Stichting Mars Pensioenfonds
Veghel

Annual Report
2018

Stichting Mars Pensioenfonds
Established in 1964

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

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REPORT OF THE PENSION BOARD

INTRODUCTION BY CHAIRMAN

During 2018 the financial position of MPF improved slightly from a Policy Funding Ratio of 132.3% by the beginning of 2018 to 133.3% by the end of 2018.

Our investment return in 2018 of 0.3% was exactly at our benchmark. Whilst interest rates had the tendency to move up slightly in the first part of the year, they went down again towards the end of the year and this trend has continued during the first part of 2019. This is having a negative impact on the development of our Funded Status, which is somewhat compensated by recovering equity markets.
We have developed strategies and policies in case interest rates return to more long term equilibrium levels and our investment returns remain strong, which goes hand in hand with improved Funded Status.

As mentioned last year we have finalized the new de-risking strategy and in fact we have also hit the first trigger in June of last year, shortly after we have informed you on the website of MPF. When our financial position will improve again to an even higher point we will hit the second trigger (there are four triggers in total when we will be fully de-risked).

In addition to the de-risking policy we are paying increasing attention to the ESG element of our investment policy and have been working on a policy document that we approved at the end of 2018. In this Annual Report you will find a summary of this policy and the communication committee is reviewing how we can develop our communication further in this area. The ESG policy is not a stationary point but will remain to be further developed over the next years as it has become a permanent factor of consideration.

We started the year 2018 with new pension plans with a standard retirement age of 68, as a result of changes in fiscal legislation. The implementation of the new retirement age was largely prepared in 2017. We took the opportunity to review the existing Plan Rules in detail in addition to the change to age 68. This took more time than we expected, and hence the final Plan Rules were only approved and posted on the website during the first half of 2019.

An important legal change in the recent past was the implementation of a new law on improved DC plans (Wet Verbeterde Premieregeling). A key aspect of the new legislation is that members of a DC plan like our ARP/ASP members are no longer obliged to purchase an annuity (lifelong pension) at a fixed interest rate, but that it is possible to buy a variable annuity based on investment returns. In this case the investments of the DC capital continue, and this will have an impact on the ongoing annuity that will be variable. The annuity is expected to develop at a higher level, but can vary with- amongst others - investment returns.
The new legislation also requires appropriate alignment on the risk attitude with the Accountability Council and Social Partners. We have reviewed our policies and procedures with DNB, who have suggested that with the next Risk Attitude analysis we would put even more focus on Risk Appetite and Tolerances of the membership than we already did. A new Risk Attitude needs to be determined when the plan gets changed. And that is exactly where we are now. After consultation with DNB the Company has looked at the sustainability of our ARP/ASP Plans and has embarked on a redesign project. The conclusion is, and this is supported by DNB, that we will need to change. In the beginning of 2019 we were still awaiting final word from the Company, but MPF have started anyway preparations for a change including a new exercise on the determination of the Risk Attitude in line with DNB’s expectations.
We continue to review the feasibility and consistency of our pension scheme in close consultation with the company, when necessary.

The challenges for the Pension Board remain as always high. There is continuous pressure from new pension legislation and further regulations. We worked on an updated Vision, Mission and Strategy document in 2017, and in 2019 we want to refresh this. We also improved a number of Governance documents such as the Code of Conduct, the Compliance organization, the Capability Plan which defines

the level of expertise of Pension Board members and we developed and adopted a new document containing all Pension Board Regulations.
An important piece of new legislation is the new Privacy Law which has European wide impact. We had to ensure to be fully compliant by the end of May which we were. We have amongst others a Privacy Statement on the website, we have a Privacy Policy with lots of details and more recently we installed a Privacy Council that makes sure we remain compliant going forward and deals with (potential) breaches.

We also needed to pay attention to succession of Board members. First of all we had to replace Jack van Lith as Pension Board member on behalf of the members. Harold van Heesch had been identified to replace Jack and after a thorough training period Harold was presented to DNB for final approval which we received in April 2018 after a successful interview. Harold was officially appointed by the Board in the June Board meeting.
Towards the end of 2017 the employer proposed Paul van Bree (who was member of the Accountability Council) as successor of Marjolein de Mars as Board member on behalf of the Company. Marjolein's term ended at the end of 2018 at which point we were able to appoint Paul, after DNB approval. Concerning the Accountability Council, we needed to replace Paul. The appropriate candidate was Judith Vermeulen who was aspirant member of this committee. Judith was appointed mid 2018 by the Board as Associate representative on the Accountability Council.

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

Another position that we will need to focus on, is the position of the Compliance Officer. The former Compliance officer, Jack van Lith who had taken over from Janet van de Broek last year, has resigned as Compliance Officer by January 1, 2019. Also the position of a Data Protection officer due to new legislation by May 25th of this year needs attention of the Board. We have asked Saskia Tonnaer as Acting Compliance Officer till we replace with a new Compliance Officer and as to Data Protection we have put a Privacy Council in place with the help of NautaDutilh and Saskia Tonnaer as official reporting point.

We have made good progress in the area of Integral Risk Management. We have finalized a policy document and approved this early 2019 including requirements from IORP II as to the Three Lines of Defense-Model, and Key Function holders in the Pension Board. For the moment the chosen Board members are acting, as we finalize our arrangements. The Key Function holder for Risk Management and Compliance is Mrs. Rianne Steenbergen, and the Key Function holder for Audit is Harry Faassen.

Finally the Board also focused on the strengthening of the administrative execution of our pension scheme and the processes at TKP. In the first half of 2018 we finalized negotiations with TKP concerning a new contract. We are now studying a request by TKP to transition to the cloud.

We continue to regularly review the feasibility and consistency of our pension scheme in cooperation with the company.

1 KEY FIGURES

	2018	2017	2016	2015	2014
Members and retirees					
Active members	1,401	1,414	1,411	1,419	1,422
Deferred members	1,223	1,145	1,126	1,199	1,188
Retirees	1,263	1,230	1,206	1,160	1,129
Retirees per type					
Old age pension	958	927	902	872	847
Partner- and orphan pension	305	303	330	288	282
Pensions					
Cost covering contribution	31.6%	32.7%	30.0%	29.0%	29.9%
Smoothed cost covering contribution	20.4%	17.6%	16.9%	19.8%	18.9%
Actual contribution	23.1%	25.0%	25.0%	22.8%	20.0%
Execution- and administration costs	2,357	2,407	1,947	2,221	2,258
Benefit payments	31,700	30,300	30,300	29,300	27,900
Indexation ARP					
Active members (year+1)	4.23%	3.60%	3.56%	3.63%	4.64%
Inactive members (year+1)	4.32%	3.52%	1.80%	3.63%	4.48%
Indexation Final Pay plan					
Deferred members and retirees (year+1)	1.41%	0.97%	0.02%	0.30%	0.84%[1]
Deferred members and retirees (catch-up)	Max 2.9%[2]	-	-	-	-
Additional pension entitlements actives (year+1)	2.05%	1.53%	0.74%	1.33%	2.54%[3]
Additional pension entitlements actives (2015/2018)	2.05%	1.36%	0.26%	0.90%	n.a.
Assets and solvency					
Required general reserve	279,500	367,100	290,800	270,300	250,800
Minimum general reserve	48,900	47,000	47,800	44,100	42,300
Regulatory own funds	310,800	368,500	367,700	352,100	272,200
Profit/loss in year	-57.700	77,700	20,500	19,500	6,900
AAL at the risk of the pension fund	1,134,300	1,094,000	1,123,400	1,051,000	1,019,000
Funding ratio	126.0%	132.2%	125.0%	124.9%	124.6%
Policy funding ratio	133.3%	132.3%	116.6%	124.2%	-
Market Value of assets	1,504,000	1,515,000	1,455,000	1,329,000	1,328,000
Investment returns	1,000	64,000	108,000	79,800	187,100

[1] In the AAL year-end 2014 besides the indexation per 1 January 2015 (0.84%) also the indexation of 1.93% per 1 January 2014 is included.
[2] Depending on the date of becoming an inactive member.
[3] In the AAL year-end 2014 besides the indexation per 1 January 2015 (2.54%) also the indexation of 1.36% per 1 April 2014 is included.

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Investment portfolio					
Real estate investments	77,000	98,000	122,400	195,500	175,400
Equity	549,000	847,000	865,800	704,400	690,700
Fixed income	515,000	378,000	319,000	261,800	216,900
Other investments	363,000	192,000	148,000	167,000	196,200
Investment results					
Total portfolio	0.3%	4.5%	7.5%	6.6%	17.2%
Benchmark Return	0.3%	5.8%	6.3%	4.7%	17.3%
Average return per year					
Last 5 years	7.2%	9.5%	11.2%	9.4%	9.8%
Last 10 years	8.9%	6.4%	6.5%	6.8%	8.5%
Investments for risk of the members (ASP and ARP)	58,900	51,500	41,800	34,900	16,900

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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. Mars Pension Fund is registered in the Trade Register of the Chamber of Commerce under number 41081174. The Articles of Association were last changed in July 2014.

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

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

2.2 Statutory objectives

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

Mars Pension Fund has updated the mission, vision and the strategy as part of the ABTN in 2017. In the next chapters, a summary of the mission, vision, strategy and of the risk attitude is included.

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

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

Vision
The characteristics of Mars Pension Fund will gradually change going forward due to the closed nature of the final pay plan and the increasing size of the ARP- and ASP-plan. This is where we see the Pension Fund position in 5 years from now:

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

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

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

Risk 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 of the Pension Fund as agreed with the stakeholders and is part of the ABTN and the AFA.

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

ABTN and AFA
The ABTN, one of the most important documents of MPF, provides insight into the operation of Mars Pension Fund and gives a description of the policies pursued by the Pension Fund. The ABTN was last modified on 21 December 2018 and applies from 31 December 2018.

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

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

2.3 Organization

2.3.1 Pension Board

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

As of 31 December 2018 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	Regional Activity Manager	2018	2022
Mrs. R. Steenbergen (1969)	Board member	Investment Control Manager EMEA	2016	2020
Mr. W. van Ettinger (1955)	Chairman of the Board	Retiree former Director T&B EMEA	1997	2022

After nomination by Employers and approval by DNB Mr. van Bree was appointed as Board member on behalf of Employers succeeding Mrs. de Mars.

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

After approval by DNB Mr. van Heesch was appointed as Pension Board member on behalf of Associates succeeding Mr. van Lith. Mr. van de Laar has retired as from July 1, 2018. After positive consultation with the active membership the Board decided that Mr. van de Laar can remain as Associate representative till the end of his term i.e. July 1, 2021. The Board intends to appoint an Aspirant member on behalf of the Associates during 2019.

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On behalf of the pension beneficiaries:

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

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

The Executive Board consists of:

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

2.3.3 Pension Office

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

The Pension Office consists of:

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

2.3.4 Accountability Council and Review Committee

Accountability Council (Verantwoordingsorgaan)
The Accountability Council's role is to critically review the Pension Board's range of policies. A separate section is included in the Annual Report that reflects the Accountability Council's findings.

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At the end of 2018 the Accountability Council consists of:

Name	Job title	Year of stepping down	On behalf of
Mr. I. Langer (1965)	Benefits Director S&F	2019	Employer
Mrs. J. Vermeulen (1973)	Pay and Benefits Mgr.	2021	Employees
Mr. A. Van Gestel (1961)	Retiree and Chairman of the AC	2020	Retirees

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, aspirant membership, etc.) for future succession. The Talent Pool development work resulted in a new member on behalf of the employees i.e. Mrs. Vermeulen who had been aspirant member before as a training position. She is also the Secretary of the AC.

Review Committee (Visitatiecommissie)
The Pension Board has decided to have a last review done by a Review Committee (Visitatiecommissie) in 2019 covering the year 2018. One member was changed. The Accountability Council was asked for advice on the selection of the new member. A separate section is included in the Annual report that reflects the Review Committee’s findings. The Review Committee focuses on adequate risk control, processes and reviews whether the interests of all stakeholders are taken into account in a balanced way.

At the end of 2018 the Supervisory Council consists of:

Name
Mr. B. Davis
Mr. F. Valkenburg
Mr. A. Slager

As from 2019 MPF have appointed a Supervisory Council (Raad van Toezicht), see paragraph 11.1 for further details. The composition of the Supervisory Council consists of the same members.

2.3.5 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). After analysis of several cases of disabled members, MPF started in 2016 a thorough review and recalculation of all disabled members that was finalized in 2018. This recalculation was not caused by TKP but had its roots before 2014.

2.3.6 Custody and Performance Measurement

The custodian for the Defined Benefits assets and the ARP Defined Contribution plan is Bank of New York Mellon (BNYM). BNYM is responsible for custody accounting for all segregated accounts of the Plan, as well as record keeping accounting of all assets held outside BNYM, 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 BNYM, called Global Risk Solutions, is appointed as Performance measurer.

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2.3.7 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.

At the end of 2018 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. W. Rigler	VP S&F Multi Sales	
Mr. F. Nieuwland	Chief Investment Officer	Chairman IC
Mr. H. Fleige	Financial Planning & Analysis Director, Global Petcare Finance Support	

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

On 31 December 2018 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

There are 2 vacancies for this Committee.

2.3.8 Investment Managers

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

2.3.9 External Advisors

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

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

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

3 FINANCIAL INFORMATION

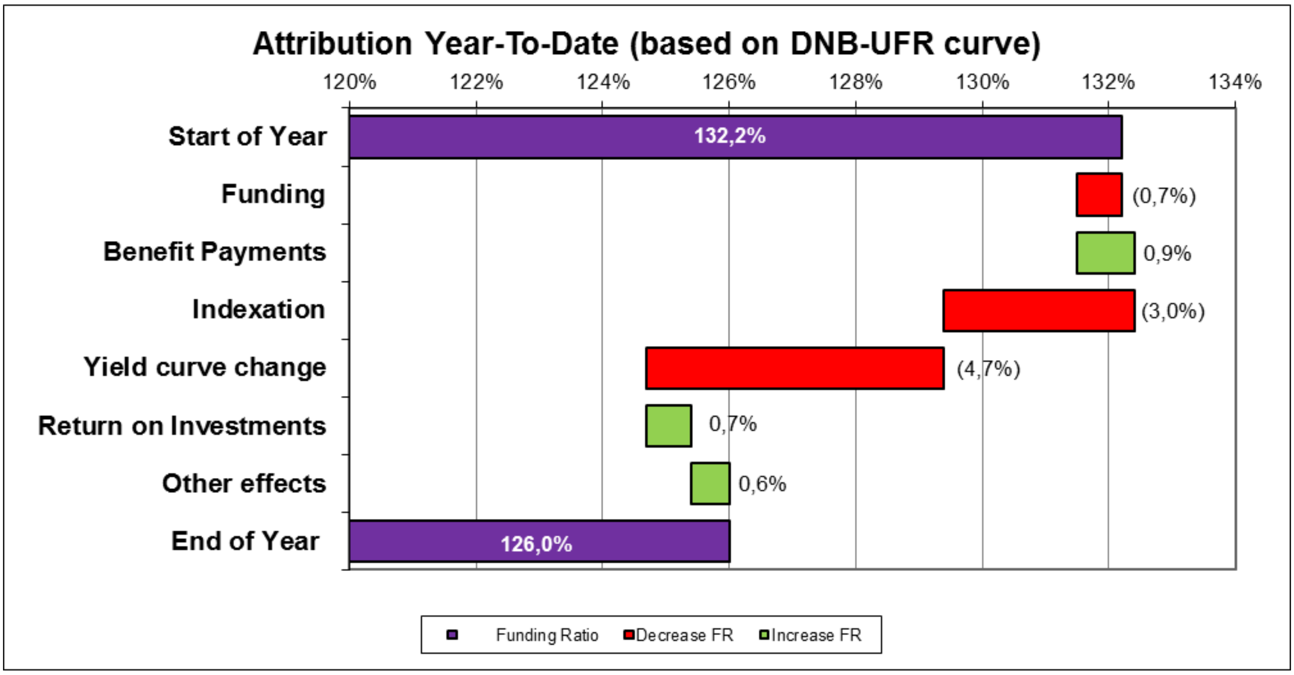
3.1 Funding Ratio

The most important indicator of the financial position is the Funding Ratio (FR). This is the ratio between the assets of the pension fund and the liabilities. The FR of MPF at year end 2018 is 126.0%.

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%

During 2018 the FR decreased considerably, mainly due to an increase in the AAL (because of a lower applied interest rate and the granted (catch-up) indexation per 1 January 2019) but also due to a decrease in assets (negative return). The impact of the developments in 2018 is shown in the next figure:



The Ongoing Solvency Margin Ratio (OSMR) is explained in chapter 3.3.

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 2018 the PFR increased from 132.3% to 133.3%.

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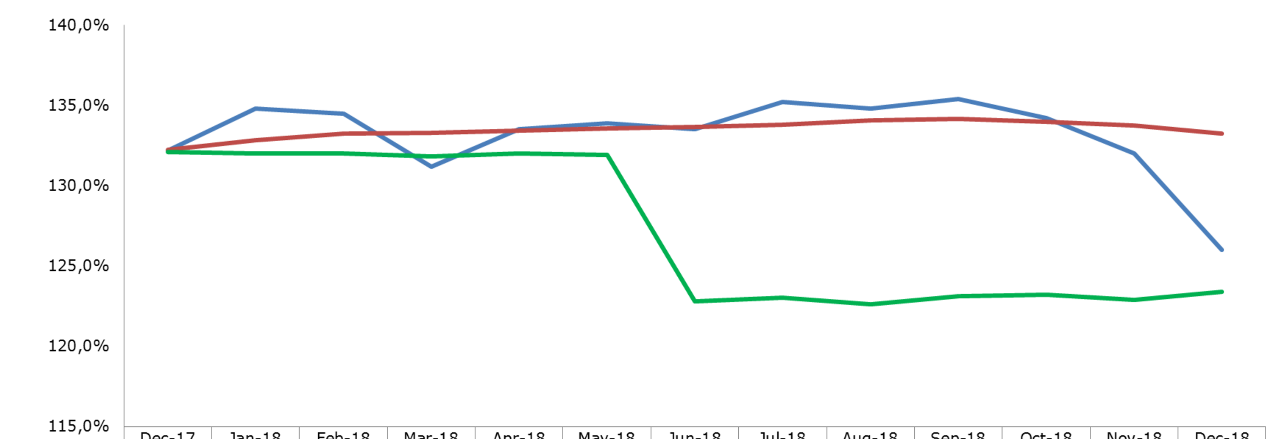
In the next figure the development of the ratios during 2018 are shown.



	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
FR	132,2%	134,8%	134,5%	131,2%	133,5%	133,9%	133,5%	135,2%	134,8%	135,4%	134,2%	132,0%	126,0%
PFR	132,3%	132,8%	133,2%	133,3%	133,4%	133,6%	133,6%	133,8%	134,1%	134,2%	134,0%	133,8%	133,3%
OSMR	132,1%	132,0%	132,0%	131,8%	132,0%	131,9%	122,8%	123,0%	122,6%	123,1%	123,2%	122,9%	123,4%

3.3 Other relevant ratios

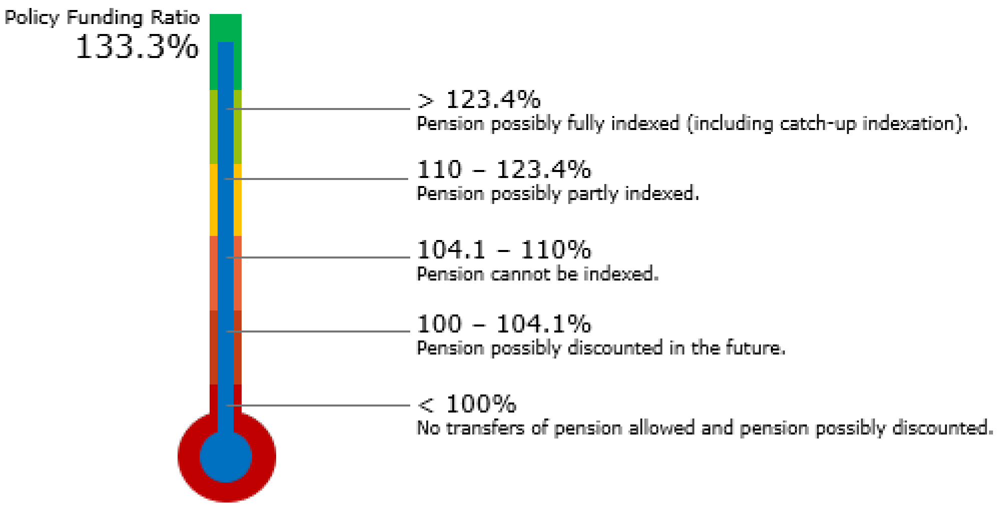
As part of the introduction of the Financial Framework (FTK) in 2015 MPF has introduced several indicators. In this section a brief overview of these indicators and their relevance is set out:

- The **funding ratio for future proof indexation** at 31 December 2018 is approximately 117.2%. 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 2018 is 123.4%. 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. In June 2018 MPF has adopted a de-risking policy. The de-risking policy consists of four de-risking steps in which the risk profile of the DB-section of MPF decreases step for step. Due to the first de-risking step taken in June 2018, the OSMR has decreased.
- The **Target Indexation Limit** (TIL) is the maximum of the funding ratio for future proof indexation and the OSMR and equals 123.4% at year-end 2018. 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 109.6% at the end of 2018.
- The **Minimum Technical Reserve** (MTR) is 104.1%. A reduction of pension rights is required if a pension fund has a Policy Funding Ratio that is for a consistent period of five years lower than the MTR.
- The **100%-border** is significant for transfers of pension rights. If the policy funding ratio is below this level, pension funds are not allowed to pay amounts to or receive amounts from other pension funds. Although the Policy Funding Ratio of MPF is beyond this level, other pension funds can be in a situation that transfer of rights cannot take place.
- The **Contribution Cut Limit** (CCL) is the maximum of the funding ratio for future proof indexation and the OSMR plus 5% and equals 128.4% at year-end 2018. 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 is the case at the end of 2018 and the contribution for 2019 was adjusted.

Unless clearly stated otherwise all amounts are in thousands of euros

- 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 2018):



3.4 Recovery Plan

As a consequence of the financial position at 31 December 2018 (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.

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 4.2). This risk attitude including the financial limits for the long term is developed by Mars Pension Fund together with the stakeholders.

Because of the de-risking policy on behalf of the pension board an initial feasibility test was performed in June 2018. 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. The initial feasibility test was performed by Willis Towers Watson. Due to the timing of the initial feasibility test no annual feasibility test was necessary in 2018.

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 104.1% (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. 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 (11.7 Notes to the statement of income and expenses – note 17).

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

	2018	2017	2016
Annual execution- and administration costs	2,357	2,407	1,947
Costs per member in euros: active members and retirees	885	910	744
Costs per member in euros: active members, retirees and inactive members	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 2018 include EUR 422 thousand on VAT. Compared to 2017 the total cost level decreased slightly due to lower actuarial costs.

Unless clearly stated otherwise all amounts are in thousands of euros

3.7.2 Investment costs

The table below shows the investment related costs incurred by the Pension Fund in 2018.

	Costs outside the funds (in bps)	Costs inside the funds (in bps)	Total costs (in bps)	2017
Management fees	0.14%	0.28%	0.42%	0.48%
Advisory fees	0.11%	0.00%	0.11%	0.11%
Other fees	0.06%	0.13%	0.19%	0.20%
Performance fees	0.00%	0.16%	0.16%	0.10%
Total 1st layer	**0.30%**	**0.57%**	**0.87%**	**0.88%**
2nd layer costs			0.55%	0.59%
Total 1st and 2nd layer	**0.30%**	**0.57%**	**1.42%**	**1.47%**
Transaction costs			0.16%	0.15%
Total Investment costs			**1.58%**	**1.62%**

The percentages in the table represent all investment-related costs (EUR 21.4 million) which include the costs for real estate management. The average amount of investments during 2018 amounts to EUR 1,503 million, which gives an investment cost ratio of 1.42%. The operational costs for the direct real estate portfolio (EUR 10.3 million) are not included in this table.

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

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 1.58%

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 2017 actual costs data.

The table below shows the investment related expenses per asset category

	Real Estate	Equity	Fixed Income	Hedge funds	Other	Total
Fees (EUR)	1,604	13,092	907	2,832	2,975	21,410
Fees (%)	0.11%	0.87%	0.06%	0.19%	0.20%	1.42%
Transaction costs (EUR)	0	791	550	0	1,030	2,371
Transaction costs (%)	-	0.05%	0.04%	-	0.07%	0.16%

MPF has a relatively high investment costs structure; however, one should always consider this together with the Risk profile, Investment strategy 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.

Unless clearly stated otherwise all amounts are in thousands of euros

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, ETBC and the Investment Committee.

3.8 Pension Plans

As of 1 January 2018 the standard pension age increased from age 67 to age 68. As a result Mars has introduced a new (adjusted) final pay pension plan (hereafter: Final Pay Pension Plan) and a new (adjusted) ARP/ASP pension plan, that were implemented by MPF as of 1 January 2018. The impact of the pension plan changes per 1 January 1, 2018 (retirement age 68 and new contribution table for ARP/ASP) were already included in the AAL at year-end 2017.

For those members who were already a member of the pension plan before 1 January 2004 the "Final Pay Pension Plan" applies. For those members who became a member on or after 1 January 2004, the defined contribution plan called "ARP/ASP pension Plan" applies.

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

	2018	2017
ARP/ASP Pension Plan	800	765
Final Pay Pension Plan	601	649
Total	**1,401**	**1,414**

Unless clearly stated otherwise all amounts are in thousands of euros

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 have 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 at least equal to the pension plan of BPF Sweets.
On 14 September 2017 BPF Sweets informed Mars Nederland BV about the changes in the pension plans of BPF Sweets as from 1 January 2018. BPF Sweets decided not to use their right to request a new equality proof but instead requested information of the plan changes of MPF and a confirmation that the new plans of Mars were still equal to the new plan of BPF. This letter with the confirmation of equality by WTW was sent to BPF on 27 November 2017. BPF Sweets confirmed the continuation of the dispensation.

3.8.1 Indexation

Below the indexation granted as per 1 January 2019 in the final pay pension plan and the interest addition in 2018 in the ARP pension plan are described. More information about the indexation policy itself can be found in chapter 6 (Pensions).

Note that the indexations per 1 January 2019 have already been included in the AAL year-end 2018.

Indexation of the accrued pensions of the members of the Final Pay Plan
The decision for the (catch-up) indexation per 1 January 2019 was made on 15 November 2018 based on the PFR at the end of September 2018 (134.2%). The (catch-up) indexation per 1 January 2019 is included in the AAL year-end 2018.

Indexation for retirees and deferred members in January 2019
The PFR at the end of September 2018 is above the OSMR (or TIL); therefore the full indexation of 1.41% is granted, which is in line with the indexation policy. This is based on the following: The CPI is 1.88%. The target indexation is 75% of this CPI: 1.41%. As the (corrected) Wage index (2.05%) 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 1.41%. Based on the PFR, the full target indexation of 1.41% can be granted per 1 January 2019.

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 1.96% on 1 January 2019, 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 2.05%.

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 2.05%. Based on the Policy Funding Ratio, the full indexation of 2.05% can be granted per 1 January 2019.

Catch-up indexation for retirees and deferred members in January 2019
The PFR at the end of September 2018 corrected for regular indexation and new mortality assumptions is equal to 133.9%. The cost of catch-up indexation (estimated at a maximum of 1.7% AAL) is lower than one-fifth of (PFR -/- OSMR) * AAL (1/5 * (133.9% -/- 123.1%) * AAL = 2.2% AAL). Therefore according to the indexation policy the full catch-up indexation for the backlog in indexation over the past ten years can be granted. The catch-up indexation amounts to a maximum of 2.9% and differs per member.

Interest ARP/ASP Pension Plan

For both the active and inactive members in the ARP/ASP Pension Plan, the (annualized) interest on the ARP Plan is conditional and depending on the means available. Means are the 'depot' and the realized investment return in the previous year. MPF strives for a yearly return accrual (interest) equal to CPI plus 3%. In the first half of 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 4.45% in the period 1 January 2018 until 30 June 2018. For the inactive members the interest given in the first half year of 2018 was 5.02% (target interest of 4.45% plus a retrospective correction). For the second half of 2018 the actual return on assets in combination with the means available was enough to give the active members the target interest of 4.02%. For the inactive members the interest given in the second half year of 2018 was equal to 3.63%.

For active members the total yearly interest is 4.23% for 2018. For the inactive members the total annual interest is 4.32% for 2018.

3.9 Actuarial

In this section we summarize the actuarial report.

	31 December 2018	31 December 2017
Market Value of Assets at risk of the pension fund	1,445,072	1,462,499
Market Value of Assets at risk of the members	58,886	51,485
Market Value of Assets Total	1,503,958	1,513,984
Actuarial Accrued Liabilities at the risk of the pension fund	1,134,286	1,093,985
Actuarial Accrued Liabilities at the risk of the members	58,886	51,485
Actuarial Accrued Liabilities Total	1,193,172	1,145,470
Actual Funding Ratio	126.0%	132.2%
Policy Funding Ratio	133.3%	132.3%
Ongoing Solvency Margin Ratio	123.4%	132.1%
Minimum Technical Reserve	104.1%	104.1%

During the financial year 2018 the Actuarial Accrued Liabilities at risk of the pension fund (AALPF) increased with 40,301. An important reason for this change is the yield curve change (increase in AALPF of 43,248) and the granted (catch-up) indexation per 1 January 2019 (increase in AALPF of 26,048 which is included in the AAL as of 30 November 2018). The Market Value of Assets at risk of the pension fund decreased by 17,427 during 2018.

The profit and loss account (P/L) shows a negative result of 57,728 leading to the general reserve decreasing from 368,514 to 310,786 at the end of 2018. The Funding Ratio decreased during 2018 from 132.2% to 126.0%. Because the Ongoing Solvency Margin Ratio (OSMR) is 123.4%, MPF is not in a situation of a reserve deficit per 31 December 2018.

The cost covering contribution at market value is determined at 26,508. The smoothed cost covering contribution equals 17,119. The actual contribution was 21,932. 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 2017 was below the Ongoing Solvency Margin Ratio, the actual contribution is increased to 23.1% of the pensionable salary sum (2017: 25%).

Unless clearly stated otherwise all amounts are in thousands of euros

In the meeting of 15 November 2018, the Pension Board decided about the 2019 indexation and the 2019 contribution. The Funding Ratio as per end September 2018 was above the Contribution Cut Limit (128.1%). Since the Pension Board decided to grant the full (catch-up) indexation as of 1 January 2019, the conditions in the contribution policy are met to grant a contribution reduction for 2019 (ex-ante). The Pension Board decided to lower the actual contribution for 2019 to the minimum level of the age-dependent contributions in the ARP/ASP Pension Plan. This results in an employer contribution of 7.2% of the total pensionable salary sum (for Final Pay and ARP/ASP).

3.10 Administrative and Financial Agreement

The Administrative and Financial Agreement (AFA) was updated at the end of 2018, but was delayed due to circumstances and signed in the first half of 2019.

As a consequence of the de-risking Policy the OSMR (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.
In 2016, a separate AFA with Wrigley Europe B.V. was signed. In 2018, Wrigley Europe B.V. had one associate.

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 Pension Plan and a DC pension plan with specific features (ARP/ASP Pension Plan).

4.1 Risk management framework

Following a PB workshop about risk management in the beginning of 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 among other). The project was divided in two phases. In the first phase the IRM framework was designed and documented in an IRM Policy document. In the second phase Risk Self Assessments will be performed for all identified risk areas and risk monitoring will be improved. The first phase took place during the second half of 2018 and was completed in January 2019. The second phase is taking place during 2019, and will be finished in 2020.

As part of the first phase of the IRM project, MPF has established an IRM document which 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, high level risk policy per category and periodic monitoring.

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.

One of the cornerstones for effective IRM is an adequate transparent governance structure with a clear allocation and appropriate segregation of responsibilities and accountabilities. Furthermore, effective Administrative Organization and Internal Control (AO/IC) is an essential requirement for effective IRM. In 2018 MPF has established an IRM document which describes the IRM governance structure, reporting lines, IRM process and a summary of risk policies for each identified risk category.

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 powers. 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):

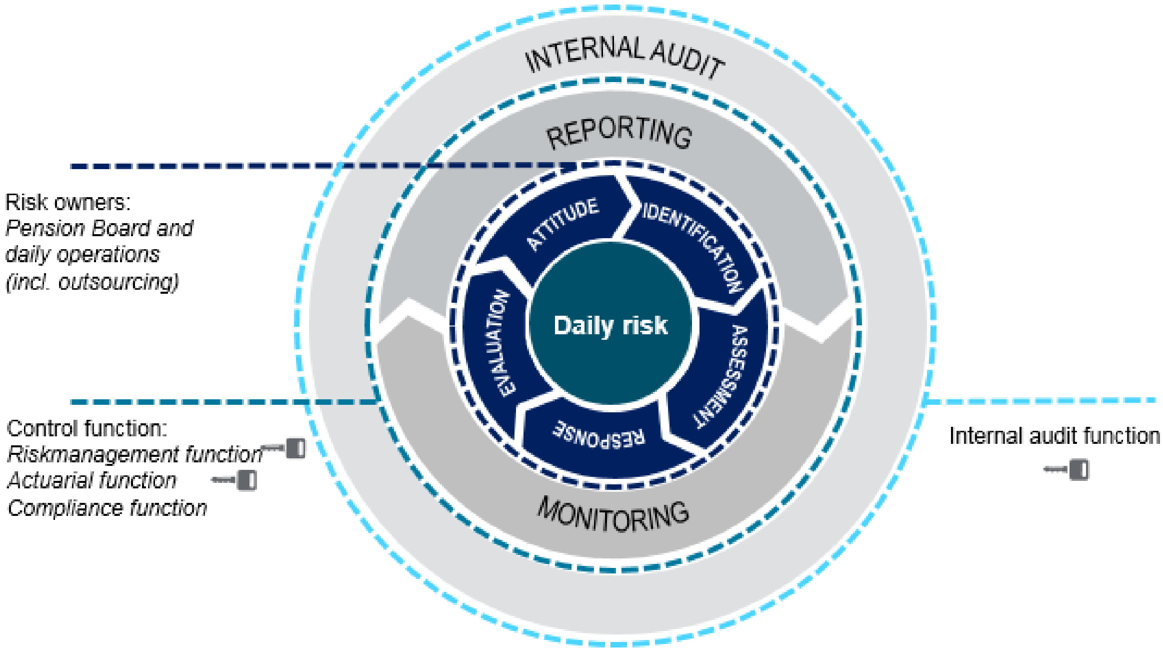
- A risk owner is a role or individual responsible for managing all aspects of a particular risk and the reporting on it. Risk owners are part of the Pension Board. This includes the outsourced administration and asset management, as well as the Pension Office, ETBC, the Daily Board, Competency Teams 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.

  The risk management function assesses, monitors and reports on the risk management system and also has an advisory and initiating role in relation to the risk management framework. Taking into account the size and organization of the fund, the Pension Board has chosen that the (interim) key function holder for risk management is assigned to a member of the Pension Board.

  The responsibility of the actuarial function is, among others, to oversee the calculation of technical provisions. The Pension Board has opted to assign the key holder of the actuarial function to the certifying actuary;
- The internal audit function can periodically evaluate the adequacy and effectiveness of the internal control system. This function is filled in by the key function internal audit and forms the third line. Taking into account the size and organization of the fund, the Pension Board has chosen that the (interim) key function holder is assigned to a member of the Pension Board.

In the IRM document MPF has described the governance structure for different risk areas, the names of the key function holders and persons involved in the execution of the key functions, a detailed description of tasks and responsibilities of the key functions and a descriptions of aspects such as independence, fit and proper requirements and reporting and notification obligations regarding the key functions.

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



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. **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.

The risk response, which is based on the risk assessment versus the risk attitude, determines the necessary level of control measures. The implementation of the control measures is the responsibility of the first line of defense (relevant risk owners). With respect to the various risks, MPF has several risk policies and procedures in place. The formal policies are laid down in the policy documents of Mars Pension Fund such as the ABTN, AFA, the Outsourcing Plan, the Integrity Plan and the Risk Policy statement. The overall risk management policy regarding the financial risks of the Pension Fund is documented in a so called Risk Policy Statement that identifies the key financial risks of the Pension Fund and how those risks are managed.

Whereas the risk management itself takes place within the first line of defense, the oversight over the risk management takes place within the second line of defense (control function). The monitoring of the risks and the effectiveness of the control measures is one of the activities of the control function. The activities involved with the control function are covered by several components of internal governance. The risk management function is responsible for the 'overall picture' of the risks MPF is exposed to and must ensure that the Pension Board is provided with timely, up-to-date, accurate, accessible and suitable risk management information.

Next steps with regard to IRM framework (second phase)

In 2019 - as part of the second phase of the IRM project - the IRM policy will be reassessed, monitoring reports will be designed/improved and the audit function will be further developed. As part of the reassessment of the IRM policy all non-financial risk categories and documentation of this will be reassessed in cooperation with the competency teams of MPF.

4.2 Main risk categories and control measures

The Pension Board has identified several risks and related control measures. The 4 main net non-financial risk categories and the 2 main financial risks are presented below.

4.2.1 Main non-financial risk categories

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

Risk appetite
Risk is acceptable with some control measures.

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

Developments in 2018
In line with the MPF compliance charter the Board has engaged an outside counsel (NautaDutilh) in order to verify whether MPF complies with the applicable laws and regulations. NautaDutilh is currently completing their review, but their preliminary conclusion is that there are no indications of any compliance related incidents at MPF in 2018. The two most important changes in law and regulations, General Data Protection Regulation (GDPR) and Premium Schemes Improvements Act ('*Wet verbeterde premieregeling*'), were incorporated in policies, documentation and processes in a timely manner.

2. Involvement commercial with contracts
Risk description
Mars commercial is not or too late involved, resulting in a contract not supported by Commercial. And no support sponsor.

Risk appetite
Risk must be under control.

Control measures
Mars Commercial supports MPF by checking the draft agreements with suppliers and Commercial is involved in negotiations.

Developments in 2018
Over the course of 2018, no new key outsourcing parties where hired that required Mars commercial involvement.

3. Member administration not correct
Risk description
The member- or financial administration is incomplete or incorrect, resulting in incorrect pension (payments).

Risk appetite
Risk can be taken with some control measures.

Control measures
MPF has outsourced its member administration. The Pension Board remains responsible for outsourced processes and the risks associated with that. For this purpose an outsourcing plan has been established, which describes the outsourcing process and procedures. This includes procedures before processes are outsourced (selection criteria, risk analyzes, agreements, etc.) and procedures after processes are outsourced (monitoring, evaluation, etc.). The outsourcing agreement and service level agreement describe specific requirements that must guarantee the quality.
The risk can be prevented by a good administrative organization with adequate segregation of duties and adequate controls (including 4 eyes principle). The ISAE 3402 statement indicates that the pension administrator of MPF is "in control" of their processes. Furthermore, four eyes principle and cross checks are performed by the actuary and by the pension office.

Developments in 2018
There have been no incidents of privacy-related nature that had to be reported to the Dutch data protection authority.

4. Data privacy
Risk description
The risk that MPF is impacted by the violation of the privacy of personal data.

Risk appetite
Risk can be taken with some control measures.

Control measures
The main control measures in place are: contracts with the pension administrator and other third parties, SLA, ISAE, ICT policy. Employees of both MPF and TKP work according to agreed procedures and processes. The IT systems only allow working with data from the network. USB sticks may not be used to store any personal data or confidential documents. The access to systems in use by PO and PB is strictly controlled. Mars IT Services maintains a severe control over this. The Pension Board has adopted in 2018 a privacy policy in line with the GDPR legislation.

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 2018
In June 2018 the Board adopted a de-risking policy with asset allocation and interest rate hedging levels defined by de-risking step. At the beginning of July the Plan reached its first de-risking step and the interest rate hedging target increased to 29% of the economic liability. Over the course of 2018, long end rates decreased leading to a decrease in funding ratio of 4.7%. At the end of 2018 an interest rate shock of -1% will result in a decrease of the funding ration to 115.5%.

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 2018
Over 2018 there have been no breaches to the investment guidelines and limits.
In particular global equity markets were volatile in 2018 and experienced the largest quarterly decline in seven years. The UK Direct Real Estate portfolio suffered from the decline in value across the overall UK retail market, started since the Brexit voting and continuing in 2018.
Overall the portfolio provided almost a flat return as investments in Fixed Income, Private Equity, Private Credit and Hedge Funds provided appropriate diversification to declines in the two mentioned asset classes.

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

		Shock interest rates				
		-1.0%	**-0.5%**	**0.0%**	**0.5%**	**1.0%**
Shock Equites and Real Estate	**-25%**	103.1%	107.1%	111.4%	115.9%	120.9%
	-20%	105.6%	109.7%	114.3%	119.1%	124.4%
	-15%	108.1%	112.4%	117.2%	122.3%	127.7%
	-10%	110.6%	115.1%	120.2%	125.5%	131.2%
	-5%	113.1%	117.9%	123.1%	128.7%	134.6%
	0%	115.5%	120.6%	126.0%	131.8%	138.1%
	5%	118.0%	123.3%	128.9%	135.0%	141.5%
	10%	120.5%	126.0%	131.9%	138.2%	145.0%
	15%	123.0%	128.7%	134.8%	141.4%	148.4%
	20%	125.5%	131.4%	137.7%	144.6%	151.9%
	25%	127.9%	134.1%	140.7%	147.7%	155.3%

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 paragraph 2.2).

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

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

Unless clearly stated otherwise all amounts are in thousands of euros

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 paragraph 3.4) 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 tests in 2015, 2016, 2017 and 2018 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 paragraph 6.3), The ASP part is invested using a lifecycle (or a selection of the offered investment funds) and does not have any guarantees regarding the investment return.

Members in the ARP/ASP plan have relatively high incomes. The pension contributions are sufficient for an adequate pension result, taking current market conditions into account. Members are roughly equally invested in the ARP part and ASP part. This resulted in 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. The difference is calculated as the difference between the pension outcomes in the expected scenario (50th percentile) and the pessimistic scenario (5th percentile). Members who intend to choose a variable annuity (and are therefore assigned the lifecycle for the variable annuity) have a higher risk tolerance.

The Pension Fund will test the investment policy and the lifecycles, periodically (at least every three years) or when the Pension Fund board has established there has been a significant change (for example with regard to plan contributions or 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.

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 paragraph 7.2).

5 INVESTMENT SECTION

5.1 Investment Policy and Strategy

The long-term investment policy for the Pension Fund was updated during the year following the de-risking which occurred as the Plan reached the first de-risking trigger at the end of June. The table below also shows the interim policy allocation (which takes into account that alternatives may deviate from their policy allocations) and the actual asset allocation at the end of 2018(1).

	Long Term Investment Policy	31-12-2018 interim policy	End 2018 Asset Allocation	Minimum	Maximum
Equities	**20.0%**	**24.9%**	**23.9%**	**10.0%**	**30.0%**
Developed Equities	16.0%	19.9%	19.1%		
Emerging Market Eq.	4.0%	5.0%	4.8%		
Fixed Income	**45.0%**	**44.5%**	**44.9%**	**25.0%**	**65.0%**
Bonds	35.0%	34.5%	35.4%	25.0%	45.0%
Diversified HY Bonds	10.0%	10.0%	9.5%	0.0%	20.0%
Alternatives	**30.0%**	**24.4%**	**24.4%**	**0.0%**	**55.0%**
Property	10.0%	5.7%	5.7%	0.0%	20.0%
Private Equity	10.0%	8.9%	8.9%	0.0%	15.0%
Hedge Funds	5.0%	5.5%	5.5%	0.0%	10.0%
Private Credit	5.0%	4.2%	4.2%	0.0%	10.0%
Global Real Return	**5.0%**	**5.0%**	**4.7%**	**0.0%**	**10.0%**
Cash	**0.0%**	**1.3%**	**2.0%**	**0.0%**	**5.0%**
Hedges					
Currency	58.5%	65.6%	65.6%	54.0%	91.2%
Interest Rate	71.0%	29.0%	28.9%	24.0%	76.0%
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.

The size of the Liability Driven Investing (LDI)-program is dependent on the de-risking stage of the Plan and the prevailing level of real interest rates. As of 31 December 2018, 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 stage is 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 2018 interest rate figures are at the minimum, as defined by the trigger table given the current level of real interest rates. The primary goal of the LDI strategy is to reduce the Plan's funded status volatility. Collateral required for the LDI strategy is reflected in the actual year end asset allocation of bonds.

Unless clearly stated otherwise all amounts are in thousands of euros

5.2 General Financial Market Developments 2018 and Outlook 2019

2018 was a challenging year for equities, with negative returns across all major markets. Losses were concentrated in the fourth quarter, as global equity markets experienced the largest quarterly decline in seven years, reflecting investors' concerns around the late stage in the cycle and slowing global and corporate earnings growth.

Returns across fixed income markets were more mixed. High yield debt underperformed, reflecting a rise in risk aversion against a backdrop of equity market volatility and macroeconomic uncertainty. Emerging market debt also suffered in 2018, particularly in the second quarter when USD strength and rising US rates drove significant losses. Government bond performance was mixed: German bond yields declined against a backdrop of decelerating European growth and risk aversion around political concerns in Italy; Gilt yields were balanced between the upward pressure of above target inflation and downward pressure from safe haven demand in light of Brexit uncertainty; and US yields rose earlier in the year against a strong growth backdrop but reversed somewhat in the fourth quarter. The substantial negative returns experienced in the UK retail market (in particular in secondary retail), since the Brexit voting in June '16 continued and accelerated in 2018. Valuations were severely impacted, driven by both Net Operating Income deterioration and yield increases.

The global economy is seemingly transitioning from above-trend growth in 2017 and much of 2018 to trend-like or perhaps slightly below-trend growth in 2019. While continuing forward momentum is expected to be supplied by stimulative monetary and fiscal policies, strong employment growth and contained inflation, there are a number of political concerns which could impact markets in 2019, including: US-China trade tensions, Fed policy normalisation, ongoing Brexit uncertainties, and Italy's fragile budget accord.

5.3 Return on investments

The investment portfolio of the Pension Fund achieved a net performance of 0.3% versus a net benchmark return of 0.3%, performing in-line with 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[4]:

	Portfolio	PIA Benchmark	Relative Performance
Public Equities	-5.4%	-5.9%	0.5%
Fixed Income	2.1%	-1.0%	3.1%
Global Real Return	-8.3%	4.6%	-12.9%
Property	-20.5%	4.7%	-25.2%
Private Equities	23.8%	14.8%	9.0%
Private Credit	4.3%	-1.0%	5.3%
Hedge Funds	0.4%	-8.5%	8.9%
Total return mandate investments	**-0.3%**	**0.0%**	**-0.3%**
Plan Level Currency Hedge	-0.2%	-0.2%	0.0%
Plan Level LDI	0.6%	0.5%	0.1%
Plan Level TRH	0.2%	-	0.2%
Total return (including overlays)	**0.3%**	**0.3%**	**0.0%**

[4] Source: Mellon Performance Report Mars Pension Fund December 2018

Unless clearly stated otherwise all amounts are in thousands of euros

The past year was a difficult period for the Plan. Even though global economic growth was in-line with expectations, all public return-seeking assets had a negative year in absolute terms. Rising volatility, changing trends and an evolving set of global risks also made it difficult for active managers to deliver outperformance. However, the risk-off environment led to a flight to quality which resulted in lower yields and a positive contribution to return from the Plan's LDI overlay. The Tail-Risk Hedging (TRH) program performed well over the year, as expected when there is a large drop in equity markets.

Falling bund yields led to Fixed Income contributing positively to Plan excess performance relative to the PIA benchmark, though Global Real Return also detracted from Plan returns due to its allocation to emerging market equities, which performed poorly over the past year. Within alternatives, the Property asset class experienced the largest underperformance as the portfolio had a significant downward revision to its valuation at the end of the year. Strong outperformance from Private Equity, Private Credit, and Hedge Funds offset most of the negative impact from Property.

The average portfolio weight compared to the average PIA benchmark weights have been as follows[5]:

Asset Category	Benchmark	Average Portfolio weight	Average Policy Weight
US Equity	MSCI US Net Div (unhedged)	5.6%	6.8%
Emerging Markets	MSCI Emerging Mrkt Net Div index (unhedged)	5.7%	5.4%
EAFE Equities	MSCI EAFE Net Div Index (unhedged)	12.3%	9.8%
Global Equity	Total Equity Benchmark	12.8%	12.8%
Global Bond	Barclays Global Aggregate index (EUR Hedged)	23.2%	25.2%
Diversified Credit (High Yield / EMD)	75% Barclays Global Aggregate index (EUR Hedged) 25% Barclays Global Aggregate index (USD Hedged)	9.6%	10.0%
Global Real Return	HICP + 3%	5.0%	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)	7.1%	7.1%
Private Equity	Cambridge FoF Vintage Year Weighted	7.7%	7.7%
Private Credit	Barclays Global Aggregate Index (EUR Hedged)	4.1%	4.1%
Hedge Funds	HFRX Equal Weighted Index (EUR Hedged)	5.2%	5.2%
Cash / Plan Level Overlays	LIBID 1 Week Bid Index (EUR)	1.7%	0.9%
Total	**Total Plan Benchmark**	**100.0%**	**100.0%**

[5]Source: BNY-Mellon Performance Report Stichting Mars Pensioenfonds December 2018, SECOR Analytics

Unless clearly stated otherwise all amounts are in thousands of euros

Longer term, the Pension Fund outperformed relative to the PIA and Market benchmarks, please see the table below[6]:

Year	Portfolio (Net)	PIA Benchmark (Net)	Market Benchmark (Net)
2018	0.3%	0.3%	0.4%
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%	17.3%
2013	11.6%	8.3%	8.0%
2012	12.9%	9.7%	11.2%
2011	-0.4%	-0.3%	0.2%
2010	8.5%	8.4%	8.4%
2009	21.9%	20.4%	20.4%
Average last 5 years	7.2%	6.5%	7.5%
Average last 10 years	8.9%	7.8%	8.5%

Measured over a longer period of ten years, the average return for the Pension Fund was 8.9%, 1.1% ahead of the PIA benchmark and 0.4% 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 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 will focus on gathering ESG information and interpretations; as all our investment are managed externally, this information gathering will be done on the basis of questionnaires with all managers, and follow up interviews with selected managers.

This approach has resulted in an articulated Policy document, approved by the Pension Board in December 2018. It states the current ESG beliefs and guidelines, the instructions to the managers, the annual monitoring plan to track progress made by the managers, as well as the integration of ESG factors in the manager selection and oversight process.
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.

For 2019 the Pension Board is progressing on its efforts to collect research findings about the investment efficiency of integrating ESG into the investment process, through industry and capital market research as well as interaction with the managers, with the objective to find opportunities to leverage from this in the portfolio. The strategic investment advisor will support the Board in this development.

As with any substantive new development, the Pension Board believes 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 has planned to review the ESG policy on an annual basis to integrate any new findings.

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

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6 PENSIONS

There have been important developments in 2018 in the area of pensions. Below we describe the legal developments that have had consequences for the Pension Fund in 2018 and /or will have consequences for the Pension Fund from 2018 (section 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 section 6.2 and 6.3.

6.1 Developments in Legislation and Regulations

The retirement age for state pension (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. A consequence is that the AOW age will be 67 years and three months in 2022. From 2023 the AOW age will be linked to life expectancy.

On the basis of new figures from Statistics Netherlands (CBS) about life expectancy the state pension age for 2023 and 2024 remain 67 years and 3 months. Life expectancy has risen less rapidly than in previous years.

The retirement age for pension accrual in the second pillar has been increased to 68 years as of January 1, 2018. The increase in retirement age for pension accrual in the second pillar implies also that fiscal maximum accrual has been adapted in order to accommodate a higher retirement age. As such, fiscal maximum DC ladders are lowered as of January 1, 2018. The fiscal maximum accrual percentages in DB plans remained equal but are aimed at a higher retirement age. With effect from 1 March 2018, the right of objection with regard to the adjustment to the fiscal retirement age has expired.

The Pension Fund together with the company has decided to change the retirement age to 68 in both the Final Pay Pension Plan and the ARP/ASP Pension Plan. Accrued pension entitlements of active, disabled, and deferred members in the Final Pay Pension Plan are converted[7] from retirement age 67 to retirement age 68 per January 1, 2018. As part of the conversion, waiver of premiums for current disabled members will be extended by one year until retirement age 68. Accrued capital in the ARP/ASP pension plan is not affected by the conversion. The future accrual rate for old-age pension in the Final Pay Pension plan is maintained at 1.657%, but the future accrual is aimed at retirement age 68 instead of 67. Furthermore as of 1 January 2018 the top-up limit ("excedentgrens") of EUR 57,500 in the Final Pay Pension Plan will yearly increase with the same amount as the offset for contributions (level top-up limit 2018: € 57,795). This last change was not caused by legislative changes, but for the reason of simplification of the pension plan.

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

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

GDPR

The processing of personal data was until 25 May 2018 governed by the provisions of the Personal Data Protection Act ("**DPA**": *Wet bescherming persoonsgegevens*). The DPA implements EU Data Protection Directive 95/46/EC. From 25 May 2018 onwards, this directive and the DPA was replaced by the General Data Protection Regulation (EU) 2016/679 (the "**GDPR**") and the Dutch GDPR Implementation Act (*Uitvoeringswet Algemene verordening gegevensbescherming*).
MPF started in 2017 with a project to meet the requirements of this legislation in time. MPF drafted 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 and MPF appointed a Privacy Counsel.

Premium Schemes Improvements Act ('*Wet verbeterde premieregeling*')

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

Mars Pension Fund does not offer variable annuities at retirement itself for the ARP pension plan, but allows members to purchase this product at retirement with external insurers. Mars Pension Fund brought the ARP/ASP pension plan in line with the Act as of January 1, 2018. They investigated during 2017 the risk-attitude of the ARP/ASP members and developed two life cycles for ASP consistent with the risk-attitude: one for members who choose a fixed annuity (the default lifecycle) and one for members who choose a variable annuity.

Automatic transfer payment of small pensions Act ('*Wet waardeoverdracht klein pensioen*')

As from January 1, 2019, most of the articles of the Transfer payment of Small Pension Act come into effect.

It will then be possible to buy off small pensions at the entrance of the retirement pension or at termination of participation and the pension provider has attempted at least five times after the end of the participation to transfer the pension entitlements or (after 1 January 2019), and at least five years have elapsed. Further a right for pension providers exits to automatically transfer a small pension of a deferred member to a new pension provider.

Very small pensions (payment < €2 a year) will expire. The date to buy off very small pensions that were accrued in 2017 and 2018 is extended to July 1st, 2019

A pension fund cannot refuse receiving small pensions from other pension funds (*acceptatieplicht*). Transfer value of small pensions is calculated on the basis of the standard rate.

MPF will as from January 1, 2019 transfer small pension entitlements after the end of participation to the new pension provider. MPF does not have any pension entitlements which are less than 2 euros per year.

IORP II

The European IORP II Directive was implemented in Dutch legislation on 13 January 2019. Under IORP II pension funds must introduce three ‘key functions’ in relation to risk management, internal audit and actuarial. Furthermore, ESG considerations must be included in risk management and an own-risk assessment must be performed at least once every three years. New and stricter rules for cross-border collective value transfers were introduced. IORP II also prescribes certain information that must be provided to each scheme member.

As of 1 January 2019 MPF has introduced an Integral Risk Management framework that is based on the "Three Lines of Defense" model including the three key function holders as defined in IORPII. The certifying actuary acts as a key function holder of the actuarial function. Taking into account the size and organization of the Pension Fund, the Pension Board has chosen that the role of the key function holder for risk management and de key function holder for the internal audit is assigned to members of the Pension Board.

The Pension Fund is developing a view on how ESG can be incorporated in Investment Strategy. The investment manager of the Pension Fund integrates appropriate levels of ESG considerations into the manager selection and investments oversight process. Research and further development of the approach with regard to ESG will be featured by an annual review cycle with the managers.

The communication advisor and administrator will include the information provisions in the Uniform Pension Overview (UPO).

6.2 Final Pay Plan

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

Old age pension	1.657% of pensionable salary including the average shift percentage minus offset
Partner's pension	70% of accrued old age pension, in case of death it is assumed that the membership would have continued
Orphan's pension	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 2018: EUR 20,595.12 As from 1 January 2019: EUR 20.982,68
Top-up limit (excedentgrens)	As from 1 January 2018: EUR 57,794.71 As from 1 January 2019: EUR 58.182,27
Employee contribution	0%
Normal retirement age	As from 1 January 2018: 68 As from 1 January 2019: 68
Flexible options	Early or postponed retirement, purchase of temporary retirement pension, exchanging partner's benefit for additional old age pension or vice versa

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

6.3 ARP/ASP Pension Plan

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

A) Associate Retirement Plan (ARP) (*Medewerker Uittredings Plan MUP*)

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B) Associate Selection Plan (ASP) (*Medewerker Selectie Plan MSP*)

Members of the ARP/ASP Pension Plan are those employees registered by the Company and who entered the Company's service after 31 December 2003, and who are exempted from mandatory 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 2018: As from 1 January 2019:	 EUR 14,117.00 EUR 14.382,65	 EUR 14,117.00 EUR 14.382,65
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 20,595.12for 2018) for each year of membership that has been achieved until 1 January 2015 plus 1.16% of the pensionable earnings (excluding offset of EUR 20,595.12 for 2018) 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 Pension Plan:
The Pension Fund aims for annual adjustment of the pension benefits for deferred members and retirees under the final pay pension scheme. Every year the Pension Board decides the extent to which benefits will be adjusted.

The annual adjustment/indexation ambition is determined as:

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

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

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.

Unless clearly stated otherwise all amounts are in thousands of euros

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

As of January 1, 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 schemes.

6.5 Reinsurance

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

7 GOVERNANCE AND COMPLIANCE

The Pension Board had 4 physical and formal Pension Board meetings in 2018, and 2 Day Away sessions. 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 2018 there were 6 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 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 2018 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 appointed to areas of expertise defined by DNB. These Competency Teams are the `'first contact'' Pension Board members for these areas. They have developed thorough knowledge of their area, and also manage the area in more detail and advise other Pension Board members on their topics. The roles and responsibilities of the Competency Teams are as follows at the end of 2018:

Topic	Scope	Pension Board Members
Legal, Actuarial and Governance (LAG)	Pension Law Governance Actuarial Accrued Liability Contribution ALM / CA Governance	Mr. W. van Ettinger Mr. H. Faassen Mr. P. van Bree
Investments	Strategic Assets Allocation	Mr. W. van Ettinger Mr. H van Heesch (aspirant member/learning) Mr. P van Bree (aspirant member/learning)
Administration, IT and Outsourcing (AITO)	Member administration Financial administration Pensioners payroll IT Data protection Outsourcing	Mr. W. van de Laar Mrs. R. Steenbergen

Communication	Pension Communication	Mr. W. van de Laar Mr. H. Faassen

In 2017 the pension Board decided to add a new element to the competency team that is now called AITO (Admin, IT and Outsourcing). This team will be involved in the GDPR (AVG) requirements and IT matters such as the Cloud.

Succession members Pension Board and Accountability Council
The sustainability of Mars Pension Fund going forward is a topic the Pension Board will continue to review. One of the main challenges Mars Pension Fund faces is to find adequate, available and motivated (future) members for the Pension Board, Accountability Council, Advisory Committee ASP and Investment Committee. That's why the Pension Board set up a Pension Talent Pool that has been rather successful; 2 aspirant Pension Board member that developed into full Board Members i.e. approved by DNB, 1 Accountability Council member, 1 aspirant AC member that developed into full AC member, and IC-ASP members were identified. In 2018 two aspirant Pension Board member, being Mr. P. van Bree and Mr. H. van Heesch have been appointed as Pension Board member on behalf of the employers and members respectively. Mrs. J. Vermeulen was appointed as Accountability Council member. At the moment we are identifying succession options for Mr. W van de Laar as member representative as his term ends in 2020.

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

- Election regulations
- General Pension Board profile
- Capability Plan
- Charter IC
- Instruction IC-ASP
- Pension Board Competency Teams Term of Reference
- Non-financial risk plan

Internal Supervision
In expectation of a the legislative requirement a from 1 Jan, 2019 to have a Supervisory Council as internal supervision (intern toezicht) instead of a Review committee (Visitatiecommissie) for pension funds with assets above 1 billion, MPF Regulations for the Supervisory Council, that will be agreed with them early 2019. The internal supervision over the year 2018 is performed by a Review Committee.

7.2 Duty of Care (Zorgplicht) ARP/ASP Plan

Members of the ARP/ASP Pension Plan have the possibility to opt-out from the Life Cycle Mix and choose their own investment mix. Opting out is only possible after completing 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 current website www.marspensioen.nl supports the members in their choice and keeps a record of member's risk profiles. At the end of 2018 1-2% of the members had chosen for opting out. In 2015, the Pension Board has investigated whether the current questionnaire and risk profiles meet the requirements of the Duty of Care legislation. Although MPF meets the key elements of the Duty of Care legislation, we have reviewed in 2017 what improvements can be made to include the act on variable annuities. As a result the Investment Guide has been updated, and as of the 1 January 2018 the choice for a fixed or variable lifecycle was implemented in the Investment Guide for members of 55 years or older.

Unless clearly stated otherwise all amounts are in thousands of euros

7.3 Communication

Communication plans
End of 2018 both the communication action plan 2019 and the communication strategy plan 2019-2021 have been approved by the Pension Board.
A new three year strategy plan has been written based on input received in a brainstorm session with the Pension and Communication Commission.

UPO (Uniform Pension Statements)
In 2018 all UPO's have been sent before the deadline. The UPO's 2017 for retired members have been sent in the first quarter of 2018. Also the UPO's 2017 for disabled members and members with demotion have been sent in the first quarter of 2018. The future UPO's will be prepared to comply with the new IORP II requirements.

1-measurement in September
This research was a follow-up to the research carried out in the spring of 2015. Both measurements have been conducted among both active members and beneficiaries. The main goal of the survey was to find out how active members and beneficiaries perceive the way the pension fund communicates and informs. Overall the scores were very positive. The results of this new measurement formed the basis for the communication strategy for the next three years.

AVG/GDPR
The AVG (Algemene verordering gegevensbescherming in Dutch or GDPR, General Data Protection Regulation in English) is effective since May 25, 2018. Several changes have been made in communication means. Mars Pension fund is compliant with the AVG/GDPR regulations.

7.4 Legal

<u>Legal advisor MPF</u>
The Pension Board performed a market review for a legal advisor of MPF in 2016, resulting in the formal appointment of NautaDutilh as the new legal advisor in the PB meeting of 16 March 2017. Part of the services performed by NautaDutilh is the legal support during the PB meetings. The legal advisor of MPF was present during all MPF meetings in 2018.

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

- Both plans: standard retirement age from age 67 to age 68;
- Final pay plan: conversion of accrued rights to age 68, resulting in extra old age pension, that will be conditionally indexed;
- Final pay plan: yearly indexation of franchise and EUR. 57.500 cap;
- ARP/ASP plan: introduction of a variable life cycle;
- ARP/ASP plan: introduction of a cost contribution table, resulting in a higher contribution table;
- ARP/ASP plan: adding 4 investment fund choices.

The pension plan rules were adjusted to these changes 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*').

<u>GDPR</u>
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 a 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.

<u>ABTN</u>
The ABTN was updated and approved in the Pension Board meeting in December 2018.
Amendments that were made include:
- Replace Review Committee by Supervisory Council;
- IRM and (interim) key function holders;
- New mortality assumptions;
- New risk attitude Final Pay (short term) and new initial feasibility test;
- De-risking policy;
- Annual testing of cost price contribution table ARP/ASP.

7.5 Supervisory Authorities

There were no penalties from DNB received during 2018 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.

In 2017 there was a meeting with DNB to discuss the current structure of our ARP and Final Pay plan in one pension fund. This was followed by a call in December 2017. In this meeting we provided the background and history of the current set-up and the plans of the company to fundamentally review and revise these schemes. In that meeting we were also informed by DNB that they had some comments about the way we determined the Risk Attitude as to the ARP/ASP plan. In the beginning of 2018 DNB confirmed that we did not have to do another Risk Attitude determination, but that they expect that with the Risk Attitude that we need to do as part of the redesign implementation, we take account of their comments.

In 2018 AFM requested information regarding the "Wet verbeterde premieregeling" (DC law). The Pension Fund also received a letter from AFM about the "Profielwijzer". AFM confirmed that they were content with the reply of the Pension Fund and had no further questions. AFM did mention that they might have more questions about this in the future.

In the beginning of 2019 DNB have informed us that they are planning a Periodic Review in spring.

7.6 Pension Funds Code 2018

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

In some situations the principles are not (yet) completely met. In 2018, these principles are:

Principle number	Subject	Explanation why the principle is not completely met
57	At least once every four years, the board of trustees will assess the performance of the auditor and actuary. The board will discuss the outcome of these assessments with the auditor or actuary. The board will also inform the internal supervisors and the VO or BO of the outcome of these assessments.	The performance of the actuary and the auditor is assessed annually. The Accountability Council(*Verantwoordingsorgaan*) and in future the Supervisory Councel [Raad van Toezicht] are informed via the minutes of the Pension Board about the outcome of the assessments.
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 PB 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.

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 the stakeholders. 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 in future 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.

Unless clearly stated otherwise all amounts are in thousands of euros

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.
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 letter 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 PB regularly evaluates the performance of the PB 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. The results of the self-assessment will be reported in de annual report of 2019.
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.

7.7 Compliance Function

In June 2017 the PB decided on a strengthened Compliance Function. Part of the Compliance Function is the Compliance Officer and the external legal 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 PB in case of reports of potential conflicts of interest, gifts, conflicting functions, etc. The external counsel will be responsible for the annual reviews of MPF's compliance with local law and regulations the internal regulations, the assessment of the Ways of Working (WoW), etc. as described in the Compliance charter and the WoW of the Compliance Function. The Compliance Officer and the external counsel will be responsible for the annual review, which will be reported to the PB.

In the June 2017 meeting the PB appointed Mr. J. van Lith as Compliance Officer and NautaDutilh as external legal counsel. Mr. J. van Lith's term ended at the end of 2018. The Director acts as an interim Compliance Officer as of January 1st, 2019 until a new Compliance Officer is appointed.

NautaDutilh and the Compliance Officer performed the 2018 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.

In the following Annual Compliance Review GDPR-compliance will be addressed.

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 hold 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.

7.8 Privacy Counsel

To insure continues implementation and supervision on compliance with the GDPR is adequately arranged, MPF appointed a Privacy Counsel that will fulfil the tasks under the GDPR. NautaDutilh will act as the Privacy Counsel for MPF, with the assistance of MPF. The tasks of the Privacy Counsel are set out in the Privacy Policy. Together with the compliance officer, MPF carries out a compliance review on a yearly basis in which GDPR-compliance is addressed. 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. These were implemented before 25 May 2018. Compliance with the GDPR is a continuous process that will remain on the agenda of MPF in 2019.

7.9 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.

Governance body	Male	Female	<40	>40
Pension Board	4	1	0	5
Accountability Council	2	1	0	3

7.10 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 responsible 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 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 live 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.

8 ACTUARIAL SECTION

The actuarial analysis of the 2018 result is shown in the next table:

		2018		2017
Contributions and costs				
Employer contributions	16,502		17,947	
Employee contributions*	2,543		1,457	
Accrual of benefits (including surcharge for future costs)	-20,406		-20,469	
Contribution surcharge for costs	1,931		1,919	
Available for costs out of provision	636		605	
Execution and administration costs	-2,357		-2,407	
		-1,151		-948
Return and yield curve change				
Return on investments	3,346		63,896	
Interest addition provision	2,886		2,396	
Yield curve change	-43,248		15,099	
		-37,016		81,391
Other results				
Result on benefit transfers	0		0	
Result on other actuarial assumptions	-2,255		2,094	
Other income	5		0	
Indexation	-26,048		-6,970	
Change mortality assumptions	10,862		0	
Corrections	-2,125		3,122	
Other costs	0		-21	
Conversion 2018	0		-934	
		-19,561		-2,709
Result		**-57,728**		**77,734**

* 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	26,508
Smoothed cost covering contribution	17,119
Actual contribution	21,932

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 2018 the CCC equals EUR 26,508.

Unless clearly stated otherwise all amounts are in thousands of euros

Smoothed Cost Covering Contribution (SCCC)

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

The term structure of interest rates used to determine the SCCC in 2018 corresponds to a single expected return of approximately 6.1% (2017: 6.0%). In case of MPF the distribution of the fixed income portfolio to various ratings has changed slightly in 2018 leading to a higher term structure of interest rates. Furthermore, this single percentage depends on the characteristics of the employee data.

In 2018 the SCCC equals EUR 17,119.

Actual contribution

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

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

The pension fund receives a total contribution that consists of employer and employee contributions. The employee contribution is equal to the compulsory and voluntary ASP contributions. The employee contributions in 2018 add up to 3.0% of total pensionable salary for all pension plan members. The employer contribution in 2018 according to the contribution policy is equal to 23.1%.

In 2018 the actual total contribution to the pension fund equals 21,932. This total actual contribution is less than the Cost Covering Contribution (market value) but more than the Smoothed Cost Covering Contribution.

Minimum Technical Reserve

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

The minimum regulatory own funds are derived from the required margin per risk and amount to 48,920. The Minimum Technical Reserve amounts to 104.1% of the total AAL (including risk of the pension fund and risk of the members). The Funding Ratio equals 126.0%. Based on these figures the pension fund is not in a situation of a funding deficit.

Ongoing Solvency Margin Ratio

The Ongoing Solvency Margin Ratio (OSMR) is defined in the 'Decree in relation to the Financial Assessment Framework for pension funds'. The regulatory own funds are the market value of assets that a pension fund needs to maintain 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.

In June 2018 MPF has adopted a de-risking policy. The de-risking policy consists of four de-risking steps in which the risk profile of the DB-section of MPF decreases step for step. The de-risking steps are related to the Funding Ratio and market circumstances (for example inflation expectations and discount rate) and differ over time. The first de-risking step is applied in June 2018 leading to a significant decrease of the OSMR.

The regulatory own funds are derived from the required margin per risk and amount to 279,513. The Ongoing Solvency Margin Ratio amounts to 123.4% of the AAL (including a 1% margin for the ARP/ASP Pension Plan). The actual Funding Ratio equals 126.0%. Based on these figures the Pension Fund is not in a situation of a reserve deficit.

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

9 REPORT BY THE REVIEW COMMITTEE

9.1 Report

A Review Committee, comprising 3 independent professionals who also happen to be the members of the newly instituted Supervisory Council (per 1 January 2019), was appointed by the board of the pension fund (PB) to carry out an annual review of the pension fund in 2018. This concerned the documents, processes and procedures, particularly as this has to do with long-term policy and the interests of the various parties involved. This review was not only based on studying the documents of the pension fund, but also on interviews with representatives of the Board, Accountability Council and Pension Office.

The Review Committee looked at seven different areas of the operation of the pension fund: management decision making, governance, financial-economic management, investment management, communication, outsourcing and risk management.
The pension fund, with just over €1.5 billion of assets, is a professionally-run, middle-sized company pension fund in the Netherlands. The policy funding ratio (PFR) of the final-salary scheme was end 2018 133.3%. This was higher than the ongoing solvency ratio (OSMR) of 123.4%. There is therefore no reserve deficit. Since 2004, new employees have joined scheme, the ARP/ASP plan. The alternative BPF Zoetwaren is not obligatory.

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

The Review Committee is impressed with the qualities and steering capacity of the PB. It is also clear that the pension fund is under control. However, it wishes to emphasize, in the current environment of regulatory change, the need to set priorities on the one hand, and on the other hand, to work towards a new overview of procedures and much more simplification. This is a unique opportunity to re-establish the platform for the future of the pension fund.
The Review Committee has drawn up a few recommendations which it believes it would be advisable for the PB to implement.

The recommendations are:
1. Establish clear priorities under the long list of action points, taking feasibility into account;
2. The Accountability Council should be explicit about the competences which it needs in 'Ways of working'.
3. Draw up a total summary of all recommendations from supervisory authorities so that progress can be monitored.
4. The PB needs to record its plans with regard to all continuity risks which the pension fund experiences.
5. Integrate the de-risking policy in total investment policy.
6. When implementing ESG make full use of the established industry practices.
7. Ensure that there is a clear program to communicate the changes to the DC schemes.
8. Make the website at least partially approachable from outside.
9. Re-evaluate the outsourcing agreement with TKP. So much has changed and is going to change.
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.

9.2 Response Pension Board on report of the Review Committee

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

1. Establish clear priorities under the long list of action points, taking feasibility into account – We agree with this recommendation The annual plan or roadmap should be used to prioritize between the various activities. Although there is an idea of priority [e.g. IRM activities and Re Design] there is no priority list that is explicitly discussed by the Board.
2. The Accountability Council should be explicit about the competences which it needs in 'Ways of working' – We will discuss this suggestion with the Accountability Council. There are no legal requirements to do this it seems to make sense to do this in the light of education programs and succession policy. It is however up to the Accountability Council to consider this recommendation
3. Draw up a total summary of all recommendations from supervisory authorities so that progress can be monitored – That is a good suggestion that we will follow up on.
4. The PB needs to record its plans with regard to all continuity risks which the pension fund experiences – We have just finalized a strategic risk analyses that we discussed with DNB. Later this year we will do another SWOT analysis to update our Vision Mission Strategy document which will include addressing continuity and other risks.
5. Integrate the de-risking policy in total investment policy—On the investment side 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 will review our documentation on this aspect.
6. When implementing ESG make full use of the established practices – Although we have not undersigned the Dutch Pension Fund Covenant or 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 the Re Design, communication with Associates/Members of extreme importance for this year of change and going forward. This is already in the communication committee a recurring topic on the agenda.
8. Make the website at least partially approachable from outside – We are currently looking with TKP at 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 – We need to look at our agreement with TKP due to their transition to the cloud and we need to also review our Outsourcing Policy.
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 will ask the IRM working Party to take this suggestion into account.

9.3 Follow-up on recommendations last year

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

1. Consider being pro-active in seeking to understand the sustainability interests and preferences of the members and beneficiaries -- The PF at this moment prefers to work with stakeholders and a parity board instead of asking individual members.
2. Describe how the principles of the pension fund are adhered to in decision making -- The Pension Board is of the opinion that the 5 principles of MPF as stated in the ABTN are part of the decision making but will try to address the principles in the decision making discussion more clearly.
3. Find and appoint a new compliance officer. This should be a qualified person who can act independently from the pension fund and who has preferably no recent links with the pension fund-- Appointing a new CO is planned for Q3 2019.
4. Appoint a new candidate member to the AC as soon as this is required -- The appointment of J. Vermeulen as new AC is was done in 2018. The PB will try to find a new candidate for the role of 'aspirant' AC member on behalf of the members.
5. Ensure that there is sufficient progress in developing an ESG policy. The PB has made further steps in developing an ESG policy, which was finalized and approved early 2019.
6. Ensure the IC minutes reflect any challenge to or discussion with the advisor that may have taken place – IC minutes now separately reflect the IC discussion before a decision is made.
7. Implement version control in the Investment Policy Statement to ensure that it is clear which changes have been made -- The Pension Board has taken this into consideration with the next IPS update.
8. Think carefully about interpreting the results which will emerge from the scores provided by the active members and pensioners regarding communication policy. The Pension Board will take this into account.
9. Consider raising targets for digitalization. This means, of course, having the backing which will be needed. The feeling of the RC is that the pension fund needs to move to these targets more quickly. This will not only save costs but provide more and better communication possibilities --The Pension Board would also like to increase digitalization but has to set realistic goals. Part of the communication strategy plan is how to increase the digitalization in the next 3-year period.
10. Check whether the outsourcing policy needs amendment following the negotiations with TKP—We are reviewing this in 2019.
11. Ensure that the current plans to draw up a comprehensive IRM document are now carried out. Translate this document into effective practical action—We have finalized an IRM policy document in January of this year that is also in line with the governance requirements of IORP II. In 2019 the priority is to bring this Policy into practice amongst other through RSA's [Risk Self Assessments] on identified risk areas and through updating our risk mitigating policy documents.

10 REPORT BY THE ACCOUNTABILITY COUNCIL

10.1 Report

Introduction

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

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

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

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

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

- The remuneration policy for the Pension Board, Accountability Council members and other bodies within MPF;
- The structure of the internal governance (Review Committee or Supervisory Council);
- Selection of members of the Review Committee or 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 Pension Board & MPF Director have had four joint informal meetings with the Accountability Council with respect to the policies and achieved results. In these so-called Walk-in sessions, Pension Board and AC get information on latest developments and agenda-topics from the Board. These Walk-in sessions are also an excellent platform for internal training e.g. on investment principles and terminology. An open atmosphere allows all to add freely to the discussions.

- In June the AC had a meeting with the EB to discuss details of the de-risking project.
- In February and August AC members have attended Investment Committee meetings @Veghel in order to gain deeper understanding of MPF's Investment Policy and how this is being executed and managed.
- At the end of December there was an AC presentation in the PB meeting on year-closure, self-evaluation of the AC and AC priorities for 2019. In April 2019 there was an EB-AC working session in preparation for the annual report; topics included a review of 2018, 2019 priorities for MPF and how the AC can support those pro-actively.
- External Conferences: the AC has had ample opportunity to attend relevant external conferences regarding pensions in the Netherlands as organized by e.g. the Pensioen Federatie. These provide the opportunity to learn and to see the position of MPF in the Dutch national context.
- External Training has been attended and successfully completed by Mrs. J. Vermeulen on Pension Fund Governance ("Geschiktheidsniveau A").

With regard to the findings of the Accountability Council in the 2017 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 governance;
- ESG.

We commend the Pension Board for this.

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

PB requests for AC advise during 2018
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
MPF advice AC about change composition Review Committee	22-2-2018	26-2-2018	Positive
De-risking policy	19-6-2018	21-6-2018	Positive
Advice request selection of the members of the Supervisory Council	28-9-2018	4-10-2018	Positive
Advice request Contribution 2019	19-11-2018	23-11-2018	Positive
Advice request Communication strategy 2019-2021	20-12-2018	9-1-2019	Positive
Advice request Communication plan 2019	20-12-2018	9-1-2019	Positive

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

With regard to the findings of the Accountability Council on the 2018 annual report
In summary the AC continues to find that the Pension Board of Stichting Mars Pensioenfonds (MPF) is proactive and engaged in the management of the fund. It seeks appropriate professional advice and

Unless clearly stated otherwise all amounts are in thousands of euros

works well with strong and committed sponsors to serve the interests of the beneficiaries of the Pension Fund.

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

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

- The Pension Board is making every effort to recognize the interest of all stakeholders; a strong example is the de-risking policy which has a positive impact on all stakeholders and which has been captured in a comprehensive de-risking policy document. Furthermore the AC note that the first de-risking step has been implemented, thus realizing the first benefits for all stakeholders as planned.
- Integral Risk Management: substantial progress has been made which ensures the new IRM documentation will be in place before the IORPII legislation comes into effect. The AC welcomes the appointment of key function holders for second line of defense risk management and for third line of defense audit supervision.
- We commend the Pension Board for the appointment of the Review Committee this year and urge the Pension Board to fully consider their findings.
- Supervisory Council; the SC has been appointed in the December 2018 PB meeting and the AC is looking forward to working with the SC and the PB for the benefit of all MPF stakeholders.
- Talent pool has provided successful candidates who have been appointed as member of Pension Board and Accountability Council after a candidate period.
- The Pension Board has clear policies in place and the correct mechanisms to execute these policies.
- We also recognize 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 2019

The Accountability Council would like the Pension Board to consider the following areas in 2019:

- Integral Risk Management: following the approval of the IRM approach and documentation the actual implementation should be a priority this year.
  Testing various crisis scenarios, also suggested by the RC, should be considered as an element of the IRM implementation.
- 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 EB (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.
- 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.
- Re-design ARP/ASP: the AC encourages PB to work on clear communication to support the members for future decision making.
- 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.
- 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.
- 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.

- The 2019 activity list looks very ambitious, AC encourages PB to have clear 2019/2020 prioritization in place.

10.2 Response Pension Board on report by the Accountability Council

The Pension Board would like to thank the Accountability Council (AC) for its observations and recommendations. Before going into the individual recommendations for 2019 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.

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:

- Integral Risk Management-- We will ask the IRM working Party to take this suggestion into account.
- Supervisory Council—We agree fully with this recommendation and the sequence of events in the case of Approval [SC] and or Advisory rights [AC].
- Succession/Talent Pool—Our priority is on appointing an aspirant Board member on behalf of active associates, and if possible an aspirant member for the AC although that seems less urgent because of where we are with the membership of the AC. In general we are trying to populate the Talent Pool for future succession options. We also need to appoint at least 1 but preferably 2 new IC ASP members.
- De-complexity—This years' Re Design will give opportunities for de-complexity. At the other hand we will need to spend more time and attention to the communication of our new DC Plan and the support of Associates to help them to make the right choices for their personal situation.
- Re-design ARP/ASP --The Board agrees that clear communication to support the members for future decision making is extremely important and will require appropriate attention.
- ESG-- Although we have not undersigned the Dutch Pension Fund Covenant on 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.
- Compliance Officer—We are following up on this as a matter of priority.
- Prioritization --We agree with this recommendation The annual plan or roadmap should be used to prioritize between the various activities. Although there is an idea of priority [eg IRM activities and Re Design] there is no priority list that is explicitly discussed by the Board.

10.3 Follow-up on issues from last year

In the annual accounts 2017 the AC mentioned some points of attention in their report. In this section we give the follow-up of these points of attention:

1. De-risking: The AC encourages and supports this positive development. The AC wants to emphasize that understanding, balancing and explaining the interest of each stakeholder group should remain a top priority	The Board agrees with the AC about the importance of balancing the interests of all stakeholders. We are of the opinion that the De Risking policy has positive implications for all stakeholders be it members of the plan, retirees or sponsoring companies. This has been captured in the approved policy document.

2. Integral Risk Management: The AC agrees with the findings of the Review Committee: Ensure that the current plans to draw up a comprehensive IRM document are now carried out. Translate this document into effective practical action.	Integral Risk Management (IRM) has been a major activity for both the Board and Pension Office including Board workshops and a Pension Office led project team supported by WTW and NautaDutilh. In line with IORPII requirements which came into effect as from Jan 2019, we have drawn up a comprehensive IRM Policy which is currently translated in practical action such as Risk Self Assessments, setting up the Risk Management and Compliance function, the Audit function and a new Dashboard, all to be in place in the course of 2019.
3. Supervisory Council: The AC would like to be pro-actively informed and involved, particularly on the new Ways of Working between PB, SC and AC.	The Supervisory Council has been set up as from January 1, 2019 as required by legislation. The Supervisory Council Regulations were agreed with both Councils. WoW are still under development. A number of meetings were held with both Councils. We are taking the opinion of the Accountability Council into account so that we achieve an optimal WoW that does justice to the roles of both Councils. We agreed with the advice requests for the SC Regulations and the Remuneration Policy that the AC would be given the opportunity to review the documents before the SC would give their approval so that we are aware of the AC comments before requesting approval from the SC after which the AC can give their advice.
4. Succession/Talent Pool: The AC is looking forward to the plans of PB in cooperation with the company to re-populate the talent pool in order to secure succession options, this definitely includes a new candidate member for the AC.	We agree we need to make progress in this area. Due to circumstances we have not been able to get as far as we wanted but this will be picked up in the course of the year. Ideally we should identify at least 1 aspirant AC member (associate rep), 1 aspirant Board member (associate rep) and 2 IC ASP members before the end of the year.
5. De-complexity: The PB should take de-complexity into consideration in future decision making.	This should be top of mind. However with increasing the normal pension age from 65 to 66 to 67 and last year to 68, every time in the final pay system this means increasing complexity that cannot be avoided. In case of the ARP/ASP there is now a unique opportunity to de-complex. We are paying extra attention to the defining the Risk Attitude and determining the adequate Life Cycles which by nature is complex. Also with the Duty of Care in mind we will have to help members and the various stakeholders (committees) in understanding these complexities.

6. ESG: The AC agrees with the findings of the Review Committee: - Ensure there is sufficient progress in developing an ESG policy. - Consider being pro-active in seeking to understand the sustainability interests and preferences of each of the stakeholder groups.	The Board had discussions on our ESG policy at numerous occasions. The Board acknowledges the importance of a well thought through ESG policy. We have finalized an ESG policy document in line with IORPII requirements. We will communicate to stakeholders through this Annual Report and on the website. Understanding the sustainability interests and preferences of stakeholders has not yet developed that much due to circumstances and other priorities. We will first have to agree how we do this and are open to suggestions from the Accountability Council. We have focused first on delivering against legal requirements and are now motivated to put this policy in practice and whilst we do this we want to develop the policy further, in consultation with stakeholders. We expect an update from ETBC as to our ESG policy in the 4th quarter of 2019

11 LOOKING FORWARD

11.1 Pension Fund Governance and Risk Management

In 2014, the Pension Board started with the recommendations from the Code Pension Funds and will every year pay attention to these recommendations and update the comply or explain list annually.
The Pension Board will continue to review the sustainability of Mars Pension Fund going forward and will keep considering other governance and execution alternatives. The fruit of this effort is included in the Vision, Mission and Strategy of MPF.
In 2019 the Pension Board expects to appoint an aspirant Board member as succession on the member representative side.
With the new legislation on Internal Supervision we approved the setup of a Supervisory Council (Raad van Toezicht) and we appointed individual members, being Mr. Bob Davis (who has been long term with our Review Committee), Alfred Slager and Falco Valkenburg.

In 2019 at least the following documents will be submitted to DNB:

- Articles of Association
- Risk Attitude DC Plan
- ABTN
- IRM Policy in line with IORPII
- Remuneration Policy
- ESG Policy

On 13 January, 2019 the IORPII legislation came into force. As a result of that we approved a policy on Integral Risk Management and we adjusted our Outsourcing and Remuneration Policy. Further will be done in Phase 2 of the project which should amongst others ultimately lead to DNB approved key function holders for Risk and Compliance and Audit. We are also renewing all our Risk Self Assessments.
Other governance items that are on the agenda in 2019 are:

- Compliance Officer; as Mr. J. van Lith ended this role in 2018, succession is needed. We will combine the Compliance role with the Risk Control Second Line of Defence function that we are recruiting for. Acting Compliance Officer till that moment will be Mrs. S. Tonnaer
- Development of the Risk and Compliance and Audit function
- A further developed IRM policy document.
- A Privacy Council consisting of Mrs. S. Tonnaer supported by NautaDutilh lawyer and IT Security specialist.

11.2 Investments

In 2018 the Plan developed and approved the de-risking policy. In June 2018 the Plan's funded status hit the first de-risking trigger. Risk reduction at the first de-risking step was achieved by a reduction of Equity exposure (20%) in favor of Fixed Income investments (government bonds).
When a next de-risking trigger is hit (at a funded status of 141.5%), the plan will reduce risk further by further Equity exposure reduction (-5%) and a change in Fixed Income strategy from market-based to liability-based (Government bonds replaced by Liability Matching assets).

The interest rate hedge will generally increase with the relevant interest rate level. The specific interest rate environment and the development of the financial position of the Pension Fund will determine the LDI hedge movement in 2019.

In 2016, the Pension Board has decided to implement a changed strategy for the Property portfolio, where the 100% allocation to UK direct investments will gradually transition over the course of the following 3-5 years into a Global portfolio through a Property Fund of Funds. In 2017 a first allocation was made to the Global Value Property Fund of Funds. Allocations to this fund will be further ramped up over the course of the next year.

To diversify from and complement the existing Private Equity portfolio and to achieve the targeted allocation going forward, the strategic advisor has recommended to continue investing in the PEM perpetual fund as well as two new funds: GCM and LGT. The IC has approved these recommendations and investment vehicles for the new funds are currently being set up and legal documents are being drafted. Over the course of 2019 this work is planned to be finalized and first investments are expected to be made.
Also the Hedge FoF, Evolution, launched in Q2 2017 to act as a completion portfolio to the existing hedge fund investments, will be further ramped up over the course of 2019.

11.3 Pension Schemes

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

During 2018 the employer has reviewed the current pension plans and will redesign the ARP/ASP plan keeping in mind the current complexities and comments from DNB and MPF about the ARP design, and after approval from its Works Councils. During 2019 the new plan will be implemented by a project team.

Furthermore the Funding Ratio as per end September 2018 was above the Contribution Cut Limit (128.1%). Since the Pension Board decided to grant the full regular and full catch-up indexation as of January 1, 2019, the conditions in the contribution policy are met (ex-ante) to grant a contribution reduction for 2019. The Pension Board decided to lower the actual contribution for 2019 to the minimum level. This results in an employer contribution of 7.2% of the total pensionable salary sum which is equal to the age-dependent contributions in the ARP/ASP Pension Plan.

Veghel, 18 June 2019

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 ANNUAL ACCOUNTS

12.1 Consolidated Balance Sheet

(after appropriation of result in EUR 1,000)

ASSETS	Note[8]		31-12-2018		31-12-2017
Investments for risk pension fund	1				
Real estate		76,537		98,084	
Equity		549,168		847,341	
Fixed income		514,858		378,027	
Hedge funds		81,629		75,215	
Derivatives		29,991		11,622	
Other financial investments		202,931		63,526	
			1,455,114		1,473,815
Investments for risk members	2		58,886		51,485
Receivables and prepayments					
Other receivables	3		4,477		3,739
Other assets					
Cash	4		3,955		3,815
			1,522,432		**1,532,854**
LIABILITIES					
Foundation capital and reserves					
Foundation capital	5		0		0
General reserves	6		310,786		368,514
Technical provision for risk pension fund					
Actuarial accrued liabilities	7	1,133,095		1,092,767	
Provision for future disability	8	1,191		1,218	
			1,134,286		1,093,985
Pension provision for risk members	9		58,886		51,485
Current liabilities	10		18,474		18,870
			1,522,432		**1,532,854**

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

Unless clearly stated otherwise all amounts are in thousands of euros

12.2 Consolidated Statement of Income and Expenses

(in EUR 1,000)

INCOME	Note[9]		2018		2017
Contributions from employer and employees	11		13,475		17,296
Contributions for account and risk members	12		8,457		5,015
Investment results for risk pension fund	13	3,198		63,847	
Investment results for risk members	14	-2,243		4,129	
			955		67,976
Other income	15		5		0
Total INCOME			**22,892**		**90,287**
EXPENSES					
Benefits payment	16		31,746		30,345
Execution- and administration costs	17		2,357		2,407
Change pension provision:					
• Accrual of benefits		11,619		15,454	
• Indexation		26,048		6,970	
• Addition of interest		-2,886		-2,396	
• Change of mortality assumptions		-10,862		0	
• Yield curve change		43,248		-15,099	
• Withdrawal for payments of pension benefits and pension execution costs		-32,015		-30,966	
• Withdrawal for other actuarial- and technical assumptions (retirement)		3,042		-1,266	
• Changes as a result of transfer of rights		0		0	
• Pension Plan Changes 2018		0		934	
• Other changes pension provision		2,134		-3,107	
Change provision pension liabilities for risk pension fund	18		40,328		-29,476
Change provision for future disability	19		-27		74
Change provision for risk members	20		7,401		9,658
Reinsurance	21		42		38
Transfer of pension rights for risk pension fund	22		0		0
Transfer of pension rights for risk members	23		-1,227		-514
Other expenses	24		0		21
Total EXPENSES			**80,620**		**12,553**
NET RESULT			**-57,728**		**77,734**
Proposed appropriation of net result:					
- Added to the general reserves			-57,728		77,734

[9] 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)

			2018		2017
Contributions received		18,539		22,734	
Received from transfers of rights		749		514	
Pension benefits paid		-31,713		-29,766	
Paid execution- and administration costs		-2,395		-3,401	
Paid contribution reinsurance		-42		-38	
Other amounts received		2		0	
Total cash flow from pension activities			-14,860		-9,957
Cash flow from investment activities					
Sale and redemption of investments		1,903,878		1,971,298	
Received direct investment returns		26,373		35,198	
Purchase investments		-1,725,075		-1,966,484	
Paid costs asset management		-15,881		-15,436	
Other amounts paid		0		-21	
Total cash flow from investment activities			189,293		24,555
CHANGE CASH			**174,433**		**14,598**
Movements in cash and cash equivalents can be broken down as follows:					
Cash available for investments			232,457		58,164
Cash pension fund	4		3,955		3,815
Balance per 31 December			236,412		61,979
Balance per 1 January			61,979		47,381
CHANGE CASH			**174,433**		**14,598**

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').

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

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

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

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

Estimation changes
In 2018 a change was made to the AG mortality table to be applied. The provision for pension liabilities for risk of the pension fund is determined on the basis of the AG2018 Table. This has a reducing effect on the pension liabilities of EUR 10,437,000 (impact on the funding ratio of 0.9%-point).

In addition, a review of experience mortality has taken place. The introduction of the new experiential mortality based on the Willis Towers Watson 2018 experience rate model provides a decrease of the pension liabilities with EUR 425,000 (impact on the funding ratio of rounded 0.0%).

In determining the AAL for active and deferred members an assumed early retirement date of 61 is taken into account resulting in using the favorable early retirement factor at age 61 for the basis pension. The favorable retirement factor is updated yearly (flexible rates). The new favorable retirement factor per 1 January 2019 is already included in the AAL year-end 2018. The change to this new favorable retirement factor caused the pension liabilities to increase with EUR 2,594,000 (impact on the funding ratio of 0.3%-point).

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). 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 cost value at balance date.

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

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

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

Cash
Cash is valued at nominal value.

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

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

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

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

Life expectancy rates in determining actuarial accrued liabilities:
- The life expectancy rates for males and females are derived from the AG Projection Table 2018-2142 as published by the Dutch Actuarial Association (31 December 2017: 2016-2064).

- 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.

Accounting policies for results

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

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

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

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

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

Dividend
Dividend is recognized at the time of payment.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

12.6 Notes to the Balance Sheet

1 Investments for risk pension fund

Asset Category	Real Estate	Equity	Fixed Income	Hedge funds	Deriva-tives	Other financial invest-ments	Total
Value per 1 January 2017	122,377	865,807	319,049	79,507	-12,801	58,549	1,432,488
Purchases	11,039	150,953	1,298,909	0	122,141	381,093	1,964,135
Sales	-670	-175,568	-1,283,846	0	-134,015	-377,199	-1,971,298
Valuation changes	-34,668	78,290	-17,275	-4,292	27,178	-173	49,060
Other	6	-72,141	61,190	0	-987	24,141	12,209
Subtotal	98,084	847,341	378,027	75,215	1,516	86,411	1,486,594
Derivatives credit							10,106
Deducted: investments for risk members (ARP)							22,885
Value per 31 December 2017							**1,473,815**
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	-	181,667	1,128,028	1,737,896
Sales	-1,710	-371,155	-416,040	-	-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	-	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**

The value per 31 December 2018 is including the credit position of derivatives (EUR 9,730) and a deduction of EUR 29,527 presented as investments for risk of members (ARP).

In 2018 a reclassification was made for the GMO GRRUF fund from equity to fixed Income on basis of look-through analyses in the values per 1 January 2018 (EUR 79.4 million).

Included in the investment-category 'Other financial investments' is cash available for investment for an amount of EUR 232,099 (2017: EUR 58,164). This amount includes EUR 11,014 (2017: EUR 11,187) of cash in Mars Real Estate Investments B.V. Also included in this category are repurchase agreements and short term funds (EUR 358)

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	31-12-2018		31-12-2017	
	EUR	%	EUR	%
Angel Place	10,010	13%	12,955	13%
Westside	8,509	11%	11,547	12%
Ankerside	4,282	6%	6,759	7%
Exchange	14,459	19%	18,588	19%
Four Seasons	11,956	16%	21,968	22%
Clarendon Hyde	7,229	9%	11,265	11%

Unless clearly stated otherwise all amounts are in thousands of euros

Equity	31-12-2018		31-12-2017	
	EUR	%	EUR	%
Arrowstreet Global Equity fund	57,393	10%	-	-
Pem - effem fund	127,227	23%	107,212	13%

Fixed Income	31-12-2018		31-12-2017	
	EUR	%	EUR	%
Effem private credit feeder	38,271	7%	34,046	9%

Hedge funds	31-12-2018		31-12-2017	
	EUR	%	EUR	%
Blackstone fof stichting Dutch	81,629	100%	75,215	100%

Fair value hierarchy

The following tables summarize the valuation of investments by level within fair value hierarchy as of 31 December 2018 and 2017. 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	1,918	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**

Investment cash is presented under Other financial investments in the category Direct market listed. In 2017 it was presented under Modelling.

Asset Category	Direct market listed	Derived	Modelling	Total
Real estate	3,563	0	94,521	98,084
Equity	150,659	584,658	112,024	847,341
Fixed income	597	314,695	62,735	378,027
Derivatives	381	1,135	0	1,516
Hedge funds	0	0	75,215	75,215
Other financial investments	28,247	0	58,164	86,411
Total per 31 December 2017	**183,447**	**900,488**	**402,659**	**1,486,594**

2 Investments for risk members

The investments for risk members consist of:

	31-12-2018	31-12-2017
Investments concerning ARP-plan	29,527	22,885
Investments concerning ASP-plan	29,359	28,600
Total	**58,886**	**51,485**

Unless clearly stated otherwise all amounts are in thousands of euros

In 2018 the investments developed as follows:

	ASP	ARP
Balance per 1 January	28,600	22,885
Contributions	3,614	4,843
Transfers	521	706
Investment result	-3,339	1,096
Other changes (commutation etc.)	-37	-3
Balance per 31 December	**29,359**	**29,527**

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

	31-12-2018	31-12-2017
Pensions	0	37
Other receivables	4,477	3,702
Total	**4,477**	**3,739**

Other receivables concern corporate income tax and debtors from Mars Real Estate Investments B.V. (MREI).

4 Cash

	31-12-2018	31-12-2017
Cash at Rabobank	**3,955**	**3,815**

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:

	2018	2017
Balance per 1 January	368,514	290,780
Result for the year	-57,728	77,734
Balance per 31 December	**310,786**	**368,514**

The minimum regulatory own funds, 4.1% of the actuarial accrued liabilities at the risk of the pension fund, equals EUR 48.9 million. Legally required own funds amount to EUR 279.5 million and are equal to 23.4% of the actuarial accrued liabilities at the risk of the pension fund. The present own funds are higher than the required funds.

The Real policy funding ratio gives an indication of the extent to which supplements can be granted. The real policy funding ratio in accordance with the FTK definition is equal to the policy funding ratio divided by the policy funding ratio required for full indexation based on price inflation. The Real policy funding ratio at year-end 2018 was 110.0% (2017: 110.2%).

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 2018 is 133.3% (31 December 2017: 132.3%). The policy funding ratio is higher than the legally required solvency ratio and therefor there is no deficit.

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

	31-12-2018	31-12-2017
Actual funding ratio	126.0%	132.2%
Minimum required solvency ratio	104.1%	104.1%
Policy Funding Ratio	133.3%	132.3%
Legally required solvency ratio	123.4%	132.1%

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

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 2018 with an amount of EUR 57,728 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):

	2018	2017
Provision for pension liabilities ultimo previous year	**1,092,767**	**1,122,243**
Interest	-2,886	-2,396
Indexation to the account of the pension fund	26,048	6,970
Accrual of benefits (including surcharge for future costs)	11,949	15,454
Mortality	2,728	-416
Other actuarial and technical assumptions (retirement)	-1,432	-1,266
Disability / rehabilitation	1,773	480
Benefit payments (incl. commutation)	-31,613	-30,361
Available for costs	-636	-605
Yield curve change	43,248	-15,099
Corrections	2,011	-3,171
Pension Plan changes	0	934
Other changes pension liabilities (AG mortality table 2018)	-10,862	0
Total change	**40,328**	**-29,476**
Provisions for pension liabilities ultimo year	**1,133,095**	**1,092,767**

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.

Unless clearly stated otherwise all amounts are in thousands of euros

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.

	31-12-2018	31-12-2018	31-12-2017	31-12-2017
	Members	AAL	Members	AAL
Actives (including disabled)	601	413,668	649	428,852
Deferred members	815	191,635	804	179,376
Retirees	1,263	552,035	1,230	508,385
Sub-total	**2,679**	1,157,338	**2,683**	1,116,613
Minus: BPF Zoetwaren		-24,243		-23,847
Total	**2,679**	**1,133,095**	**2,683**	**1,092,767**

8 Provision for future disability

	2018	2017
Balance per 1 January	1,218	1,144
Regular change	-27	74
Balance per 31 December	**1,191**	**1,218**

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

9 Pension provision for risk members

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

The provision for risk members consist of:

	31-12-2018	31-12-2017
Provisions concerning ARP-plan	29,527	22,885
Provisions concerning ASP-plan	29,359	28,600
Total	**58,886**	**51,485**

In 2018 the provisions developed as follows:

	ASP	ARP
Balance per 1 January	28,600	22,885
Contributions	3,614	4,843
Transfers	521	706
Investment result	-3,339	1,096
Other changes (commutation etc.)	-37	-3
Balance per 31 December	**29,359**	**29,527**

10 Current liabilities

	31-12-2018	31-12-2017
Derivatives	9,730	10,106
Accrued expenses and other liabilities	7,515	7,260
Contributions of employer	291	71
Wage tax and premiums social security	938	1,433
Total	**18,474**	**18,870**

Unless clearly stated otherwise all amounts are in thousands of euros

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 458 (2017: EUR 570) corporate income tax and VAT concerning Mars Real Estate Investments.

12.7 Rights and obligations not included in the balance sheet

Long term contracts
With respect to the investments in the Private Equity, Private Credit, Global Property and Hedge funds, MPF has an off-balance sheet commitment of EUR 121.3 million to these managers to invest in their funds. Non-compliance can lead to interest being charged as well as legal- and other collection costs.

The pension fund has a contract with TKP for the administration. This contract is indefinite and can be terminated annually. An annual fixed fee of EUR 0.8 million (including VAT) is agreed.

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.

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

Solvency margin	31-12-2018		31-12-2017	
	EUR	%	EUR	%
S1 Interest rate risk	34,600	2.9	51,600	4.5
S2 Market risk on equities and property	196,600	16.5	287,700	25.1
S3 Currency risk	88,400	7.4	99,900	8.7
S4 Commodity risk	0	-	0	-
S5 Credit risk	70,200	5.9	57,300	5.0
S6 Technical insurance risk	31,700	2.7	31,400	2.7
S10 Active risk	54,400	4.6	63,200	5.5
Correlation-effect	-197,000	-16.6	-224,500	-19.4
Adjustment for risks for members	600	-	500	-
Required own funds	279,500	**23.4**	367,100	**32.1**

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)

Unless clearly stated otherwise all amounts are in thousands of euros

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.

	31-12-2018 in years	31-12-2017 in years
Fixed income duration (excluding derivatives)	2.4	3.2
Fixed income duration (including derivatives)	7.8	4.5
Duration of the (nominal) pension liabilities	17.4	18.3

It is assumed that all non-fixed income assets have zero duration.
The Pension Board has adopted a formal interest rate hedging procedure. This interest rate hedging procedure is dynamic in nature. The interest rate hedge will generally increase linearly with the relevant interest rate, but small tactical deviations are possible. The Pension Board and its Investment Committee have carefully implemented the necessary infrastructure to enable this interest rate hedging procedure. The strategic level of the interest rate hedge is 48.6% of the assets. At the end of 2018 the dynamic LDI coverage target (as determined by the LDI trigger table) was 30%. A tactical underweight of 2.5% to the dynamic target resulted in a liability coverage target of 51.1%.

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

Fixed income - Asset categories	31-12-2018		31-12-2017	
	EUR	%	EUR	%
Government Bonds	139,339	27%	110,355	29%
Index Linked Bonds	13,108	3%	2,425	1%
Mortgages and MBS	28,330	5%	5,772	2%
Credits	310,974	60%	255,730	67%
Cash and cash-like instruments	31,010	5%	3,745	1%
Total	**522,760**	**100%**	**378,027**	**100%**

Cash and cash-like instruments mostly concern short term claims. The net pending trades (- EUR 7.9 million) are not included in the fixed income 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.

Unless clearly stated otherwise all amounts are in thousands of euros

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

Equity – sector categories	31-12-2018		31-12-2017	
	EUR	%	EUR	%
Consumers	72,299	13%	139,035	16%
Energy	17,261	3%	21,881	3%
Financials	251,427	46%	149,722	18%
Health care	49,534	9%	81,653	10%
Industrials	49,285	9%	102,332	12%
Information Technology	54,596	10%	158,919	19%
Materials	23,874	4%	49,020	6%
Other	30,892	6%	144,779	16%
Total	**549,168**	**100%**	**847,341**	**100%**

12.8.3 Currency Risk (S3)

At the end of 2018 about 65% (2017: 79%) 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 70% at the end of 2018 (58% at the end of 2017). The total net market value of the outstanding currency forward contracts at the end of the year was EUR 100.

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

Currency			31-12-2018	31-12-2017
	Before Hedging	Currency Derivatives	Net position after hedging	Net position after hedging
Euro	520,029	443,121	963,150	899,808
British pound	142,816	-105,704	37,112	-23,869
Japanese yen	77,239	-73,923	3,316	19,292
US Dollar	703,774	-225,699	478,074	628,997
Other	30,953	-37,695	-6,741	-37,634
Total	**1,474,811**	**100**	**1,474,911**	**1,486,594**

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.

Unless clearly stated otherwise all amounts are in thousands of euros

The equity investments can be divided into the following regions:

Equity - Regions	**31-12-2018**	**31-12-2017**
Mature markets	490,666	721,008
Emerging Markets	58,502	126,333
Total	**549,168**	**847,341**

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

Fixed Income - Regions	**31-12-2018**	**31-12-2017**
Mature markets	445,228	312,618
Emerging Markets	77,532	65,409
Total	**522,760**	**378,027**

The net pending trades (- EUR 7.9 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.

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	**31-12-2018**		**31-12-2017**	
	EUR	**%**	**EUR**	**%**
AAA	176,249	34%	64,681	17%
AA	41,343	8%	21,056	6%
A	30,720	6%	23,482	6%
BBB	63,119	12%	70,618	19%
Lower than BBB	109,428	21%	127,801	33%
No rating	101,901	19%	70,389	19%
Total	**522,760**	**100%**	**378,027**	**100%**

Unless clearly stated otherwise all amounts are in thousands of euros

In 2018 no rating apply to those securities for which no rating can be found due to specific agreements between two counterparties. The net pending trades (- EUR 7.9 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 2018-2142 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.

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

12.8.7 Liquidity Risk

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

12.8.8 Concentration Risk

Large individual investments in the portfolio can lead to concentration risk. In order to determine which investments could be earmarked as large positions, one must add or compare all positions against the same debtor per asset class. Large positions are then defined as positions that constitute more than 2% of the total investment value of the portfolio. In the investment section a break-down is given of larger positions. Generally speaking, concentration risk can occur if there is too little diversification within the investment portfolio. Concentration risks can occur in regional, sector or counterparty exposures. For example, loan or equity portfolios that are invested in only a few different sectors could lead to concentration risks. At the end of 2018 (and 2017) there is no concentration risk, i.e. no more than 50% of the total fixed income portfolio is invested in any given sector or category.

12.8.9 Other Financial Risks (S10)

12.8.9.1 Systemic Risk

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

12.8.9.2 Specific Financial Instruments (Derivatives)

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

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

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

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

put option), then the premium received would be exposed to price risk in case the underlying index increases in value.

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

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

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

The table below shows the derivatives positions in the Pension Fund as per 31 December 2018:

Type of contract	Expiry Date	Notional Values	Market Value assets	Market Value liabilities
Futures	Various	1,169,564	7,431	-2,492
Currency Forward contracts	Various	617,183	3,159	-3,059
Options	Various	175,016	8,363	-2,880
Interest Rate Swaps	Various	236,700	7,977	-959
Total return swaps	Various	9,099,998	3,056	0
Other	Various	12,300	6	-340
Total		**11,310,761**	**29,992**	**-9,730**

12.9 Notes to the statement of income and expenses

11 Contributions from employer and employees
The total employer contribution amounts EUR 21,932 (23.1%, 2017: 25.0%) of the pensionable salaries reduced with the contributions from the employers registered in BPF Zoetwaren. The employer contribution percentage includes the contribution for the account and risk of member with respect to the concerning the ARP-plan (EUR 4,843) and a contribution with respect to the ASP-plan (EUR 1,071). This is resulting in an employer's contribution with respect to the final-pay plan of EUR 16,018.

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

	2018	2017
Cost covering contribution	26,508	27,265
Smoothened contribution	17,119	14,664
Actual contribution	21,932	22,311

The cost covering contribution is based on the actuarial assumptions applicable as per 31 December 2018, including an interest rate term structure according to the instructions of DNB per this date. The smoothened cost covering contribution is, in accordance with the ABTN, based on a fixed discount rate of 6.1%. 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.

Unless clearly stated otherwise all amounts are in thousands of euros

The (smoothened) cost covering contribution is:

	CCC	2018 SCCC	CCC	2017 SCCC
Unconditional accrual	20,444	13,425	20,294	10,801
Solvency surcharge	4,133	1,763	5,052	1,944
Surcharge for administration costs	1,931	1,931	1,919	1,919
Total	**26,508**	**17,119**	**27,265**	**14,664**

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

12 Contributions for account and risk members

	2018	2017
ARP contribution	4,843	2,869
ASP contribution	3,614	2,146
Total contribution	**8,457**	**5,015**

The ASP contribution consist for EUR 2,543 of contribution paid by members and EUR 1.071 paid by the employer.

13 Investment results for risk pension fund

	Direct investment results	Indirect investment results	Investment related costs	Total 2018	Total 2017
Real Estate	15,605	-26,218	-10,726	-21,339	-29,911
Equity	4,637	8,249	-644	12,242	85,850
Fixed Income	7,395	-6,514	-177	704	-9,682
Derivatives and hedge funds	160	17,205	-940	16,426	22,228
Other financial investments	-650	306	-3,394	-3,738	-3,924
Investment results	27,147	-6,972	-15,881	4,294	**64,561**
Allocated to ARP				-1,096	-714
Net Investment result				**3,198**	**63,847**

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 15.9 million also include the operational costs related to the direct investments in real estate (EUR 10.7 million in 2018 and EUR 11.6 million in 2017).

	2018	2017
Management fee external asset managers	2,154	1,405
Investment advice	1,589	1,571
Operating costs real estate	10,726	11,639
Custody fee	410	317
Value added tax on costs foreign asset managers and other	1,002	1,030
Total	**15,881**	**15,963**

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.

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 generally not yet recorded and available from the custodian records, and therefore not represented in the accounting of MPF. An estimation is provided in H3.7.2.

14 Investment results for risk members

	2018	2017
Investment results ARP	1,096	714
Investment results ASP	-3,339	3,415
Total	**-2,243**	**4,129**

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 2018 the calculated return was maximized to the CPI-index plus 3%. The investment results ASP consists mostly of negative returns on equity.

Investment results ASP

	Direct investment results	Indirect investment results	Investment related costs	Total 2018	Total 2017
Equity	28	-3,309	-65	-3,346	3,415
Fixed Income	0	8	-1	7	0
Total	**28**	**-3,301**	**-66**	**-3,339**	**3,415**

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

	2018	2017
Other	5	0
Total	**5**	**0**

16 Benefits payment

	2018	2017
Retirement pension	27,155	26,150
Partner pension	4,229	3,946
Disability pension	325	210
Orphan pension	37	39
Total	**31,746**	**30,345**

Unless clearly stated otherwise all amounts are in thousands of euros

17 Execution- and administration costs

	2018	2017
Administration costs	937	922
Actuarial (advising)	566	638
Legal advisory	312	252
Cross charges from the employer	207	188
Governance costs	168	128
Audit and advisory services	80	89
Communication costs	8	3
Contributions	104	100
Actuarial (certifying)	-30	57
Other costs	5	30
Total	**2,357**	**2,407**

The execution- and administration costs are VAT included. In total an amount of EUR 422 has been paid on VAT charges. Due to a lower realization on certifying costs in 2017, a negative amount of EUR 30 is realized in 2018.

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 (2017: three employees) who have employment contracts with Mars Nederland B.V. and have been outsourced to Mars Pension fund. The costs are charged to Mars Pension fund and included in this report. The total remuneration paid to members of the Pension- and Supervisory Board for their membership in the Board is EUR 120 (2017: EUR 102). Members of the Accountability Council receive a compensation of EUR 2 per year. Board members receive EUR 13 per year, except the chairman receives EUR 76.

Independent audit and advisory services

	2018	2017
Audit annual accounts	80	83
Advisory services	0	6
Total	**80**	**89**

Audit services are provided by PricewaterhouseCoopers Accountants N.V.

18 Change provision pension liabilities for risk pension fund

	2018	2017
Change provision	40,328	-29,476

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

	2018	2017
Provision change for future disability	-27	74

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

20 Change provision for risk members

	2018	2017
Provision change for the account and risk of members	7,401	9,658

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

Unless clearly stated otherwise all amounts are in thousands of euros

21 Reinsurance

The Pension Fund has a reinsurance contract for the death-in-service and disability-in-service risks with Zwitserleven. The contract period is from 1 January 2017 until 31 December 2019. This reinsurance can be seen as a catastrophe-risk-coverage because it is based on stop-loss insurance with a net retention of EUR 2.2 Million which is approximately 200% of the risk premium. Declaration is possible 24 months after the contract period. In 2018 no claims were made.

22 Transfers of pension rights for risk pension fund

	2018	2017
Incoming transfer values	0	0
Outgoing transfer values	0	0
Total	**0**	**0**

23 Transfers of pension rights for risk members

	2018	2017
Incoming transfer values	-1,309	-673
Outgoing transfer values	82	159
Total	**-1,227**	**-514**

24 Other expenses

	2018	2017
Interest on bank accounts	0	21
Total	**0**	**21**

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

The balance of income and expenses (loss) of 2018 of € 57,728 is added to the general reserves.

12.11 Subsequent events

There are no significant events after balance sheet date.

Unless clearly stated otherwise all amounts are in thousands of euros

12.12 Single balance sheet

After appropriation of results (in EUR 1,000)

ASSETS	Note[10]	31-12-2018		31-12-2017	
Investments for risk pension fund					
Real estate	25	15,065		9,284	
Equity		549,168		847,341	
Fixed income		514,858		378,027	
Hedge funds		81,629		75,215	
Derivatives		29,991		11,622	
Other financial investments	26	191,916		52,339	
			1,382,627		1,373,828
Investments for risk members	2		58,886		51,485
Investments in subsidiaries	27		70,181		96,978
Receivables and prepayments					
Other receivables	28		962		1,010
Other assets					
Cash	4		3,955		3,815
			1,516,611		**1,527,116**
LIABILITIES					
Foundation capital and reserves					
Foundation capital	5		0		0
General reserves	6		310,786		368,514
Technical provision for risk pension fund					
Actuarial accrued liabilities	7	1,133,095		1,092,767	
Provision for future disability	8	1,191		1,218	
			1,134,286		1,093,985
Pension provision for risk members	9		58,886		51,485
Current liabilities	29		12,653		13,132
			1,516,611		**1,527,116**

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

Unless clearly stated otherwise all amounts are in thousands of euros

12.13 Single statement of income and expenses

(in EUR 1,000)

INCOME	Note[11]		2018		2017
Contributions from employer and employees	11		13,475		17,296
Contributions for account and risk members	12		8,457		5,015
Investment results for risk pension fund	30	29,261		95,513	
Investment results for risk members	14	-2,243		4,129	
			27,018		99,642
Other income	15		5		0
Total INCOME			**48,955**		**121,953**
EXPENSES					
Benefits payment	16		31,746		30,345
Execution- and administration costs	17		2,357		2,407
Change pension provision:					
• Accrual of benefits		11,619		15,454	
• Indexation		26,048		6,970	
• Addition of interest		-2,886		-2,396	
• Change of mortality assumptions		-10,862		0	
• Yield curve change		43,248		-15,099	
• Withdrawal for payments of pension benefits and pension execution costs		-32,015		-30,966	
• Withdrawal for other actuarial- and technical assumptions (retirement)		3,042		-1,266	
• Changes as a result of transfer of rights		0		0	
• Pension Plan Changes 2018		0		934	
• Other changes pension provision		2,134		-3,107	
Change provision pension liabilities for risk pension fund	18		40,328		-29,476
Change provision for future disability	19		-27		74
Change provision for risk members	20		7,401		9,658
Reinsurance	21		42		38
Transfer of pension rights for risk pension fund	22		0		0
Transfer of pension rights for risk members	23		-1,227		-514
Other expenses	24		0		21
Total EXPENSES			**80,620**		**12,553**
NET RESULT			**-31,665**		**109,400**
Result subsidiary (MREI)	**31**		**-26,063**		**-31,666**
TOTAL NET INCOME			**-57,728**		**77,734**

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

Unless clearly stated otherwise all amounts are in thousands of euros

12.14 Accounting policies

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

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

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

12.15 Notes to the single Balance Sheet

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

25 Real estate

	2018	2017
Balance per 1 January	9,284	1,571
Purchases	6,642	8,004
Sales	-1,673	-140
Valuation changes	811	-151
Balance per 31 December	**15,064**	**9,284**

26 Other financial investments

	31-12-2018	31-12-2017
Cash available for investments	221,085	46,977
Liquid assets available for investment	358	24,589
Collaterals	0	3,658
Pending trades	0	0
Deducted investments ARP	-29,527	-22,885
Total	**191,916**	**52,339**

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

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

Unless clearly stated otherwise all amounts are in thousands of euros

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

Type of contract	Capital	Loans	Total value
Balance per 31 December 2016	**62,137**	**69,162**	**131,299**
Repayments and dividend	0	0	0
Operational result 2017	-29,046	0	-29,046
Revaluations (foreign currency)	-2,620	-2,655	-5,275
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**

The Senior Debt loans (EUR 55,941) have an average interest rate of 5.06% and the Junior Debt loans (EUR 9,720) have an average interest rate of 10.06%. The final maturity date of all loans is 2 November 2020 and all loans are denominated in GBP. There are no particular warranties underlying the loan.

28 Other receivables

	31-12-2018	31-12-2017
Contribution from employer	0	0
Accrued Interest Intercompany loan MREI	962	973
Advance payment benefits	0	37
Prepaid expenses	0	0
Total	**962**	**1,010**

29 Current Liabilities

	31-12-2018	31-12-2017
Derivatives	9,730	10,106
Accrued expenses and other liabilities	1,695	2,092
Contributions employer	291	71
Wage tax and premiums social security	938	863
Total	**12,654**	**13,132**

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

12.16 Notes to the single statement of income and expenses

30 Investments results for risk pension fund

	Direct investment results	Indirect investment results	Investment related costs	Total 2018	Total 2017
Real Estate	49	805	0	854	-85
Equity	4,637	8,249	-644	12,242	85,850
Fixed Income	7,395	-6,514	-177	704	-9,682
Derivatives and hedge funds	160	17,205	-940	16,426	22,228
Other financial investments	-650	306	-3,394	-3,738	-3,336
Investment results	**11,592**	**20,051**	**-5,155**	**26,487**	**94,975**
Allocated to ARP				-1,096	-714
Loan to subsidiary	3,870			3,870	1,252
Net Investment result				**29,261**	**95,513**

Unless clearly stated otherwise all amounts are in thousands of euros

31 Result subsidiary (MREI)

The result of the subsidiary is compiled of:

	2018	2017
Operational result	-25,407	-29,599
Results on exchange rates	-656	-2,067
Total	**-26,063**	**-31,666**

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 (2017: three employees) who have employment contracts with Mars Nederland B.V. and have been outsourced to Mars Pension fund. The costs are charged to Mars Pension fund and included in this report.

Veghel, 18 June 2019

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

Unless clearly stated otherwise all amounts are in thousands of euros

OTHER INFORMATION

13 OTHER INFORMATION

13.1 Articles of association governing profit appropriation

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

13.2 Actuarial Statement

Actuarial Statement

Assignment
The assignment to issue an Actuarial Statement, as referred to in the Pension Act in respect of the financial year 2018 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 € 8,250,000. With the external auditor I have agreed to report any observed discrepancies above a level of € 550,000. 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.

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

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

Apeldoorn, 18 June 2019

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

13.3 Independent auditor's report

Independent auditor's report

To: the Pension Board of Stichting Mars Pensioenfonds

Report on the financial statements 2018

Our opinion

In our opinion, Stichting Mars Pensioenfonds's financial statements give a true and fair view of the financial position of the Foundation and the Group as at 31 December 2018, 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 2018 of Stichting Mars Pensioenfonds, Meierijstad ('the Foundation'). The financial statements include the consolidated financial statements of Stichting Mars Pensioenfonds together with its subsidiaries ('the Group') and the company financial statements.

The financial statements comprise:

- the consolidated and company balance sheet as at 31 December 2018;
- the consolidated and company 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 – Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

Report on the other information included in the annual report

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

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

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

- is consistent with the financial statements and does not contain material misstatements;
- contains 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 audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

Groningen, 18 June 2019
PricewaterhouseCoopers Accountants N.V.

Original has been signed by H.D.M. Plomp RA

Appendix to our auditor's report on the financial statements 2018 of Stichting Mars Pensioenfonds

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

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

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

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

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

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

13.4 Terminology

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

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