep in close contact as to the implementation of our current policy and the further development of our policy going forward, with special attention to developing key ESG policy principles as integral part of our overall investment principles that we are also reviewing this year.
- **Integral Risk Management; continue current focus on, and resourcing of, IRM.**

Keep the IRM policy up-to-date based on lessons learned during 2020- We would like to thank for the encouragement that we will certainly take to heart. One of the key points will be to get the acting Key Function Holders endorsed by DNB.

- **Search for new pension administrator; obviously a key project which should continue to receive the PB's focus and resourcing**- This project has obviously very high attention of the Board and this will keep MPF busy till the end of 2021 and beyond.

- **Continuity/Talent Pool; we are pleased that MPF has a strong talent pool again with high calibre, motivated candidates for various governance roles within MPF including the AC. We would like to continue our support for internal training and "training on the job" wherever possible**- The Board is appreciative of all the support received so far and in the future.

- **Impact of Covid-19 pandemic; continuity planning to allow MPF to continue to operate in accordance with social distancing guidelines, a more regular review of asset liability performance because of increased market volatility, and longer term: a review of how well placed MPF was to deal with the crisis –** Starting mid March we are following the asset liability developments on a weekly basis. At the moment everybody is working from home. We will follow corporate and Mars Veghel rules as to what can be done in the near and further future. We have been very pleased with the relatively limited impact on our funded status as a result of our investment and hedging position, but we will review this and our business continuity and that of our partners at an appropriate moment in the future. We have clarified our position in a special News Letter for members and beneficiaries in April.

- **PB-AC-SC Consultation Meeting; like last year we would like this meeting to be organised at year end as a "connecting & discussion platform" to review and reflect on the past year and jointly look ahead to the priorities for next year –** We agree with the AC that this worked very well and we would like to keep this way of working in the future.

10.3 Follow-up on issues from last year

In this section we give a follow-up on last year´s recommendations

- **Integral Risk Management: following the approval of the IRM approach and documentation the actual implementation should be a priority. Testing various crisis scenarios, also suggested by the RC, should be considered as an element of the IRM implementation** – We have focused on developing our IRM including Risk Self Assessments testing various crisis scenarios, we have appointed acting KFH´s and developed the KFH Risk and KFH Internal Audit through Charters describing the functions in detail. Finally we adopted an updated IRM Policy Document.

- **Supervisory Council: the AC is keen to be pro-actively involved in establishing new Ways of Working between PB, SC and AC this year. As agreed in our working session with the Executive Board (April'19) in case of topics which require AC advice and SC approval we will adopt this workflow: AC questions and comments first, then SC approval and finally AC advice** – From the moment that we agreed this way of working between AC and SC we have adhered to this new procedure.

- **De-complexity: The PB should continue to take de-complexity into consideration in future decision making. This year's re-design of the ARP/ASP plan will undoubtedly offer fresh opportunities for an efficient execution** – We are in agreement of this recommendation. However the Re-Design that we started in 2019 upon request from the Company was stopped because of the national Pension Agreement which will require all our plans to be changed according to new laws and regulations. That will be the moment to work together with Social Partners on further de-complexity.

- **Re-design ARP/ASP: the AC encourages the PB to work on clear communication to support the members for future decision making**- We will do this as part of future Re-Design work.

- **Succession/Talent Pool: the AC welcomes the ongoing focus on this key topic and is supportive of all PB initiatives, in cooperation with the Company, to re-populate the talent pool in order to secure succession options, this definitely includes a new candidate member for the AC** – We have been able to add 5 members to the Talent Pool, amongst which 2 aspiring PB members and 1 aspiring AC member , and a future candidate for the PB member on behalf of beneficiaries.

- **Compliance officer: the AC understands the proposed combination of the Compliance role with the Risk Control Second Line of Defense function. The PB should prioritize this recruitment** – In close consultation with the Company about the implications and opportunities arising from new legislation (in this case IORP/2) it was decided to hire and appoint a new function i.e. a European Risk and Compliance Manager. The function holder happened to be an existing Board member. With the right pre/cautions about independence and escalation in case of issues, we were able to appoint that same person as our new Compliance Manager.

- **ESG: now the PB has approved the ESG policy document, in line with IORPII requirements, implementation should be the focus this year. Learning from industry "best practices", as relevant for MPF, should be an element of this implantation as also suggested by the RC** – We have given appropriate attention to ESG and have developed the policy document further. This was adopted in the December Board meeting. We are now working on our investment principles with integration of ESG overriding principles to further shape oor policies to the benefit of our risk /return outcome of our investments.

- **The 2019 activity list looks very ambitious, the AC encourages the PB to have clear 2019/2020 prioritization in place** – We finalized an exercise prioritizing the actions stemming from the risk self-assessments based on scenarios. We also started a new document that lists all activities and projects carefully applying a quarter when it should be ready and this is actualized/discussed every quarterly Board meeting driven by priority setting.

11 LOOKING FORWARD

11.1 Pension Fund Governance and Risk Management

The Pension Board will continue to review the sustainability of Mars Pension Fund going forward. The fruit of this effort is included in the Mission, Vision and Strategy of MPF.
In 2020 the Pension Board does consist of 6 members and 2 aspiring members in order to create sufficient succession options going forward.
With the new legislation on Internal Supervision we appointed a Supervisory Council (Raad van Toezicht). As we go into our second year with them we need to work together with the Supervisory Council and the Accountability Council to appoint an adequate successor for mr B. Davis, whose term ends at the end of 2020.

Before September we will submit the candidacy of the Key Function Holders for Risk and Internal Audit to DNB for endorsement. After DNB´s approval of our IRM structure in line with IORP/2 legislation we hope that they will also endorse our candidates for the KFH roles.

We need to find a succession for the Performer of the Internal Audit function as Mars Internal Audit cannot do this anymore going forward. The Board has asked Montae to help us with a selection process to identify a successor to Mars Internal Audit. We intend to appoint a new Performer in Autumn after which the internal audit process can resume with a new Audit Plan.

Due to the lock down measures by the government, from mid March, due to the spreading of the corona virus in our country and elsewhere in Europe and the world, we have focused on Business Continuity. Everybody that could work from home had to work from home and this was the case for MPF, but also all its partners such as Secor, all Investment Managers, TKP, BoNYM, WTW, NautaDutilh and Emma Handson. The Board appointed a Crisis Management Team that gathers regularly through Skype meetings to monitor the situation as it evolves. There have been no major disruptions. The contribution and Beneficiary payroll process have continued uninterrupted as well as all necessary reportings to DNB and also this Annual Report, that all has come together by working from a distance. In next year´s Annual Accounts we will review how successful we finally have been working through this crisis.

11.2 Financial position and Investments

Our funded status ended the year 2019 at a funding ratio close to 123%. Also the policy funding ratio was about that level and so was the required solvency ratio (OSMR).
Due to the corona virus containment measures in March the equity markets crashed (30%) and interest rates went down (March 9 minus 0.67% NL 10 Year Bond), which pushed the funding ratio to a low of about 105% by the third week of March. By the end of April there was some recovery to 111%.
Our policy funding ratio has decreased from 123% at the beginning of 2020 to 119%, which is below the required solvency ratio of 123%. As a consequence we informed DNB and our beneficiaries and members that we will produce a recovery plan that will show that we will get back to the required solvency level well before the end of the 10 year period that is required for full recovery. Obviously our advisors i.e. Secor have been very active in the financial markets, to take advantage of new opportunities but also to rebalance and rebase investment positions all under close scrutiny by the T&B team, the Investment Committee and the Pension Board, within the constraints of the Strategic Investment Policy and without changing our risk posture underlying this Investment Strategy. Latest IMF predictions show that the Dutch GDP may well be shrinking about 7.5% in 2020.

After balance sheet date, MPF has established that it is appropriate and prudent to commit itself to extend the existing intercompany loans until at least 30 June 2021 and to increase the principal amount of each existing intercompany loan up to a defined maximum amount required to enable Mars Real Estate Investment B.V. (MREI) to meet its third party obligations until at least 30 June 2021, on terms and conditions satisfactory to MPF, but comparable to the existing intercompany loans.

The pension fund is responsible for ensuring that critical processes such as taking care of benefits continue to be carried out. In order to guarantee this, the Board and outsourcing parties immediately took measures in accordance with RIVM guidelines and government advice. To date, pension payments have been made monthly in accordance with the usual procedure.

As to business continuity the Board has installed a Crisis Management Team, that gathers regularly via Skype. All parties including MPF, Secor, TKP, WTW, BoNYM, NautaDutihl, etc, work from home and all meetings are now digital meetings. In addition, weekly participation takes place in the extra-set consultation between TKP and all its customers (CMT consultation).

The developments surrounding the outbreak of Covid-19 do not lead to a material uncertainty of going concern for the pension fund.

11.3 Pension Schemes and Administration

The following two topics are worth mentioning here.

Firstly as to the Pension Plans, we are awaiting the new legislation as a result of the New Pension Agreement which was achieved in 2019. So we are not planning a separate ARP-ASP Re-design anymore as this could be sub optimal and very difficult to explain to members. Once there is more clarity Social Partners can start a Re-Design which might be implemented by MPF in as far as MPF is requested to execute these plans. We do not expect that this would be finished in 2020 but that most of the work will be in 2021 and beyond.

Secondly we will have to appoint a new administrator for the Mars pension plans before the end of the year. We will use 2021 to transition from the current provider to the new provider to achieve a starting date of 1 January 2022. This means that the coming years are very challenging form a project point of view. We expect that once we have transitioned to the new administrator we can then focus on the Re-Design of our plans.

Veghel, 25 June 2020

The Pension Board

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

ANNUAL ACCOUNTS

12 CONSOLIDATED FINANCIAL STATEMENTS

12.1 Consolidated Balance Sheet

(after appropriation of result in EUR 1,000)

	Note[11]	31-12-2019		31-12-2018	
ASSETS					
Investments for risk pension fund	1				
Real estate		82,828		76,537	
Equity		740,169		549,168	
Fixed income		487,089		514,858	
Hedge funds		88,604		81,629	
Derivatives		45,501		29,991	
Other financial investments		173,171		202,931	
			1,617,362		1,455,114
Investments for risk members	2		76,921		58,886
Receivables and prepayments					
Other receivables	3		6,587		4,477
Other assets					
Cash	4		4,093		3,955
			1,704,963		**1,522,432**
LIABILITIES					
Foundation capital and reserves					
Foundation capital	5		0		0
General reserves	6		306,437		310,786
Technical provision for risk pension fund					
Actuarial accrued liabilities	7	1,289,041		1,133,095	
Provision for future disability	8	1,043		1,191	
			1,290,084		1,134,286
Pension provision for risk members	9		76,921		58,886
Current liabilities	10		31,521		18,474
			1,704,963		**1,522,432**

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

Unless clearly stated otherwise all amounts are in thousands of euros

12.2 Consolidated statement of income and expenses

(in EUR 1,000)

	Note[12]		2019		2018
INCOME					
Contributions from employer and employees	11		0		13,475
Contributions for account and risk members	12		8,740		8,457
Investment results for risk pension fund	13	188,738		3,198	
Investment results for risk members	14	8,443		-2,243	
			197,181		955
Other income	15		0		5
Total INCOME			**205,921**		**22,892**
EXPENSES					
Benefits payment	16		33,918		31,746
Execution- and administration costs	17		2,805		2,357
Change pension provision:					
• Accrual of benefits		14,768		11,949	
• Indexation		17,980		26,048	
• Addition of interest		-2,619		-2,886	
• Change of mortality assumptions		0		-10,862	
• Yield curve change		162,987		43,248	
• Withdrawal for payments of pension benefits and pension execution costs		-34,530		-32,249	
• Withdrawal for other actuarial- and technical assumptions (retirement)		-38		-1,432	
• Changes as a result of transfer of rights		-406		0	
• Other changes pension provision		-2,196		6,512	
Change provision pension liabilities for risk pension fund	18		155,946		40,328
Change provision for future disability	19		-148		-27
Change provision for risk members	20		18,035		7,401
Reinsurance	21		45		42
Transfer of pension rights for risk pension fund	22		81		0
Transfer of pension rights for risk members	23		-413		-1,227
Other expenses	24		0		0
Total EXPENSES			**210,270**		**80,620**
NET RESULT			**-4,349**		**-57,728**
Proposed appropriation of net result:					
- Added to the general reserves			-4,349		-57,728

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

Unless clearly stated otherwise all amounts are in thousands of euros

12.3 Consolidated statement of cash flows

(in EUR 1,000)

			2019		2018
Contributions received		5,676		18,539	
Net cash flow from transfers of rights		155		749	
Pension benefits paid		-33,850		-31,713	
Paid execution- and administration costs		-2,898		-2,395	
Paid contribution reinsurance		-46		-42	
Other amounts received		0		2	
Total cash flow from pension activities			-30,963		-14,860
Cash flow from investment activities					
Sale and redemption of investments		1,285,871		1,903,878	
Received direct investment returns		33,036		26,373	
Purchase investments		-1,325,502		-1,725,075	
Paid costs asset management		-16,961		-15,881	
Other amounts paid		0		0	
Total cash flow from investment activities			-23,556		189,293
CHANGE CASH			**-54,519**		**174,433**
Movements in cash and cash equivalents can be broken down as follows:					
Cash available for investments			177,443		232,457
Cash pension fund	4		4,093		3,955
Balance per 31 December			181,536		236,412
Balance per 1 January			236,055		61,979
CHANGE CASH			**-54,519**		**174,433**

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

Unless clearly stated otherwise all amounts are in thousands of euros

12.4 General

Activities
Stichting Mars Pensioenfonds (henceforth: Mars Pension Fund or MPF) was established in 1964 and has its statutory seat in Meierijstad, The Netherlands (Taylorweg 5, 5466 AE, Veghel).

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

12.5 Accounting policies

General
The (consolidated) financial statements are prepared in accordance with the provisions of Title 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Dutch Accounting Standards, as published by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving'), and in particular in accordance with 'Directive 610 Pension Funds'.

Profits and losses have been recorded in the financial year appointed to that they are related to.

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

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

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

Estimation changes
The preparation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code requires that the Pension Board makes judgments and estimates and assumptions that affect the application of principles and the assigned value of assets and liabilities, and of income and expenses.

The estimates and underlying assumptions are continuously assessed.

If it is necessary for the, according to Article 2: 362 paragraph 1 of the Dutch Civil Code required insight, the nature of these assessments and estimates, including the associated assumptions, is included in the notes to the relevant items in the financial accounts. Revisions to estimates are recognized in the period in which the estimate is revised, and in future periods for which it has consequences.

There were no estimation changes in 2019.

Consolidation
Mars Real Estate Investments B.V. (MREI) was founded in 2009 and has its statutory seat in Meierijstad, The Netherlands (Taylorweg 5, 5466 AE, Veghel). Mars Pension Fund owns 100% of the shares of MREI. MREI is included in the consolidated balance sheet and profit and loss account of Mars Pension Fund. Intercompany transactions and balances in this annual report are established "at arm's length"

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

Accounting policies for assets and liabilities

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

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

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

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

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

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

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

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

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

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

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

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

Negative positions of derivatives are presented as short term liabilities.

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

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

Investments for risk members
The principles for the valuation of the investments for risk of members are the same as those for the investments that are held for the risk of the pension fund.

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

Cash
Cash is valued at nominal value.

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

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

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

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

Life expectancy rates in determining actuarial accrued liabilities:
- The life expectancy rates for males and females are derived from the AG Projection Table 2018 as published by the Dutch Actuarial Association (31 December 2018: AG Projection Table 2018).
- The mortality rates for experience rating are adjusted with fund specific correction factors based on the Willis Towers Watson 2018 experience rates model.

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

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

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

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

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

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

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

Other assets and liabilities
The other assets and liabilities are recognized initially at fair value and subsequently measured at amortized cost. Other assets and liabilities are all due/to be settled within one year.

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

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

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

When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables.

Accounting policies for results

General
The items included in the statement of income and expenditure are to a large extent related to the valuation principles for investments and the provision for pension obligations in the balance sheet. Both realized and unrealized results are directly recognized in the result.

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

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

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

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

Dividend
is recognized and allocated to the fiscal year to which they relate on accrual basis.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

12.6 Notes to the balance sheet

1 Investments for risk pension fund

Asset Category	Real Estate	Equity	Fixed Income	Hedge funds	Deriva-tives	Other financial invest-ments	Total
Value per 1 January 2018	98,084	847,341	378,027	75,215	1,516	86,411	1,486,594
Purchases	7,032	150,331	485,702	0	181,667	1,128,028	1,737,896
Sales	-1,710	-371,155	-416,040	0	-173,725	-941,247	-1,903,878
Valuation changes	-26,873	1,972	-5,415	6,414	10,758	22	-13,120
Other	4	-79,321	72,583	0	46	-40,757	167,419
Subtotal	76,537	549,168	514,858	81,629	20,262	232,457	1,474,911
Derivatives credit							9,730
Deducted: investments for risk members (ARP)							29,527
Value per 31 December 2018							**1,455,114**
Value per 1 January 2019	76,537	549,168	514,858	81,629	20,262	232,457	1,474,911
Purchases	17,441	97,394	562,399	0	164,094	488,257	1,329,585
Sales	-947	-104,212	-548,951	0	-181,307	-456,736	-1,292,153
Valuation changes	-10,192	127,953	26,120	6,975	23,410	1,087	175,354
Other	-11	69,865	-67,336	0	-19	-55,657	-53,158
Subtotal	82,828	740,169	487,089	88,604	26,441	209,407	1,634,539
Derivatives credit							19,060
Deducted: investments for risk members (ARP)							36,237
Value per 31 December 2019							**1,617,362**

The value per 31 December 2019 is including the credit position of derivatives (19,060) and a deduction of 36,237 presented as investments for risk of members (ARP).

In 2019 a reclassification was made for the GMO GRRUF fund from fixed Income to equity on basis of look-through analyses in the values per 1 January 2019 (EUR 70.1 million).

Included in the investment-category 'Other financial investments' is cash available for investment for an amount of 177,443 (2018: 232,099). This amount includes 12,015 (2018: 11,014) of cash in Mars Real Estate Investments B.V. Also included in this category are collaterals (27,758), commercial paper (2,801) and short term funds (1,406).

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

Positions more than 5% per investment-category:

Real Estate	**31-12-2019**		**31-12-2018**	
	EUR	**%**	**EUR**	**%**
Angel Place Bridgwater	8,859	11%	10,010	13%
Westside Edinburgh	6,674	8%	8,509	11%
Ankerside Tamworth	0	0	4,282	6%
Exchange Rochdale	10,631	13%	14,459	19%
Four Seasons Mansfield	8,682	10%	11,956	16%
Clarendon Hyde	6,851	8%	7,229	9%

Unless clearly stated otherwise all amounts are in thousands of euros

Equity	31-12-2019		31-12-2018	
	EUR	%	EUR	%
Arrowstreet Global Equity fund	0	0	57,393	10%
Pem - effem fund	128,572	17%	127,227	23%

Fixed Income	31-12-2019		31-12-2018	
	EUR	%	EUR	%
Effem private credit feeder	44,289	9%	38,271	7%

Hedge funds	31-12-2019		31-12-2018	
	EUR	%	EUR	%
Blackstone effem fund	88,604	100%	81,629	100%

Fair value hierarchy

The following tables summarize the valuation of investments by level within fair value hierarchy as of 31 December 2019 and 2018. Derivatives are shown net of Assets/Liabilities (clean value) and the table is before deduction of investments for risk of members.

Asset Category	Direct market listed	Derived	Modelling	Total
Real estate	1,818	0	81,010	82,828
Equity	142,273	465,094	132,802	740,169
Fixed income	0	425,293	61,797	487,090
Derivatives	403	26,038	0	26,441
Hedge funds	0	0	88,604	88,604
Other financial investments	206,605	2,802	-	209,407
Total per 31 December 2019	**351,099**	**919,227**	**364,214**	**1,634,539**

Investment cash is presented under Other financial investments in the category Direct market listed.

Asset Category	Direct market listed	Derived	Modelling	Total
Real estate	1,918	0	74,619	76,537
Equity	173,158	244,029	131,981	549,168
Fixed income	0	458,456	56,402	514,858
Derivatives	1,683	18,579	0	20,262
Hedge funds	0	0	81,629	81,629
Other financial investments	232,457	0	0	232,457
Total per 31 December 2018	**409,216**	**721,064**	**344,631**	**1,474,911**

2 Investments for risk members

The investments for risk members consist of:

	31-12-2019	31-12-2018
Investments concerning ARP plan	36,237	29,527
Investments concerning ASP plan	40,683	29,359
Total	**76,921**	**58,886**

Unless clearly stated otherwise all amounts are in thousands of euros

In 2019 the investments developed as follows:

	ASP	ARP
Balance per 1 January	29,359	29,527
Contributions	3,797	5,123
Transfers	191	253
Investment result	7,363	1,334
Other changes (commutation etc.)	-27	0
Balance per 31 December	**40,683**	**36,237**

The ARP-related investments are part of and deducted from the total investments for risk of the Pension Fund. At year-end the ASP-related investments consist for 98% of stocks and for 2% of bonds.

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

3 Other receivables

	31-12-2019	31-12-2018
Pensions	1	0
Other receivables	6,586	4,477
Total	**6,587**	**4,477**

Other receivables concern corporate income tax (EUR 283) and debtors (EUR 6,101) from Mars Real Estate Investments B.V. (MREI) and the fee TKP Q1 2020 (EUR 202) paid in advance.

All other receivables have a remaining duration of less than a year. The fair value of the receivables approximates the carrying amount due to their short-term character and the fact that provisions for bad debt are recognized, where necessary.

4 Cash

	31-12-2019	31-12-2018
Cash at Rabobank	4,093	3,955

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

5 Foundation capital

The foundation’s capital amounts to (single) EUR 45 and remained unchanged during the financial year. As a result of the presentation in thousands of euros, the foundation capital is zero.

6 General reserves

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

	2019	2018
Balance per 1 January	310,786	368,514
Result for the year	-4,349	-57,728
Balance per 31 December	**306,437**	**310,786**

The minimum regulatory own funds, 3.9% of the actuarial accrued liabilities at the risk of the pension fund, equals EUR 53.9 million. Legally required own funds amount to EUR 315.7 million and are equal to 23.1% of the actuarial accrued liabilities at the risk of the pension fund. The present own funds are lower than the required funds.

The Real Policy Funding Ratio gives an indication of the extent to which supplements can be granted. The Real Policy Funding Ratio in accordance with the FTK definition is equal to the Policy Funding Ratio divided by the Policy Funding Ratio required for full indexation based on price inflation. The Real Policy Funding Ratio at year-end 2019 was 101.0% (2018: 110.0%).

The following table shows the ratios of regulatory own funds, minimum regulatory own funds, the Policy Funding Ratio and present own funds.

	31-12-2019	31-12-2018
Funding Ratio	122.4%	126.0%
Minimum required solvency ratio	103.9%	104.1%
Policy Funding Ratio	123.3%	133.3%
Ongoing solvency margin ratio	123.1%	123.4%

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

Policy decisions should be based on the Policy Funding Ratio. This ratio is the average of the Funding Ratios during the past 12 months. The Policy Funding Ratio at 31 December 2019 is 123.3% (31 December 2018: 133.3%).

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

The annual appropriation of the balance of the statement of income and expenses is arranged in the funds' ABTN. It is proposed to deduct the loss of 2019 with an amount of EUR 4,349 from the general reserve. This proposal has already been incorporated in the balance sheet.

7 Actuarial accrued liabilities

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

	2019	2018
Provision for pension liabilities, balance at 1 January	**1,133,095**	**1,092,767**
Interest	-2,619	-2,886
Indexation to the account of the pension fund	17,980	26,048
Accrual of benefits (including surcharge for future costs)	14,768	11,949
Change in mortality assumptions	0	-10,862
Other actuarial and technical assumptions (retirement)	-38	-1,432
Benefit payments (incl. commutation)	-33,851	-31,613
Available for costs	-679	-636
Yield curve change	162,987	43,248
Individual value transfer (outgoing)	-406	0
Other changes pension liabilities (results on mortality and disability, corrections)	-2,196	6,512
Total change	**155,946**	**40,328**
Provisions for pension liabilities, balance at 31 December	**1,289,041**	**1,133,095**

Other actuarial and technical assumptions
The statutory retirement age has changed as of 4 July 2019. For temporary benefits payments with an end date linked to the current state pension age (de facto only for those who have started disability pensions), the end date of benefit payments changed from 4 July 2019. The calculations are now based on the current state pension age. Also for the exempt future pension accrual for people with a disability

Unless clearly stated otherwise all amounts are in thousands of euros

the accrual end date changed from 4 July 2019. The other temporary products that have already started do not change.

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

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

	31-12-2019 Members	31-12-2019 AAL	31-12-2018 Members	31-12-2018 AAL
Actives (including disabled)	607	465,564	601	413,668
Deferred members	765	234,179	815	191,635
Retirees	1,289	616,390	1,263	552,035
Sub-total	**2,661**	1,316,133	**2,679**	1,157,338
Minus: BPF Zoetwaren*		-27,092		-24,243
Total	**2,661**	**1,289,041**	**2,679**	**1,133,095**

* The benefits insured by the industry-wide pension fund "Bedrijfstakpensioenfonds voor de Zoetwarenindustrie" (BPF) for members of the pension fund are separately administrated and are deducted from the total benefits.

8 Provision for future disability

	2019	2018
Balance per 1 January	1,191	1,218
Regular change	-148	-27
Balance per 31 December	**1,043**	**1,191**

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

9 Pension provision for risk members

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

The provision for risk members consist of:

	31-12-2019	31-12-2018
Provisions concerning ARP plan	36,237	29,527
Provisions concerning ASP plan	40,683	29,359
Total	**76,921**	**58,886**

Unless clearly stated otherwise all amounts are in thousands of euros

In 2019 the provisions developed as follows:

	ASP	ARP
Balance per 1 January	29,359	29,527
Contributions	3,797	5,123
Transfers	191	253
Investment result	7,363	1,334
Other changes (commutation etc.)	-27	0
Balance per 31 December	**40,683**	**36,237**

10 Current liabilities

	31-12-2019	31-12-2018
Derivatives	19,060	9,730
Accrued expenses and other liabilities	10,197	7,515
Contributions of employer	1,291	291
Wage tax and premiums social security	973	938
Total	**31,521**	**18,474**

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

The accrued expenses includes EUR 1,085 (2018: EUR 458) corporate income tax and VAT concerning Mars Real Estate Investments.

All current liabilities have a remaining duration of less than a year.

12.7 Rights and obligations not included in the balance sheet

Long term contracts

With respect to the investments in the Private Equity, Private Credit, Global Property and Hedge funds, MPF has an off-balance sheet commitment of EUR 250.2 million to these managers to invest in their funds. Non-compliance can lead to interest being charged as well as legal- and other collection costs.

The pension fund has a contract with TKP for the administration. In accordance with the conditions, TKP has indicated that it will no longer renew the contract as of 1 January 2022. This is because TKP has indicated that there is no joint future for the medium term, since TKP has adjusted their strategy to continue with less pension funds. The main reason for this is the growing impact of audits such as IORPII. The annual fee for the regular services of TKP amounts EUR 0.7 million in 2019.

MREI

After balance sheet date, MPF has established that it is appropriate and prudent to commit itself to extend the existing intercompany loans until at least 30 June 2021 and to increase the principal amount of each existing intercompany loan up to a defined maximum amount required to enable MREI to meet its third party obligations until at least 30 June 2021, on terms and conditions satisfactory to MPF, but comparable to the existing intercompany loans.

Related parties

The members of the Board of the pension fund are identified as related parties to the pension fund. See section 12.9, disclosure 17 for more information about the remuneration of Board members.

12.8 Risk management

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

Unless clearly stated otherwise all amounts are in thousands of euros

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

Solvency margin	**31-12-2019**		**31-12-2018**	
	EUR	**%**	**EUR**	**%**
S1 Interest rate risk	21,500	1.6	34,600	2.9
S2 Market risk on equities and property	238,500	17.5	196,600	16.5
S3 Currency risk	96,700	7.1	88,400	7.4
S4 Commodity risk	0	0	0	0
S5 Credit risk	76,700	5.6	70,200	5.9
S6 Technical insurance risk	35,900	2.6	31,700	2.7
S10 Active risk	39,100	2.9	54,400	4.6
Diversification-effect	-194,800	-14.3	-197,000	-16.6
Adjustment for risks for members	800	0.1	600	0
Required own funds	314,400	**23.1**	279,500	**23.4**

The formula used to calculate the solvency margin is:

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

12.8.1 Interest rate risk (S1)

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

	31-12-2019 in years	**31-12-2018 in years**
Fixed income duration (excluding derivatives)	3.1	2.4
Fixed income duration (including derivatives)	5.8	7.8
Duration of the (nominal) pension liabilities	18.0	17.4

It is assumed that all non-fixed income assets have zero duration.

The Pension Board has adopted a formal interest rate hedging procedure. This interest rate hedging procedure is dynamic in nature. The interest rate hedge will generally increase linearly with the relevant interest rate, but small tactical deviations are possible. The Pension Board and its Investment Committee have carefully implemented the necessary infrastructure to enable this interest rate hedging procedure. As of 31 December, 2019 the 20-year EUR real swap rate was -0.8%, which was below the lowest trigger defined in the LDI trigger table. Thus, the 'dynamic' liability hedge ratio target (based on the full economic indexed liability) for the Plans was 29%. The hedge resulting from the Plan's physical assets covers 18% and 11% is added by a dynamic overlay. The tactical hedge target was neutral to the dynamic target.

Unless clearly stated otherwise all amounts are in thousands of euros

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

Fixed income - Asset categories	31-12-2019		31-12-2018	
	EUR	%	EUR	%
Government Bonds	125,275	25%	139,339	27%
Index Linked Bonds	20,099	4%	13,108	3%
Mortgages and MBS	32,906	7%	28,330	5%
Credits	299,040	61%	310,974	60%
Cash and cash-like instruments	14,754	3%	31,010	5%
Total	**492,075**	**100%**	**522,760**	**100%**

Cash and cash-like instruments mostly concern short term claims. The net pending trades (- EUR 5.0 million) are not included in the fixed income portfolio above.

12.8.2 Market risk (S2)

Market risk can be split into interest rate risk, currency risk and price risk. The investment guidelines define the strategy that Mars Pension Fund will adopt to control market risk. In practice, the Investment Committee oversees the controls regarding market risk, in line with the agreed policy framework and investment guidelines. Periodically all aggregated market positions are reported to the Investment Committee and the Pension Board.

The investments in real estate are in the UK. This is resulting in a relatively high market risk. The currency risk (GBP) is mainly covered in the hedges plan.

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

Equity – sector categories	31-12-2019		31-12-2018	
	EUR	%	EUR	%
Consumers	111,559	15%	72,299	13%
Energy	25,596	3%	17,261	3%
Financials	259,910	35%	251,427	46%
Health care	75,545	10%	49,534	9%
Industrials	75,033	10%	49,285	9%
Communication services	35,259	5%	22,705	4%
Information Technology	98,973	13%	54,596	10%
Materials	37,216	5%	23,874	4%
Other	21,078	3%	8,187	2%
Total	**740,169**	**100%**	**549,168**	**100%**

12.8.3 Currency risk (S3)

At the end of 2019 about 62% (2018: 65%) 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 hedging was 63% at the end of 2019 (70% at the end of 2018). The total net market value of the outstanding currency forward contracts at the end of the year was 2,850.

Unless clearly stated otherwise all amounts are in thousands of euros

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

Currency	Before Hedging	Currency Derivatives	31-12-2019 Net position after hedging	31-12-2018 Net position after hedging
Euro	533,186	477,693	1,010,879	963,150
British pound	155,607	81,152-	74,455	37,112
Japanese yen	90,271	73,042-	17,229	3,316
US Dollar	813,685	287,412-	526,273	478,074
Other	38,940	33,237-	5,703	-6,741
Total	**1,631,689**	**2,850**	**1,634,539**	**1,474,911**

12.8.4 Commodity/price risk (S4)

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

The equity investments can be divided into the following regions:

Equity - Regions	31-12-2019	31-12-2018
Mature markets	635,807	490,666
Emerging Markets	104,362	58,502
Total	**740,169**	**549,168**

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

Fixed Income - Regions	31-12-2019	31-12-2018
Mature markets	419,440	445,228
Emerging Markets	72,635	77,532
Total	**492,075**	**522,760**

The net pending trades (- EUR 5.0 million) are not included in the fixed income above.

12.8.5 Credit risk (S5)

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

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

Unless clearly stated otherwise all amounts are in thousands of euros

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

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

Fixed income – credit rating	**31-12-2019**		**31-12-2018**	
	EUR	**%**	**EUR**	**%**
AAA	112,791	23%	176,249	34%
AA	41,436	8%	41,343	8%
A	76,223	15%	30,720	6%
BBB	76,894	16%	63,119	12%
Lower than BBB	107,179	22%	109,428	21%
No rating	77,552	16%	101,901	19%
Total	**492,075**	**100%**	**522,760**	**100%**

The net pending trades (- EUR 5.0 million) are not included in the fixed income above.

12.8.6 Technical insurance risk (S6)

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

The **longevity risk** is the risk that members live longer than assumed in the determination of the AAL. As a result there could be too little assets to finance the accrued benefits. The pension fund has used the mortality table AG Projection table 2018 to take the most recent mortality assumptions and the increased long-term trend in mortality probabilities (and therefore the life expectancy) into account. Statistics show that in general the mortality of pension fund members is lower than the mortality of the entire population. The AG Projection tables are based on data of the total population in the Netherlands. For a correct calculation of the AAL the difference in life expectancy between the total population and the population of Mars Pension Fund should be taken into account. For this reason the pension fund uses the MPF specific experience rating based on the Willis Towers Watson 2018 experience rating model.

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

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

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

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

Unless clearly stated otherwise all amounts are in thousands of euros

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

12.8.7 Liquidity risk

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

12.8.8 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 or compare all positions against the same debtor per asset class. Large positions are then defined as positions that constitute more than 2% of the total assets (EUR 1,704,963, 2018: EUR 1,522,432).

Positions more than 2% of the total assets:

	31-12-2019		31-12-2018	
	EUR	%	EUR	%
Nomura HY BD	78,167	4.6%	75,439	5.0%
Bond collateral	173,939	10.2%	201,633	13.2%
P/C FX-O/LAY	62,667	3.7%	63,260	4.2%
Prop CCY Hedge	69,078	4.1%	97,260	6.4%
HDG FD FX Overlay	89,089	5.2%	82,059	5.4%
Pimpco - GL BD	113,000	6.6%	82,201	5.4%
GL EQ CCY Hedge	76,746	4.5%	77,499	5.1%
Equity TRH	68,092	4.0%	65,230	4.3%
Blackrock PV CR	44,289	2.6%	38,271	2.5%
Pem - effem II	89,151	5.2%	91,073	6.0%
Blackstone effem fund	88,604	5.2%	81,629	5,4%
Arrowstreet Global Equity fund	0	0	55,692	3.7%
	952,822	**55.9%**	**1,011,246**	**66.6%**

12.8.9 Other financial risks (S10)

12.8.9.1 Systemic risk

Unless clearly stated otherwise all amounts are in thousands of euros

Systemic risk occurs when the global financial system (all financial and capital markets) no longer functions properly, in which case the pension fund would not be able to trade its investments. It is difficult for any financial institution to directly control a systemic risk or systemic failure. However, careful monitoring of liquidity, counterparty and concentration risk can help mitigate the impact of a systemic crisis.

12.8.9.2 Specific financial instruments (derivatives)

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

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

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

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

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

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

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

The table below shows the derivatives positions in the Pension Fund as per 31 December 2019:

Type of contract	Expiry Date	Notional Values	Market Value assets	Market Value liabilities
Futures	Various	401,488	1,360	-11,143
Currency Forward contracts	Various	-474,843	5,730	-2,880
Options	Various	-532	2,010	-579
Interest Rate Swaps	Various	102,016	35,324	-2,632
Total return swaps	Various	-74,844	661	-37
Other	Various	271,124	416	-1,790
Total		**224,409**	**45,501**	**-19,060**

12.9 Notes to the statement of income and expenses

11 Contributions from employer and employees

The total employer contribution amounts EUR 8,740 (7.2%, 2018: 23.1%) of the pensionable salaries reduced with the contributions from the employers registered in BPF Zoetwaren. Because of the high Funding Ratio at the end of 2018, the employers received a discount on the contribution 2019. The employer contribution percentage includes only the contribution for the account and risk of member with respect to the concerning the ARP plan (EUR 5,123) and a contribution with respect to the ASP-plan (EUR 3,617). This is resulting in an employer's contribution with respect to the Final Pay Plan of EUR 0.

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

	2019	2018
Cost covering contribution	28,363	26,508
Smoothened contribution	18,656	17,119
Actual contribution	8,740	21,932

The cost covering contribution is based on the actuarial assumptions applicable as per 31 December 2019, including an interest rate term structure according to the instructions of DNB per this date. The smoothened cost covering contribution is, in accordance with the ABTN, based on a fixed discount rate of 5.3%. This causes the smoothened contribution to be lower than the cost covering contribution. The actual contribution is based on the contribution policy and at least equal to the smoothened cost covering contribution (determined at the beginning of the financial year) and is expressed as a percentage of the pensionable salary.

The (smoothened) cost covering contribution is:

		2019		2018
	CCC	SCCC	CCC	SCCC
Unconditional accrual	22,900	15,107	20,444	13,425
Solvency surcharge	3,523	1,609	4,133	1,763
Surcharge for administration costs	1,940	1,940	1,931	1,931
Total	**28,363**	**18,656**	**26,508**	**17,119**

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

12 Contributions for account and risk members

	2019	2018
ARP contribution	5,123	4,843
ASP contribution	3,617	3,614
Total contribution	**8,740**	**8,457**

The ASP contribution consist for 2,488 of contribution paid by members and 1,129 paid by the employer.

Unless clearly stated otherwise all amounts are in thousands of euros

13 Investment results for risk pension fund

	Direct investment results	Indirect investment results	Investment related costs	Total 2019	Total 2018
Real Estate	19,008	-13,311	-11,808	-6,111	-21,339
Equity	4,752	130,765	-601	134,916	12,242
Fixed Income	7,305	26,176	89	33,570	704
Derivatives and hedge funds	2,075	30,266	-1,641	30,700	16,426
Other financial investments	-104	101	-3,000	-3,003	-3,738
Investment results	33,036	173,997	-16,961	190,072	4,294
Allocated to ARP				-1,334	-1,096
Net Investment result				**188,738**	**3,198**

Investment related costs

The investment related costs include management fees for external asset managers, investment advice, custody fee and other investment related costs (i.e. tax- and legal advice). The total amount of investment related costs of EUR 17.0 million also include the operational costs related to the direct investments in real estate (EUR 11.8 million in 2019 and EUR 10.7 million in 2018).

	2019	2018
Management fee external asset managers	2,158	2,154
Investment advice	1,725	1,589
Operating costs real estate	11,809	10,726
Custody fee	386	410
Value added tax on costs foreign asset managers and other	884	1,002
Total	**16,961**	**15,881**

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

Transaction costs mainly concern the premiums and discounts on the purchase and sale of shares of securities. Several types of transaction costs are not readily available, i.e. 2nd layer costs, transaction costs for alternative funds, and are thus not yet recorded in the custodian records, and therefore not represented in the accounting of MPF.

14 Investment results for risk members

	2019	2018
Investment results ARP (after deduction of transfers ARP)	1,080	1,096
Investment results ASP	7,363	-3,339
Total	**8,443**	**-2,243**

The investment results ARP are a part of the investment results for risk fund. The change of the ARP is, besides changes in population, due to contributions and a calculated return. The employer pays contributions for ARP. The calculated return is however not equal to the investment results. In 2019 the calculated return was maximized to the CPI-index plus 3%. The investment results ASP consists mostly of positive returns on equity.

Investment results ASP

	Direct investment results	Indirect investment results	Investment related costs	Total 2019	Total 2018
Equity	12	7,369	-61	7,320	-3,346
Fixed Income	0	44	-1	43	7
Total	**12**	**7,413**	**-62**	**7,363**	**-3,339**

Unless clearly stated otherwise all amounts are in thousands of euros

Transaction costs mainly concern the premiums and discounts on the purchase and sale of shares of securities. Transaction costs are invisible to the Pension Fund and generally not yet recorded and available from the custodian records, therefore not further represented.

15 Other income

	2019	2018
Other	0	5
Total	**0**	**5**

16 Benefits payment

	2019	2018
Retirement pension	28,901	27,155
Partner pension	4,535	4,229
Disability pension	390	325
Commutation of small pensions	53	0
Orphan pension	39	37
Total	**33,918**	**31,746**

17 Execution- and administration costs

	2019	2018
Administration costs	962	937
Actuarial (advising)	654	566
Legal advisory	380	312
Cross charges from the employer	232	207
Governance costs (Pension Board, Supervisory Council, Accountability Council)	312	168
Audit and advisory services	100	80
Communication costs	1	8
Membership contributions	103	104
Actuarial (certifying)	27	-30
Other costs	34	5
Total	**2,805**	**2,357**

The execution- and administration costs are VAT included. In total an amount of 468 has been paid on VAT charges. The governance costs are higher compared to 2018 due to the services of the Supervisory Council.

Since the Pension Fund does not have employees, there are no salary payments or social insurance charges. The work on behalf of the Pension Fund is performed by two employees (2018: two employees) who have employment contracts with Mars Nederland B.V. and have been outsourced to Mars Pension fund. The costs are charged to Mars Pension fund and included in this report. The total remuneration paid to members of the Pension- and Supervisory Council for their membership in the Board is 241 (2018: 120). This includes extra services in 2019. Members of the Accountability Council receive a compensation of 2 per year. Board members not employed by Mars Nederland B.V. received a total remuneration of EUR 193.

Independent audit and advisory services

	2019	2018
Audit annual accounts	94	80
Advisory services	6	0
Total	**100**	**80**

Unless clearly stated otherwise all amounts are in thousands of euros

Audit services are provided by PricewaterhouseCoopers Accountants N.V.

18 Change provision pension liabilities for risk pension fund

	2019	2018
Change provision	155,946	40,328

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

19 Change provision for future disability

	2019	2018
Provision change for future disability	-148	-27

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

20 Change provision for risk members

	2019	2018
Provision change for the account and risk of members	18,035	7,401

For more details we refer to the notes under reference number 2.

21 Reinsurance

The Pension Fund has a reinsurance contract for the death-in-service and disability-in-service risks with Zwitserleven. The contract ended on 31 December 2019. This reinsurance can be seen as a catastrophe-risk-coverage because it is based on stop-loss insurance with a net retention of EUR 2.2 million which is approximately 200% of the risk premium. Declaration is possible 24 months after the contract period. In 2019 no claims were made.
The new contract is applicable from 1 January 2020 until 31 December 2022. The net retention is EUR 2.5 million which is approximately 250% of the risk premium. Declaration is possible 24 months after the contract period.

22 Transfers of pension rights for risk pension fund

	2019	2018
Incoming transfer values	0	0
Outgoing transfer values	81	0
Total	**81**	**0**

23 Transfers of pension rights for risk members

	2019	2018
Incoming transfer values	-413	-1,309
Outgoing transfer values	0	82
Total	**-413**	**-1,227**

Unless clearly stated otherwise all amounts are in thousands of euros

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

The balance of income and expenses (loss) of 2019 of 4,349 is added to the general reserves.

12.11 Subsequent events

In the spring of 2020, after the balance sheet date but before the preparation of the annual accounts by the Pension Board, the Corona crisis broke out. A special situation has arisen as a result of the crisis. The value of the investments in equity has fallen sharply compared to 31 December 2019, as a result of which the Funding Ratio has also declined. The Corona crisis has an impact on a pension fund in various ways.

The pension fund is responsible for ensuring that critical processes such as taking care of benefits continue to be carried out. In order to guarantee this, the Board and outsourcing parties immediately took measures in accordance with RIVM guidelines and government advice. To date, pension payments have been made monthly in accordance with the usual procedure.

As to business continuity the Board has installed a Crisis Management Team, that gathers regularly via Skype. All parties including MPF, Secor, TKP, WTW, BoNYM, NautaDutihl, etc, work from home and all meetings are now digital meetings. In addition, weekly participation takes place in the extra-set consultation between TKP and all its customers (CMT consultation).

At the moment there is a lot of uncertainty and it is not yet possible to reliably determine the financial impact on the pension fund in 2020. The financial position as of 31 December 2019 and the continuity of the pension fund are not (for the time being) affected. The developments surrounding the outbreak of Covid-19 do not lead to a material uncertainty of going concern for the pension fund.

13 SINGLE FINANCIAL STATEMENTS

13.1 Single balance sheet

After appropriation of results (in EUR 1,000)

	Note[13]	31-12-2019		31-12-2018	
ASSETS					
Investments for risk pension fund					
Real estate	25	33,584		15,065	
Equity		740,169		549,168	
Fixed income		487,089		514,858	
Hedge funds		88,604		81,629	
Derivatives		45,501		29,991	
Other financial investments	26	161,156		191,916	
			1,556,103		1,382,627
Investments for risk members	2		76,921		58,886
Investments in subsidiaries	27		0		70,181
Receivables and prepayments	28		59,476		962
Other assets					
Cash	4		4,093		3,955
			1,696,593		**1,516,611**
LIABILITIES					
Foundation capital and reserves					
Foundation capital	5		0		0
General reserves	6		306,437		310,786
Technical provision for risk pension fund					
Actuarial accrued liabilities	7	1,289,041		1,133,095	
Provision for future disability	8	1,043		1,191	
			1,290,084		1,134,286
Pension provision for risk members	9		76,921		58,886
Current liabilities	29		23,151		12,653
			1,696,593		**1,516,611**

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

Unless clearly stated otherwise all amounts are in thousands of euros

13.2 Single statement of income and expenses

(in EUR 1,000)

	Note[14]		2019		2018
INCOME					
Contributions from employer and employees	11		0		13,475
Contributions for account and risk members	12		8,740		8,457
Investment results for risk pension fund	30	204,564		29,261	
Investment results for risk members	14	8,443		-2,243	
			213,007		27,018
Other income	15		0		5
Total INCOME			**221,747**		**48,955**
EXPENSES					
Benefits payment	16		33,918		31,746
Execution- and administration costs	17		2,805		2,357
Change pension provision:					
• Accrual of benefits		14,768		11,619	
• Indexation		17,980		26,048	
• Addition of interest		-2,619		-2,886	
• Change of mortality assumptions		0		-10,862	
• Yield curve change		162,987		43,248	
• Withdrawal for payments of pension benefits and pension execution costs		-34,530		-32,015	
• Withdrawal for other actuarial- and technical assumptions (retirement)		-38		3,042	
• Changes as a result of transfer of rights		-406		0	
• Other changes pension provision		-2,196		2,134	
Change provision pension liabilities for risk pension fund	18		155,946		40,328
Change provision for future disability	19		-148		-27
Change provision for risk members	20		18,035		7,401
Reinsurance	21		45		42
Transfer of pension rights for risk pension fund	22		81		0
Transfer of pension rights for risk members	23		-413		-1,227
Other expenses	24		0		0
Total EXPENSES			**210,269**		**80,620**
NET RESULT			**11,478**		**-31,665**
Result subsidiary (MREI)	**31**		**-15,827**		**-26,063**
TOTAL NET INCOME			**-4,349**		**-57,728**

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

Unless clearly stated otherwise all amounts are in thousands of euros

13.3 Accounting policies

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

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

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

13.4 Notes to the single balance sheet

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

25 Real estate

	2019	2018
Balance per 1 January	15,064	9,284
Purchases	17,346	6,642
Sales	-689	-1,673
Valuation changes	1,863	811
Balance per 31 December	**33,584**	**15,064**

26 Other financial investments

	31-12-2019	31-12-2018
Cash available for investments	165,428	221,085
Liquid assets available for investment	31,965	358
Deducted investments ARP	-36237	-29,527
Total	**161,156**	**191,916**

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

27 Investments in subsidiaries
This item consists of the capital investment in Mars Real Estate Investment B.V. (MREI) and loans to MREI. The capital investment as well as the loans are presented as Investments in subsidiaries.

Unless clearly stated otherwise all amounts are in thousands of euros

The development during the last two years of the participation in MREI can be specified as follows:

Type of contract	Capital	Loans	Total value
Balance per 31 December 2017	**30,471**	**66,507**	**96,978**
Repayments and dividend	0	0	0
Operational result 2018	-25,407	0	-25,407
Revaluations (foreign currency)	-656	-734	-1,390
Balance per 31 December 2018	**4,408**	**65,773**	**70,181**
Repayments and dividend	0	3,900	3,900
Operational result 2019	-15,827	0	-15,827
Revaluations (foreign currency)	0	0	0
	-11,419	**69,673**	**58,254**
Allocation of operational results	11.419	-11,419	0
Subtotal	**0**	**58,254**	**58,254**
Loans reclassified to receivables			-58,254
Balance per 31 December 2019			**0**

The Senior Debt loans (EUR 59,359) have an average interest rate of 5.06% and the Junior Debt loans (EUR 10,314) have an average interest rate of 10.06%. The final maturity date of all loans is 2 November 2020. After balance sheet date, MPF and MREI have agreed to extend the loans until at least 30 June 2021. All loans are denominated in GBP. There are no particular warranties underlying the loan. The loans will be paid off to the pension fund within one year and are therefore reclassified to Receivables and prepayments.

28 Receivables and prepayments

	31-12-2019	31-12-2018
Receivables from group companies	58,254	0
Accrued Interest Intercompany loan MREI	1,019	962
Prepaid expenses	203	0
Total	**59,476**	**962**

Receivables from group companies concern the loans to MREI B.V. maturing on 2 November 2020, based on the situation per balance sheet date. See note 27 for information on the interest rate and warranties underlying the loan.

All receivables have a remaining duration of less than a year. The fair value of the receivables approximates the carrying amount due to their short-term character and the fact that provisions for bad debt are recognized, where necessary.

29 Current Liabilities

	31-12-2019	31-12-2018
Derivatives	19,060	9,730
Accrued expenses and other liabilities	1,827	1,695
Contributions employer	1,291	291
Wage tax and premiums social security	973	938
Total	**23,151**	**12,654**

Negative derivate-positions are classified as current liabilities and positive derivative-positions are classified as assets. A further explanation on the derivatives can be found in paragraph 12.8 “Risk management”. All current liabilities have a remaining duration of less than a year.

Unless clearly stated otherwise all amounts are in thousands of euros

13.5 Notes to the single statement of income and expenses

30 Investments results for risk pension fund

	Direct investment results	Indirect investment results	Investment related costs	Total 2019	Total 2018
Real Estate	3,908	1,864	0	5,772	854
Equity	4,752	130,765	-600	134,917	12,242
Fixed Income	7,305	26,176	89	33,570	704
Derivatives and hedge funds	2,075	30,266	-1,641	30,700	16,426
Other financial investments	-104	101	-3,000	-3,003	-3,738
Investment results	**17,936**	**189,172**	**-5,152**	**201,956**	**26,487**
Allocated to ARP				-1,334	-1,096
Loan to subsidiary	3,942			3,942	3,870
Net Investment result				**204,564**	**29,261**

31 Result subsidiary (MREI)

The result of the subsidiary is compiled of:

	2019	2018
Operational result	-16,087	-25,407
Results on exchange rates	260	-656
Total	**-15,827**	**-26,063**

Since the Pension Fund does not have employees, there are no salary payments or social insurance charges. The work on behalf of the Pension Fund is performed by two employees (2018: two employees) who have employment contracts with Mars Nederland B.V. and have been outsourced to Mars Pension fund. The costs are charged to Mars Pension fund and included in this report.

13.6 Subsequent events

After balance sheet date, MPF has established that it is appropriate and prudent to commit itself to extend the existing intercompany loans until at least 30 June 2021 and to increase the principal amount of each existing intercompany loan up to a defined maximum amount required to enable MREI to meet its third party obligations until at least 30 June 2021, on terms and conditions satisfactory to MPF, but comparable to the existing intercompany loans.

In the spring of 2020, after the balance sheet date but before the preparation of the annual accounts by the Pension Board, the Corona crisis broke out. A special situation has arisen as a result of the crisis. The value of the investments in equity has fallen sharply compared to 31 December 2019, as a result of which the Funding Ratio has also declined. The Corona crisis has an impact on a pension fund in various ways.

The pension fund is responsible for ensuring that critical processes such as taking care of benefits continue to be carried out. In order to guarantee this, the Board and outsourcing parties immediately took measures in accordance with RIVM guidelines and government advice. To date, pension payments have been made monthly in accordance with the usual procedure.

As to business continuity the Board has installed a Crisis Management Team, that gathers regularly via Skype. All parties including MPF, Secor, TKP, WTW, BoNYM, NautaDutihl, etc, work from home and all meetings are now digital meetings. In addition, weekly participation takes place in the extra-set consultation between TKP and all its customers (CMT consultation).

Unless clearly stated otherwise all amounts are in thousands of euros

At the moment there is a lot of uncertainty and it is not yet possible to reliably determine the financial impact on the pension fund in 2020. The financial position as of 31 December 2019 and the continuity of the pension fund are not (for the time being) affected. The developments surrounding the outbreak of Covid-19 do not lead to a material uncertainty of going concern for the pension fund.

Veghel, 25 June 2020

The Pension Board

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

OTHER INFORMATION

14 OTHER INFORMATION

14.1 Articles of association governing profit appropriation

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

14.2 Actuarial Statement

Assignment
The assignment to issue an Actuarial Statement, as referred to in the Pension Act in respect of the financial year 2019 was issued to Towers Watson Netherlands B.V. by Stichting Mars Pensioenfonds, established in Veghel.

Independence
As the certifying actuary I am independent of Stichting Mars Pensioenfonds, as required by Section 148 of the Pension Act. I do not perform any other activities for the pension fund other than those based on the actuarial function.

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

In testing the assets of the pension fund and in assessing its financial position, I have based my assessment on the financial data on which the annual accounts are based.

Agreement external auditor
Based on the mutual 'Handreiking' the external auditor and I both apply, there has been agreement about the activities and expectations concerning this year's assessment. For the assessment of the technical provisions and the financial position as a whole I have determined the materiality to be equal to € 9,600,000. With the external auditor I have agreed to report any observed discrepancies above a level of € 640,000. These agreements have been recorded and the results of my assessments have been discussed with the external auditor.

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

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

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

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

In addition I have formed an opinion about the financial position of the pension fund. This opinion is based on the liabilities of the pension fund incurred up to and including the balance sheet date and the available assets on that date, also taking into account the financial policy of the pension fund.

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

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

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

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

The policy funding ratio of the pension fund on the balance sheet date is higher than the funding ratio associated with the statutory required net assets.

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

In the context of this opinion, I refer to the developments after the balance sheet date as a result of the Corona crisis, as explained by the pension fund in the annual report.

Rotterdam, 25 June 2020

drs. R.J.M. van de Meerakker AAG

Affiliated with Towers Watson Netherlands B.V.

14.3 Independent auditor's report

Independent auditor's report

To: the Pension Board of Stichting Mars Pensioenfonds

Report on the financial statements 2019

Our opinion

In our opinion, the financial statements of Stichting Mars Pensioenfonds ('the Foundation') give a true and fair view of the financial position of the Foundation and the Group (the foundation together with its subsidiaries) as at 31 December 2019, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2019 of Stichting Mars Pensioenfonds, Meierijstad. The financial statements include the consolidated financial statements of the Group and the single financial statements.

The financial statements comprise:

- the consolidated and single balance sheet as at 31 December 2019;
- the consolidated and single statement of income and expenses for the year then ended; and
- the notes, comprising the accounting policies and other explanatory information.

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

The basis for our opinion

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

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

Independence

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

Emphasis of matter - uncertainty related to the effects of the coronavirus (COVID-19)

We draw attention to note 12.11 Subsequent events in the consolidated financial statements and note 13.6 Subsequent events in the single financial statements in which the Pension Board has described the possible impact and consequences of the coronavirus (COVID-19) on the foundation and the environment in which the foundation operates as well as the measures taken to deal with these events or circumstances. This note also indicates that uncertainties remain and that currently it is not reasonably possible to estimate the future impact. Our opinion is not modified in respect of this matter.

Report on the other information included in the annual report

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

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

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

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

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

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the Pension Board

The Pension Board is responsible for:

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

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

Our responsibilities for the audit of the financial statements

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

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

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

Amsterdam, 25 June 2020
PricewaterhouseCoopers Accountants N.V.

Original has been signed by A. Korver-Heins RA

Appendix to our auditor's report on the financial statements 2019 of Stichting Mars Pensioenfonds

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

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

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

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

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

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

14.4 Terminology

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

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