Annual Report

2020

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 2020 the value of the Assets of Stichting Mars Pensioenfonds (hereafter: "MPF" or "Mars Pension Fund") went first down due to the outbreak of Covid-19, but in the 4th quarter of the year there was a strong recovery. Over the year we had a performance of 7.0% equal to the benchmark. The performance over the last 10 years was 7.9% against a benchmark of 7.1%.
However, as the ECB lowered interest rates even further to support the economy our Liabilities went up. As a result, our Funding Ratio went from 122% at the end of 2019 to 119% at the end of 2020. The Policy Funding Ratio [12 months average] decreased from 123% to 113%, which was below the required solvency ratio of 122%.
During the first quarter of 2021 interest rates went up as a result of inflation expectations in the market. There is a wide-spread expectation of strong economic recovery after advanced vaccinations. End of April 2021 our Funding Ratio was close to 130%, which is above the solvency margin. During the month of May we took the decision to protect the improved financial position for a fall in the equity markets however leaving a great deal of upside potential, as this is in the interest of all our stakeholders.

On the basis of the financial position at the end of September we were able to grant a partial indexation of 0.34%. Given the financial position below the Solvency level there will be an extra contribution by the Company during 2021 and we also filed a Recovery Plan with DNB. We expect a relatively quick recovery.

The year 2020 we will always remember as the year that we all worked from home pretty much during most of the year. It is remarkable that all our activities and those of all our external parties too such as TKP have continued almost as normal although under very strange circumstances. We have worked with a Crisis Team and agreed proxies and replacements of key functions in case of personal calamities. We also updated our Crisis Plan. Fortunately, all our staff have been safe throughout the whole period including our external parties.

It has been even more remarkable that we were able to complete a search project for a new Pension Provider as TKP has terminated the contract as of 1 Jan 2022. All of 2020 a team has been busy to complete that search with a successful result towards the end of the year. From 1 January 2022, Blue Sky Group (BSG) will be our new Pension Provider. BSG is the Pension Provider for e.g. the KLM Pension Funds and the Pension Fund of Phillips. Implementation will take place during 2021.

We are paying increasing attention to the ESG element of our investment policy, i.e. behaving as a responsible and aware investor and have been working on an updated policy document that we approved in the first quarter of 2021. Additions are ESG beliefs on top of our investment beliefs and we have agreed to become signatory to the UNPRI. This is an initiative of the United Nations with regards to Principles of Responsible Investing. By signing we declare that we agree that ESG factors matter and need to be considered seriously. We have adjusted our website to inform beneficiaries of MPF. The ESG policy is not a stationary point but will be further developed over the next years as it has become a permanent factor of consideration.

We performed a Board Self-Assessment confirming our recently adjusted Mission, Vision and Strategy document. We specifically focused on the changes that we will encounter as a result of the new Pension Agreement. We concluded that notwithstanding the ongoing pressures we are a sustainable fund and have a professional Board and Pension Office/T&B organization to take on the challenges that lay ahead, be it in governance, administration, investments and pension plan management.

As part of our Integral Risk Management we had to propose Key Function Holders (KFH) for Risk Management and Internal Audit to DNB. As KFH Internal Audit Ryan de Waard has been approved by DNB. Ryan is a specialist in this area, and he works for BDO.
The KFH for Risk Management is expected to be approved in the first half of 2021. With that we have fulfilled all obligations coming from the IORP-II legislation.

Since a couple of years, we work with a Talent Pool from which we can source new Board or Committee members when vacancies arise. With the support from the Company we were able to add members to the Talent Pool, but unfortunately we have also lost some members. As of now we have one aspirant Board member which we need as Wim van de Laar is stepping down in March 2021 as Board member representing Active Associates as his term ends and he is no longer an Active Associate. On the Accountability Council we have 2 Talent Pool members and also one in the Communication Committee.

Veghel, 15 June 2021

William van Ettinger
Chairman of the Board

1 KEY FIGURES

	2020	2019	2018	2017	2016
Members and retirees					
Active members	1,336	1,388	1,401	1,414	1,411
- Final Pay Plan	506	607[1]	601	649	685
- ARP/ASP Plan	830	781	800	765	726
Deferred members	1,277	1,267	1,223	1,145	1,126
Retirees	1,373	1,289	1,263	1,230	1,206
Retirees per type					
Old age pension	1,074	987	958	927	902
Partner- and orphan pension	299	302	305	303	330
Pensions					
Cost covering contribution	49.1%	33.6%	31.6%	32.7%	30.0%
Smoothed cost covering contribution	27.3%	22.1%	20.4%	17.6%	16.9%
Actual contribution	21.1%	7.2%[2]	23.1%	25.0%	25.0%
Execution- and administration costs	2,843	2,805	2,357	2,407	1,947
Benefit payments	35,600	33,900	31,700	30,300	30,300
Indexation ARP					
Active members (year+1)	5.03%	5.36%	4.23%	3.60%	3.56%
Inactive members (year+1)	5.03%	2.26%	4.32%	3.52%	1.80%
Indexation Final Pay plan					
Deferred members and retirees (year+1)	0.34%	1.98%	1.41%	0.97%	0.02%
Deferred members and retirees (catch-up)	0%	0%	Max 2.9%[3]	0%	0%
Additional pension entitlements actives (year+1)	1.87%	2.88%	2.05%	1.53%	0.74%
Additional pension entitlements actives (2015/2018)	0.76%	2.88%	2.05%	1.36%	0.26%

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

Unless clearly stated otherwise all amounts are in thousands of euros

	2020	2019	2018	2017	2016
Assets and solvency					
Required general reserve	333,800	314,400	279,500	367,100	290,800
Minimum general reserve	58,500	53,900	48,900	47,000	47,800
Regulatory own funds	287,438	306,400	310,800	368,500	367,700
Profit/loss in year	-18,999	-4,300	-57,700	77,700	20,500
AAL at the risk of the pension fund	1,393,000	1,290,100	1,134,300	1,094,000	1,123,400
Funding ratio	119.3%	122.4%	126.0%	132.2%	125.0%
Policy Funding Ratio	113.2%	123.3%	133.3%	132.3%	116.6%
Market Value of assets	1,775,000	1,674,000	1,504,000	1,515,000	1,455,000
Investment returns	119,000	197,000	1,000	64,000	108,000
Investment portfolio					
Real estate investments	74,000	83,000	77,000	98,000	122,400
Equity	764,000	740,000	549,000	847,000	865,800
Fixed income	534,400	487,000	515,000	378,000	319,000
Other investments	325,700	307,300	363,000	192,000	148,000
Investment results					
Total portfolio	7.0%	13.0%	0.3%	4.5%	7.5%
Benchmark Return	7.0%	13.5%	0.6%	5.8%	6.3%
Average return per year					
Last 5 years	6.4%	6.4%	7.2%	9.5%	11.2%
Last 10 years	7.9%	8.1%	8.9%	6.4%	6.5%
Investments for risk of the members (ASP and ARP)	94,832	76,921	58,900	51,500	41,800

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2 GENERAL INFORMATION

2.1 Legal structure

Stichting Mars Pensioenfonds (hereinafter: Mars Pension Fund or MPF) was established in 1964 and has its statutory seat in Meierijstad, Taylorweg 5, Veghel. Mars Pension Fund is registered in the Trade Register of the Chamber of Commerce under number 41081174. The Articles of Association were last changed in December 2020.

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

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

2.2 Statutory objectives

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

Mars Pension Fund has updated the mission, vision and the strategy as part of the ABTN in 2020. In the next chapters, a summary of the mission, vision, strategy and of the risk attitude based on these fund documents is included.

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

- Quality
- Responsibility
- Mutuality
- Efficiency
- Freedom

Vision
Until the start of the new pension system the characteristics of MPF 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 MPF in the period until the start of the new pension system:

- We have the ambition to provide excellent pension plans.
- We still have a Parity Board with the possibility of an external board member.
- We strive for excellent quality in our services, supported by excellent expertise from outside and inside.
- We want to continue the good relationship with the sponsoring company and the trust the members have in MPF.
- We will execute less complex pension plans.
- We will prepare the pension fund as good as possible for the change to the new pension system.
- At all times the Pension Board will consider the interests of all stakeholders to the plans in a balanced way.

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

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

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

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

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

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

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

<u>Strategic</u>
- MPF will regularly discuss all relevant aspects of the execution of the pension plans with the sponsoring companies.
- MPF will monitor the development of the new Pension Deal, will proactively discuss the implications with the sponsoring companies, and will prepare its administration, investments and processes as good as possible for the change to the new pension system.

Risk attitudes
The objectives, policy principles and risk attitudes of the Pension Fund are results of the mission, vision and strategy of the Pension Fund. As from December 2017 the Pension Fund has, besides the risk attitude of the Final Pay plan, also defined a risk attitude for the ARP/ASP plan. The risk attitudes describe the risk appetite and risk tolerance as agreed with the stakeholders by the Pension Fund and is part of the

ABTN and the AFA. The AFA specifies mutual responsibilities, authorities, entitlements and financial and other obligations between Mars Pension Fund and the companies listed below:

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

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

ABTN
The ABTN, one of the most important documents of MPF, provides insight into the operation of Mars Pension Fund and gives a description of the policies pursued by the Pension Fund. The ABTN was last modified on 17 December 2020 and applies from 31 December 2020. The most important changes are the structure of the ABTN (3 layers), the update of the crisis plan and the update of the technical assumptions.

2.3 Organization

2.3.1 Pension Board

Mars Pension Fund is governed by a Pension Board. The Pension Board consists of six members: i.e. three employer and three member representatives from whom one is elected by the retirees and two by active members.
The Pension Board appoints one of its members as chairman. The Pension Board's composition meets the criteria specified in the so-called Suitability Policy (Geschiktheidsbeleid) of Mars Pension Fund. This Policy was updated and approved by the Board on 25 March 2020. The Pension Board shall pass resolutions by a simple majority vote unless the Articles of Association (Statuten) require otherwise. Each Pension Board Member may authorize another Pension Board Member in writing to represent him/her during a Pension Board meeting, including the authority to vote. A Pension Board Member may not represent more than one other Pension Board Member. Valid resolutions may only pass if at least four Pension Board Members are present or represented at the meeting, of which two being member representatives and two employee representatives. Pension Board meetings are generally physical meetings, but online or telephone meetings are also allowed if necessary/agreed by all Board members. Due to Covid-19 in 2020 all Pension Board meetings were hold via videoconferencing.

As of 31 December 2020 the Pension Board has the following members:

On behalf of employers:

Name	Job title in Pension Board	Job title	Year of appointment	Year of stepping down
Mr. P. van Bree (1974)	Board member	European Risk & Compliance Manager	2018	2022
Mrs. R. Steenbergen (1969)	Board member	Investment & Control Manager EMEA	2016	2024
Mr. W. van Ettinger (1955)	Chairman of the Board	Retiree, former Director T&B EMEA	1997	2022

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On 25 March 2020 Mrs. R. Steenbergen has been reappointed for a second term.

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[4]
Mr. H. van Heesch (1964)	Board member	Process Operator	2018	2022

On behalf of the pension beneficiaries:

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

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

2.3.2 Key functions

MPF has set up key functions under the IORP II legislation. The structure is such that key function holders for Risk Management and for Internal Audit will be placed within the Board ideally as part of their PB role. Mr. P. van Bree is the intended key function holder for Risk Management and he is assisted in this task by Willis Towers Watson (WTW), Purmerend. Mr. H. Faassen has been the acting key function holder Internal Audit in 2020. As from 23 March 2021 Mr. R. de Waard –insourced from BDO- is appointed as the key function holder Internal Audit. He will be assisted by BDO as performer of the Internal Audit function.
The Actuarial key function is performed by Mr. R. van de Meerakker, WTW, who is also the certifying actuary.

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

The Executive Board consists of:

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

2.3.3 Pension Office

The Pension Board has delegated the operational duties to the Pension Office which is led by the Director. The Pension Board has specified that the Suitability Policy also applies to the Director. The responsibilities of the Pension Office are documented in the document “Regulations of the Pension Board of MPF”. The

[4] On 28 February 2021 the term of Mr. W. van de Laar has ended. As from 1 March 2021 there is a vacancy in the Pension Board.
[5] During Mrs. S. Tonnaer's absence, Mrs. H. Bakermans acts as Interim Director of MPF.

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

The Pension Office consists of:

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

2.3.4 Accountability Council and Supervisory Council

Accountability Council (Verantwoordingsorgaan)
The Accountability Council's role is to critically review the Pension Board's range of policies. It focusses specifically on the stakeholders interests and whether these interests are adequately balanced by the Board. The Council consists of three members each representing a key stakeholder: the plan members (actieve deelnemers), the beneficiaries (pensioengerechtigden), and the sponsor. In this way all relevant stakeholders are represented.
A separate section is included in the Annual Report that reflects the Accountability Council's findings for the year 2020.

At the end of 2020 the Accountability Council consists of:

Name	Job title	Year of stepping down	On behalf of
Mr. I. Langer (1965)	Global Benefits Director	2022	Employer
Mrs. J. Vermeulen (1973)	Manager Associate Rewards and Secretary of the AC	2021	Employees
Mr. A. van Gestel (1961)	Retiree and Chairman of the AC	2024	Beneficiaries

The term of Mr. A. van Gestel ended on 1 July 2020. He has been reappointed for his second term on 18 June 2020 for a term of 4 years. The term of Mrs. J. Vermeulen ends on 31 May 2021. She has been reappointed for a term of 4 years.

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

Supervisory Council (Raad van Toezicht)
MPF have appointed a Supervisory Council (Raad van Toezicht), who supervises the policies of the Pension Board and the general position and governance of MPF, with a special attention on risk management both short and long term. The Council is a legal requirement and its members need to be independent to the Mars Fund, so by definition these are external people. The council members need (together) to cover the entire Pension Fund management spectrum.
A separate section is included in the Annual Report that reflects the Supervisory Council's findings for 2020.

Unless clearly stated otherwise all amounts are in thousands of euros

At the end of 2020 the Supervisory Council consists of:

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

The term of Mr. B. Davis ended on 31 December 2020. On 17 December 2020 Mr. P. de Koning has been appointed as the Chairman of the Supervisory Council as from 1 January 2021 for a term of 4 years.

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). In 2019 TKP has made the strategic decision to stop servicing a number of relatively smaller funds including MPF. For MPF this means that the contract is terminated as of 1 January 2022. In 2020 MPF has selected Blue Sky Group as their new pension administrator. In 2021 the transition process will take place.

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 (BoNYM). BoNYM is responsible for custody accounting for all segregated accounts of the Plan, as well as record keeping accounting of all assets held outside BoNYM, with administrators of the various pooled funds that the Plan invests with, as well as the operational cash account of the Plan. A subsidiary of BoNYM, called Global Risk Solutions, is appointed as Performance measurer.

2.3.7 Investment committee

The Pension Board has established an Investment Committee for the assets. Committee members are appointed by the Pension Board.

As from January 2012 the investment committee 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 actualized.

At the end of 2020 the Investment Committee was composed of the following members:

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

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2.3.8 ASP Member Group

The ASP Member Group provides the Pension Board with observations related to the ongoing matters of the Associate Selection Plan (ASP), which is part of ARP/ASP plan. The responsibilities have been documented in the Terms of Reference – ASP Member Group which have been approved in the Pension Board meeting of 23 March 2021.

On 31 December 2020 the ASP Member Group 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 ASP Member Group
Mr. M. de Vries	Sr. Technologist R&D	Member representative
Mr. J. Janssen	Treasury Operations Manager	Member representative
Mr. R. van den Beucken	Proces Area Operator Supply	Member representative
Mr. J. Gottschalk	Proces Operator Supply	Member representative

2.3.9 Investment managers

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

2.3.10 External Advisors

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

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

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 2020 is 119.3%. The Policy Funding Ratio (PFR) is the average of the Funding Ratios over the past twelve months.

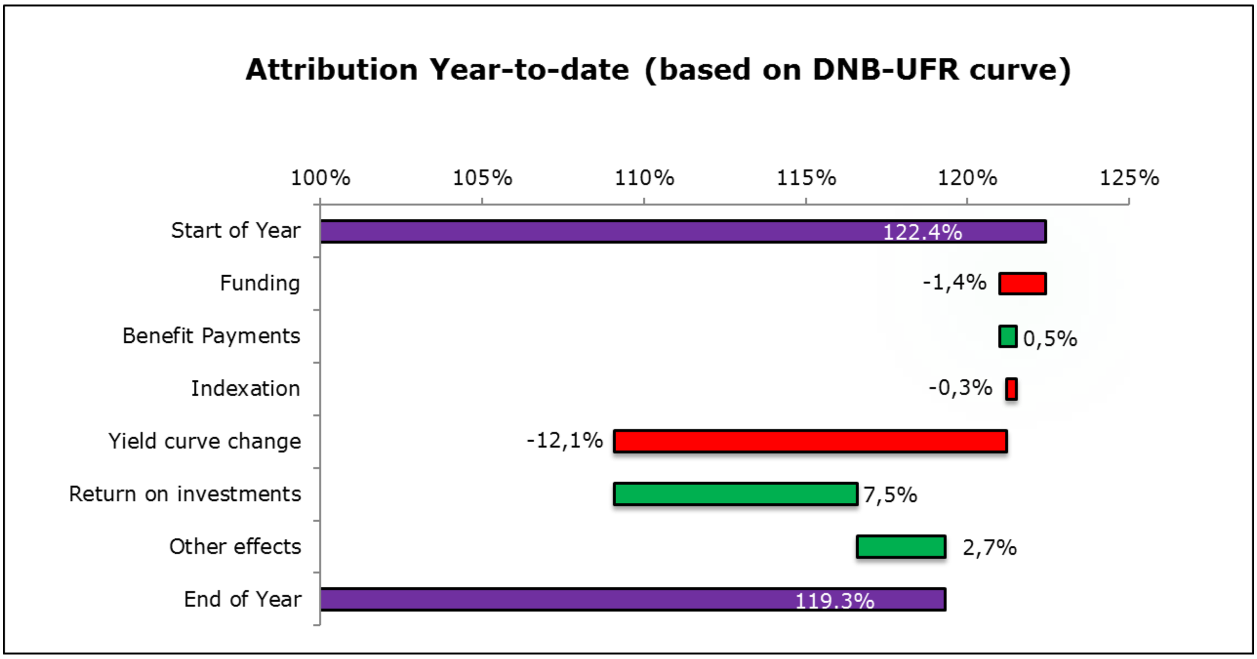
The historical development of the (nominal) (P)FR of Mars Pension Fund is presented in the table below:

	Funding Ratio	Policy 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%	124.2%	132.4%
31 December 2016	125.0%	116.6%	131.3%
31 December 2017	132.2%	132.3%	132.1%
31 December 2018	126.0%	133.3%	123.4%
31 December 2019	122.4%	123.3%	123.1%
31 December 2020	119.3%	113.2%	122.4%

During 2020 the FR decreased with 3%, mainly due to an increase in the AAL (because of a lower applied interest rate). The investments increased due to positive returns.

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

The impact of the developments in 2020 is shown in the next figure:



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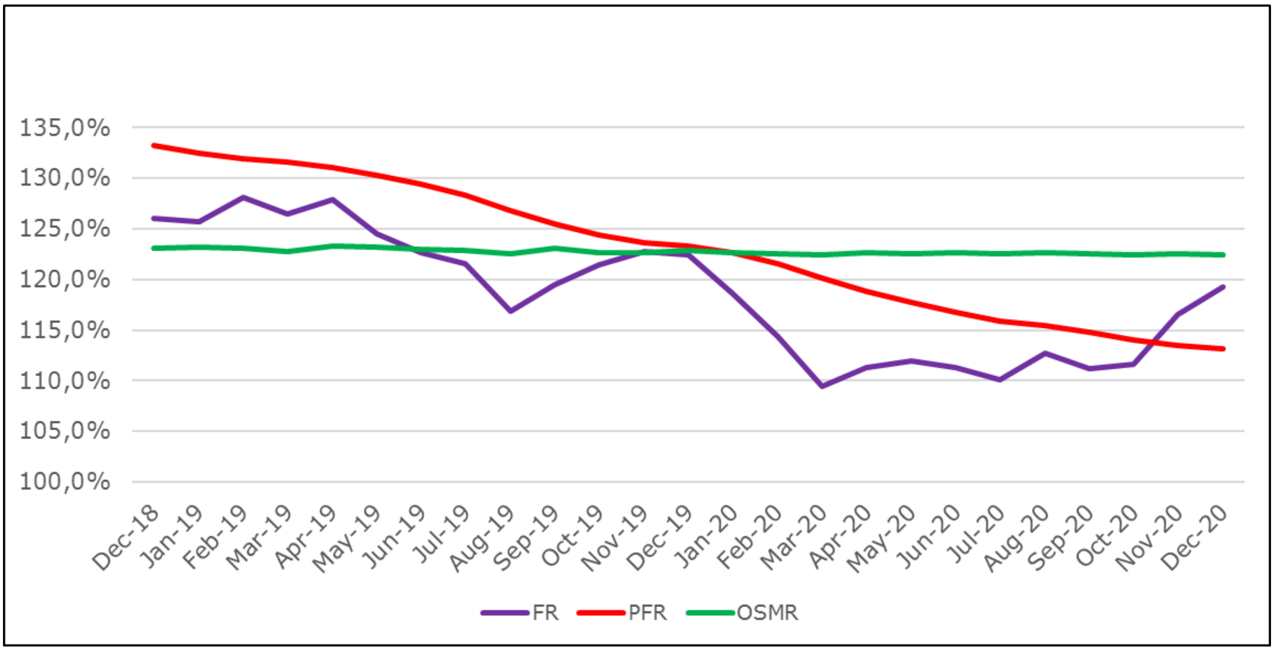
3.2 Policy Funding Ratio

The Policy Funding Ratio (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 2020 the PFR decreased from 123.3% to 113.2%.

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



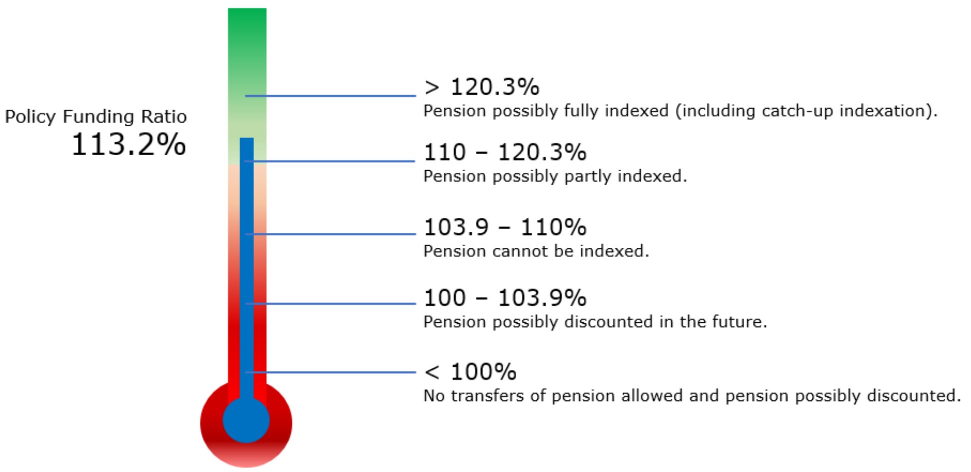
3.3 Other relevant ratios

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

- The **funding ratio for future proof indexation** at 31 December 2020 is approximately 116.6%. The new FTK determines that pension funds are only allowed to give full indexation according to their indexation policy if the Policy Funding Ratio (PFR) 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 2020 is 122.4%. 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 PFR is below the level of the OSMR, the pension fund has a deficit. This is the case at the end of 2020 with a PFR of 113.2%.
- The **Target Indexation Limit** (TIL) is the maximum of the funding ratio for future proof indexation and the OSMR and equals 120.3% at year-end 2020. When the PFR 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 PFR is below this level, indexation of pension rights is not allowed anymore. The LIL is equal to 110.0% at the end of 2020.
- The **Minimum Technical Reserve** (MTR) is 103.9%. A reduction of pension rights is required if a pension fund has a PFR 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 PFR is below this level, pension funds are not allowed to pay amounts to or receive amounts from other pension funds. Although the PFR 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 127.4% at year-end 2020. When the PFR is at or above this limit, MPF is allowed to reduce the contribution to be paid by the employer.
- The **critical funding ratio** is the lowest possible Funding Ratio (FR) 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 2020):



3.4 Recovery plan

As a consequence of the financial position at 31 March 2020 (PFR below OSMR) and on the basis of the definitions as established by DNB there was a reserve deficit. A recovery plan was therefore required. The recovery plan was drawn up and submitted to DNB in June 2020. At the end of 2020 the Pension Fund still has a reserve deficit, therefore an update of the recovery plan needed to be submitted to DNB in the first quarter of 2021. Based on this updated recovery plan, it is expected that the pension fund will have reached the required capital by 2022. No additional measures have been included in the recovery plan. DNB approved the recovery plan on May 19, 2021.

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 4.3). This risk attitude including the financial limits for the long term is developed by Mars Pension Fund together with the stakeholders.
In June 2020, the annual feasibility test was performed by WTW. This test shows that the expected pension result at fund level is sufficiently in line with the established lower limit and that the pension result at fund level in a negative scenario does not deviate too much from the expected pension result at fund level.

3.6 Contribution policy

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

The contribution policy is agreed between the Company and the Pension Fund in the Administration & Financial Agreement. The actual employer contribution is equal to the structural contribution of 20% of

pensionable salaries and is at least equal to the smoothed cost-covering (employer) contribution for that year as calculated in November of the preceding year.
If the Policy Funding Ratio is below the OSMR as per the calculation date, the actual contribution is increased to a maximum of 25% of the pensionable salaries. The maximum of 25% does not apply in this scenario if the resulting actual contribution would not be cost-covering or would be insufficient for timely recovery according to the recovery plan. In that case the actual contribution will be equal to the smoothed cost covering contribution.
In case the Policy Funding Ratio is lower than the MTR, the maximum percentage of 25% is also not applicable and the annual contribution will be the maximum of 20% and the smoothed cost covering contribution plus one fifth of the extra contribution necessary to recover to at least 103.9% (MTR).
On the other hand, if the Policy Funding Ratio is above the CCL and the Pension Fund complies with the relevant legal conditions, then the Pension Board may decide to lower the actual contribution
The Pension Board may decide to deviate from the contribution policy and can decide to increase or reduce the actual contribution. More details are provided in the actuarial section (Chapter 8).

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

3.7 Costs

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

3.7.1 Execution- and administration costs

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

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

	2020	2019	2018	2017	2016
Annual execution- and administration costs in thousands of euros	2,843	2,805	2,357	2,407	1,947
Costs per member in euros: active members and retirees	1,049	1,048	885	910	744
Costs per member in euros: active members, retirees and inactive members	713	711	607	635	521

As MPF has high standards on plan governance, risk management, member administration and communication, it results in relatively high costs compared to other pension funds. This is caused by the relative low number of members and complexity of the pension scheme. The costs for 2020 include 525 VAT. The costs are slightly higher compared to 2019 due to advisory costs.

3.7.2 Investment costs

The table below shows the investment related costs incurred by the Pension Fund in 2020.

	Costs outside the funds (in bps)	Costs inside the funds (in bps)	Total costs (in bps)	2019
Management fees	0.13%	0.23%	0.36%	0.37%
Advisory fees	0.10%	0.00%	0.10%	0.10%
Other fees	0.00%	0.09%	0.09%	0.16%
Performance fees	0.00%	0.18%	0.18%	0.13%
Total	**0.23%**	**0.50%**	**0.73%**	**0.76%**
2nd layer costs	0.00%	0.97%	0.97%	0.70%
Total 1st and 2nd layer	**0.23%**	**1.47%**	**1.70%**	**1.46%**
Transaction costs			0.14%	0.13%
Total Investment costs			**1.84%**	**1.59%**

The percentages in the table represent all investment-related costs with the exclusion of transaction costs (EUR 28.1 million) which include the costs for real estate management. The average amount of investments during 2020 amounts to EUR 1,659 million, which gives an investment cost ratio of 1.70%. The operational costs for the direct real estate portfolio (EUR 14.2 million) are not included in this table.

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

Transaction costs are estimated. These costs are invisible to the Pension Fund and generally not yet recorded and available from the custodian records. Based on the directions provided by the Federation of Dutch Pension Funds, an estimation of the transaction costs has been made by Secor, which are adopted in this report. Including transaction costs the investment costs ratio is 1.84%

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 2019 actual costs data.

The increase of total investment costs from 1.59% in 2019 to 1.84% in 2020 is mostly driven by an increase in both direct performance fees (PEM Effem Fund II) as well as performance fees in the 2nd layer costs of fund of fund managers (BAAM Effem, PEM Effem Fund II and PEM Effem Fund III).

The table below shows the investment related expenses, including 2nd layer cost per asset category as % of Total Plan NAV.

Actual invoiced amounts represented in the Annual accounts are different since most of the investment manager fees are not invoiced to the fund, instead these costs are netted in the results. The total of 2.473M EUR represents the actually invoiced fees which are represented in the Annual accounts in Note 13, under 'Management fee external asset managers'.

Unless clearly stated otherwise all amounts are in thousands of euros

	Real Estate	Equity	Fixed Income	Hedge funds	Other	Total
Fees (K EUR)	1,812	16,849	1,058	6,226	2,199	28,147
Fees invoiced (K EUR)	83	914	759	0	718	2,473
Fees (%)	0.11%	1.02%	0.06%	0.38%	0.13%	1.70%
Transaction costs (K EUR)	0	645	841	0	856	2,342
Transaction costs (%)	0	0.04%	0.05%	0	0.05%	0.14%

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

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

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

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

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

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

Unless clearly stated otherwise all amounts are in thousands of euros

During 2020 MPF has participated in cost benchmarking performed by the Institutional Benchmarking Institute (IBI). In the IBI cost benchmark 25 Dutch pension funds participated of which 9 are suitable peers for MPF based on size, of that 9 pension funds 5 are (part of) multinationals. The IBI benchmark report shows that MPF has a very diversified and a very active portfolio, which is in line with the earlier mentioned investment principles. The benchmark against the peer group showed that MPF has significantly higher asset management costs for risk seeking assets compared to the peer group, however this is justified by more than significant excess net of fees performance on the risk seeking assets. The risk seeking assets consist of all asset classes that MPF is invested in, with the exception of Fixed Income and Overlays.

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

3.8 Pension plans

The current pension plans (Final Pay Plan and ARP/ASP plan) became applicable as of 1 January 2020. For those members who were already a member of the pension plan before 1 January 2004 the "Final Pay Plan" applies. For those members who became a member on or after 1 January 2004, the defined contribution plan called "ARP/ASP plan" applies.

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

	2020	**2019**
ARP/ASP plan	830	781
Final Pay plan	506	607
Total	**1,336**	**1,388**

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

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

3.8.1 Indexation

Below the indexation granted as per 1 January 2021 in the Final Pay plan and the interest addition in 2019 in the ARP plan are described. More information about the indexation policy itself can be found in chapter 6 (Pensions).

Note that the indexations per 1 January 2021 have already been included in the AAL year-end 2020.

<u>Indexation of the accrued pensions of the members of the Final Pay plan</u>
The Fund was able to meet its indexation ambition and implemented an indexation of 0.34% as of 1 January 2021. The decision for the indexation was made on 16 November 2020 based on the PFR at the end of September 2020 (114.8%). The indexation per 1 January 2021 is included in the AAL year-end 2020.

Indexation for retirees and deferred members in January 2021
The PFR at the end of September 2020 is above 110%, but below the OSMR (or TIL); therefore a partial indexation of 0.34% is granted, which is in line with the indexation policy. This is based on the following: The CPI is 1.1%. The target indexation is 75% of this CPI: 0.83%. As the Wage index 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 0.83%. Based on the PFR as of 30 September 2020 (114.8%), a partial indexation of 0.34% can be granted per 1 January 2021.

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 1.87% on 1 January 2021, based on the full period of September-September. This is

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corrected for differences between tentative CBS numbers and definitive CBS numbers in the past. This results in the indexation EOP and EPP of 1.87%.

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 1.0%. Based on the Policy Funding Ratio, a partial indexation of 0.76% can be granted per 1 January 2021.

Catch-up indexation for retirees and deferred members
As of 1 January 2021, a partial indexation (40.8% of target indexation) was given. As a result, there is a backlog of 0.49% in indexation applicable. This is also the cumulative backlog since all missed indexation was granted per 1 January 2019.

Interest ARP/ASP plan
For both the active and inactive members in the ARP/ASP plan, the (annualized) interest on the ARP Plan is conditional and depending on the means available. Means are the 'depot' and the realized investment return in the previous year. MPF strives for a yearly return accrual (interest) equal to CPI plus 3%. In the first half of 2019, 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 5.65% in the period 1 January 2020 until 30 June 2020. For the inactive members the interest given in the first half year of 2020 was also 5.65%. For the second half of 2020 the actual return on assets in combination with the means available was enough to give the active members the target interest of 4.40%. For the inactive members the interest given in the second half year of 2020 was also equal to 4.40%. For active members the total yearly interest is 5.03% for 2020. For the inactive members the total annual interest is 5.03% for 2020.

3.9 Actuarial

This section contains a summary of the actuarial report.

	31 December 2020	**31 December 2019**
Market Value of Assets at risk of the pension fund	1,680,428	1,596,521
Market Value of Assets at risk of the members	94,832	76,921
Market Value of Assets Total	1,775,260	1,673,442
Actuarial Accrued Liabilities at the risk of the pension fund	1,392,990	1,290,084
Actuarial Accrued Liabilities at the risk of the members	94,832	76,921
Actuarial Accrued Liabilities Total	1,487,822	1,367,005
Actual Funding Ratio	119.3%	122.4%
Policy Funding Ratio	113.2%	123.3%
Ongoing Solvency Margin Ratio	122.4%	123.1%
Minimum Technical Reserve	103.9%	103.9%

During the financial year 2020 the Actuarial Accrued Liabilities at risk of the pension fund (AALPF) increased with 102,906. An important reason for this change is the yield curve change (increase in AALPF of 151,565).

The profit and loss account (P/L) shows a negative result of 18,999 leading to the general reserve decreasing from 306,437 to 287,438 at the end of 2020. The Funding Ratio decreased during 2020 from 122.4% to 119.3%. At year-end 2020 the Funding Ratio is above the minimum Technical Reserve, but below the Ongoing Solvency Margin Ration of 122.4%.

Unless clearly stated otherwise all amounts are in thousands of euros

The cost covering contribution at market value is determined at 43,370. The smoothed cost covering contribution equals 24,130. The actual contribution was 21,378. 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 estimated smoothed cost covering contribution for the employers before the start of 2020 was higher than the structural contribution, the actual employer contribution is increased to the smoothed cost covering contribution of 21.1% of the pensionable salary sum (2019: 7.2%).

3.10 Administrative and Financial Agreement

With the choice of BSG being the future pension administer of MPF, the policy for catch-up indexation was not in line with the standard procedure within BSG. This has been discussed within the Pension Board, and between social partners. It has been decided to bring the policy for catch-up indexation in line with the standard procedure of BSG. The Administrative and Financial Agreement (AFA) was updated and signed in December 2020. Further the plan rules and ABTN were changed to pick up on this procedure.

4 RISK SECTION

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

4.1 Risk management framework

The IORPII legislation took effect from 13 January 2019. MPF since then designed, documented and implemented an IRM framework which improves the risk management and which complies with all applicable legal rules (IORP II amongst others). The risk attitude for the non-financial risks and a series of Risk Self Assessments for non-financial risks have been performed for all identified risk areas. This last phase was started in 2019 and has been finalized in 2020, including approved risk monitoring.

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

1. Strategy and objectives

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

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

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

2. IRM governance

The basis for setting up the IRM governance of MPF is a clear allocation and appropriate segregation of tasks, responsibilities and authorities. The Pension Board is ultimately responsible for the appropriate control of all risks MPF is exposed to. This implies the responsibility to structure the organization (governance) and the key functions. The governance structure is based on the so-called 'Three Lines of Defence' 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, TBC, the Executive Board, Competency Teams and Committees. Together they form the first line;

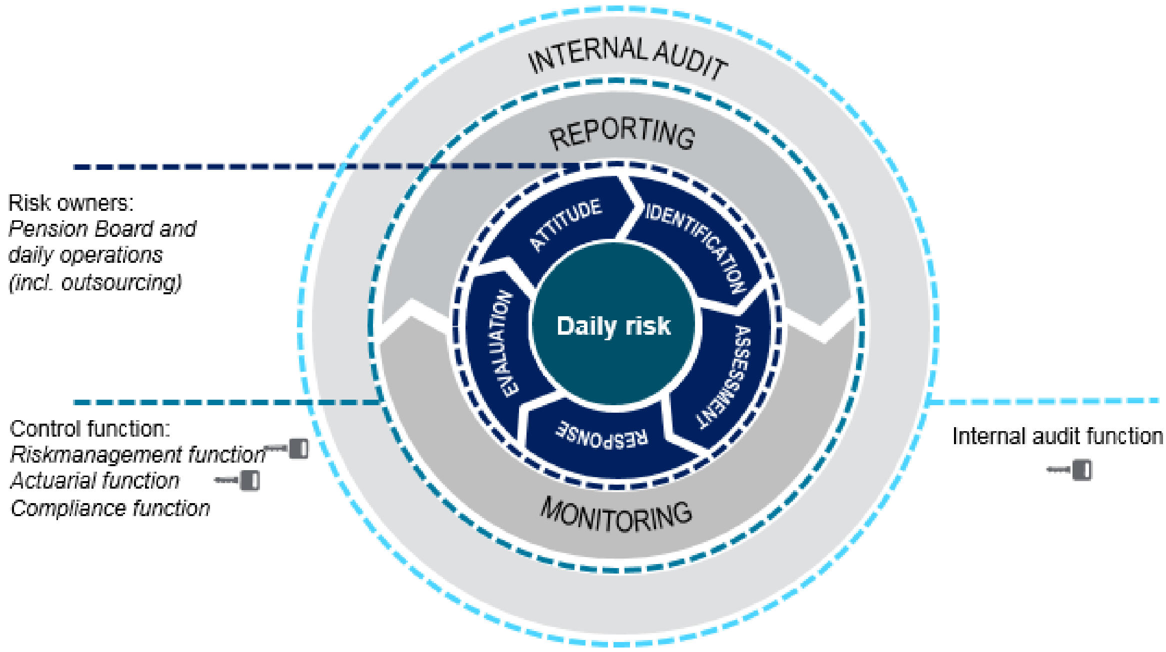
- The second line of defense is the control function that oversees the risk management and compliance of MPF. The responsibility of the control function must be separated from the responsibility of the risk owner. The activities involved with the control function are covered by several components of 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.

Mr. P. van Bree has fulfilled the role of acting KFH Risk Management in 2020. He is a Pension Board member but is not involved in any primary processes. He has separate second line contacts at the service providers of MPF and a direct line to the Key Function Holder actuarial (who also serves as the certifying actuary). The KFH Risk Management charter establishes independence and a direct connection to the Supervisory Council. MPF needs to get the acting Key Function Holder Risk Management approved by DNB first half 2021.

Also Mr. P. van Bree has fulfilled the role as MPF Compliance Officer in 2020, a function that also serves in monitoring risks with regards to adherence of laws and regulations. Also, this function is created in such a way that it can operate in a fully independent manner, supported by the renewed Compliance Charter.

- The internal audit function will periodically evaluate the adequacy and effectiveness of the internal control system. This function is filled in by the key function holder internal audit and forms the third line. In 2020, Mr. H. Faassen has functioned as acting KFH Internal Audit, and in the December Board meeting, Mr. R. de Waard –insourced from BDO- has been proposed as KFH IA. In the Board meeting of March 2021, and after DNB consent, Mr. R. de Waard has been appointed as KFH IA. Audits are performed by the performer, which will be BDO. A strict segregation between the two functions has been set-up in order to have independency.

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



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

3. IRM process

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

1. **Attitude**: high level view of how much risk is acceptable or necessary, based on the general strategy of MPF;

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

Already in 2019, MPF has taken the first four steps of the above process for the non-financial risks. The steps 5 and 6 were performed over 2020. Step 5 is a returning and ongoing topic in each of the competency team meetings as well as in the focus group meetings. Information is shared, calibrated, assessed and challenged between the 1st and 2nd Line. The Pension Board is periodically informed by means of a presentation of the highlights through the dashboard, as well as by means of in-depth explanation in the Pension Board meeting by the first line action owners. Where needed, topics are pre-discussed in so called 'walk in' meetings which pre-empt shaping the picture and judgement of the board members, in order to facilitate an informed decision making at the board meeting.

There are structurally planned and recurring meetings between MPF and its providers (1st and 2nd Line), as well as between Key Function Holders amongst themselves. There is intensive and open interaction between MPF's first and second line, allowing deep understanding of risk exposure, risk changes, changes on mitigating actions and ongoing monitoring. The acting KFH Risk Management wraps this up in the dashboard which is presented to the full Pension Board on a quarterly basis.

Step 6 (evaluation) was done as part of the own risk assessment ('ERB'). More on this in chapter 7.12

There is one risk management framework for non-financial risks that fully coincides with the Mission, Vision, Strategy and Objectives of MPF. Furthermore, MPF has a clear action list to manage the identified exposures that are beyond the risk appetite.

For the financial risks a well-functioning risk process is in place and no major changes were required. The investment related financial risks are monitored daily at the strategic investment advisor and by the T&B team. Monitoring is shared, reviewed and discussed with the IC, the Investment Competency Group, the KFH Risk Management and the Board on a regular basis, for instance via the quarterly trustee reports. During the pandemic, the financial impacts to the fund were tightly managed and discussed on an ongoing basis (for instance relating to liquidity and the Tail Risk Hedge).

4.2 Main risk categories and control measures

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

4.2.1 Main non-financial risk categories

1. Pension Administration - Continuity

<u>Risk description</u>
The set of risks MPF is exposed to regarding discontinuity of the pension administration processes. Risks associated are the ability to find a new administrator for current plans, late or faulty implementation or

an increased rate of issues after the move. If this risk manifests itself, it will damage MPF's reputation and the confidence of the participants in MPF.

Risk assessment
MPF has made good progress over 2020, reducing the assessed magnitude of this risk from unacceptable versus MPF risk appetite down to alarming. The reason for the original judgment was that the current pension administrator had announced the end of the contract with MPF. In 2020, MPF has solidly project managed the subject and found an alternative administration provider, starting 1 January 2022. After running an Own Risk Assessment and assessing that the net risk exposure at the new provider is similar as current (and signing a contract with them), the likelihood of an issue was reduced back to 'possible'. However, all the good planning still has to be executed and the fund will keep focusing on making the transition happen over the course of 2021 and early 2022.

Control measures
Outsourcing Policy has been closely followed up.

The three parties in the transition have created an experienced steering committee which is managing the transition to the new pension administrator via bi-weekly meetings. A clear process has been agreed with all stakeholders and a clear set of milestones has been identified and agreed. Periodical follow up of progress versus these milestones, and versus the risks from the risk self-assessment, is shared by the Pension Office with the Pension Committee, Acting KFH Risk management and the Pension Board via a milestone report.

Developments in 2020
See above

2. Pension Administration – IT Agility

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

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

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

Developments in 2020
The new Pension Deal has several implications for the two plans MPF currently offers. However, the legislation is not yet ready, nor have social partners agreed on important subjects such as type of contract (new WVP+ vs new contract) and whether to ease-in existing rights and compensation. Hence the impacts to the ARP/ASP plan and the Final Pay plan are not yet clear. Only then the full impact and the needed IT agility can be assessed.
Despite the global increased exposure of IT security issues since the COVID crisis, no serious issues or incidents have occurred relating to IT. The Crisis Management Team focusing on COVID exposures has ran a set of checks internally and with service providers to pre-empt potential exposures.

The new administration provider BSG has already confirmed it can administrate the current plans (as is, some small amendments have been approved over 2020).

3. Loss of support / value for money

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

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

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

Developments in 2020
MPF are closely watching the events happening around the new Pension Deal. In first instance this is for social partners to decide on. MPF does seek active contact with social partners though in order to manage complexity and execution ability of the future Pension Deal and dealing with accrued rights.

4.2.2 Main financial risk categories

1. Interest rate risk

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

Strategic area
Pursue policies of de-risking when appropriate.

Control measures
The interest rate risk is partially covered by the interest rate hedge. This is comprised of the interest rate swaps and the bonds portfolio. The Pension Board has adopted a de-risking policy in which the interest rate hedge is depending on both the de-risking phase and the level of the real interest rate (the interest rate hedge will increase with increases in the level of the real interest rate). 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.

Developments in 2020
The board –after advise from the strategic investment advisor and the investment committee- changed the interest risk target table from 2-way to a 1-way trigger table. Which means that if the interest rate rises above a certain level or trigger, the hedging level is increased (and would not decrease again if interest rate decreases in a later time below that trigger).
The Plan remained in its first de-risking step over the course of 2020 and the interest rate hedging target remained at ~29% of the economic liability (coverage ratio was 29,7% 31 December 2020, which means MPF had a 48.0% unindexed coverage ratio). Liability coverage targets at each stage of the LDI target table were unchanged. Over the course of 2020, interest rates further decreased (hence no interest triggers were reached) leading to a projected impact on the Funding Ratio of -/-12.2% (which could not be fully compensated by assets value increase).

2. Market risk

<u>Risk description</u>
The risk of asset value reduction.

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

<u>Control measures</u>
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.

<u>Developments in 2020</u>
Over 2020 there have been no breaches to the investment guidelines and limits. The overall well-diversified portfolio provided a solid return despite the economic dip starting end Q1 by the Corona crisis. The projected impact of the positive investment return on the Funding Ratio was +7,4% (not offsetting the above interest rate impact).

Sensitivity of Funding Ratio
The below table shows the sensitivity of the Funding Ratio to interest rate movements and/or an equity market shock at 31 December 2020:

		Shock interest rates								
		-1,00%	-0,75%	-0,50%	-0,25%	0,00%	0,25%	0,50%	0,75%	1,00%
Shock equity and real estate	-25%	98,5%	100,9%	103,3%	105,6%	107,9%	110,1%	112,3%	114,4%	116,4%
	-20%	100,4%	102,9%	105,4%	107,8%	110,2%	112,5%	114,7%	116,9%	119,0%
	-15%	102,4%	104,9%	107,5%	110,0%	112,5%	114,9%	117,2%	119,5%	121,7%
	-10%	104,3%	107,0%	109,6%	112,2%	114,7%	117,2%	119,7%	122,1%	124,4%
	-5%	106,2%	109,0%	111,7%	114,4%	117,0%	119,6%	122,2%	124,6%	127,0%
	0%	108,2%	111,0%	113,8%	116,6%	**119,3%**	122,0%	124,6%	127,2%	129,7%
	5%	110,1%	113,0%	115,9%	118,8%	121,6%	124,4%	127,1%	129,8%	132,4%
	10%	112,1%	115,1%	118,0%	121,0%	123,9%	126,8%	129,6%	132,3%	135,0%
	15%	114,0%	117,1%	120,1%	123,2%	126,2%	129,1%	132,0%	134,9%	137,7%
	20%	115,9%	119,1%	122,2%	125,4%	128,5%	131,5%	134,5%	137,5%	140,4%
	25%	117,9%	121,1%	124,4%	127,6%	130,8%	133,9%	137,0%	140,0%	143,0%

4.3 Risk attitude Final Pay plan

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

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

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

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in the long term this investment risk results in higher returns and therefore on average higher indexation results and lower Company contributions (due to contribution reductions);
- The Pension Fund accepts that investment risk might result in limited indexation in the short term, because expectations are that in the long term this investment risk results in higher returns and therefore a better indexation including repair of missed indexation and benefit reductions.

This risk attitude is translated in financial limits for both the short and the long term as determined in the ABTN and AFA of MPF. The limits for the short term are dependent on the de-risking phase. An ALM has started end 2020, and whilst not finished, the preliminary direction is that only limited modifications are to be expected.

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

4.4 Risk attitude ARP/ASP plan

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

Members in the ARP/ASP plan have relatively high incomes. The pension contributions are sufficient for an adequate pension result, taking 2020 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 ASP Group (that consists of Plan members), the Accountability Council (Verantwoordingsorgaan) and finally with Social Partners. The outcome of these extensive consultations was that all parties/stakeholders were in agreement with the conclusion of the Pension Board.

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

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

The risk attitude test ARP/ASP has been presented in the October 2020 Pension Board and both the lifecycles satisfy the agreed Risk Attitude.
As from Q2 2020 MPF monitors the expected pension results in the combination of ARP and ASP plan more closely in order to use this in communication with social partners and members. The results are included in the quarterly risk dashboard updates, showing a stochastic replacement ratio calculation for several strawmen.

For members that wish to deviate from the lifecycle it is possible to choose the self-select option. A member that opts for this option will be warned about the risks and will be asked about their risk profile.

The pension fund annually informs and advises the members with regard to their actual asset mix in relation to their risk profile in order to meet the duty of care requirements (see 7.2).

5 INVESTMENT SECTION

5.1 Investment policy and strategy

The long-term investment policy for the Pension Fund remained predominantly unchanged during 2020. In March there was a full redemption of the Global Real Return manager, GMO GRRUF. However, the asset class remained in place and will be removed when the ALM study that began in 2020 is concluded in 2021. To address the persistent underweight versus strategic target arising from the termination of GMO GRUFF, a new substitution rule of 60% Public Equity and 40% Global Fixed Income was put in place for the Global Real Return asset class. The table below 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 2020.

	Long Term Investment Policy	31-12-2020 interim policy	End 2020 Asset Allocation	Minimum	Maximum
Equities	**20.0%**	**29.5%**	**31.7%**	**10.0%**	**30.0%**
Developed Equities	16.0%	23.6%	25.2%		
Emerging Market Eq.	4.0%	5.9%	6.5%		
Fixed Income	**45.0%**	**47.2%**	**45.1%**	**25.0%**	**65.0%**
Bonds	35.0%	37.2%	35.6%	25.0%	45.0%
Diversified HY Bonds	10.0%	10.0%	9.5%	0.0%	20.0%
Alternatives	**30.0%**	**22.7%**	**22.7%**	**0.0%**	**55.0%**
Property	10.0%	4.5%	4.5%	0.0%	20.0%
Private Equity	10.0%	8.4%	8.4%	0.0%	15.0%
Hedge Funds	5.0%	6.1%	6.1%	0.0%	10.0%
Private Credit	5.0%	3.6%	3.6%	0.0%	10.0%
Global Real Return	**5.0%**	**0.0%**	**0.0%**	**0.0%**	**10.0%**
Cash	**0.0%**	**0.6%**	**0.6%**	**0.0%**	**5.0%**
Hedges					
Currency	58.5%	59.3%	59.3%	54.0%	91.3%
Interest Rate	71.0%	29.0%	29.0%	29.0%	71.0%
Inflation	13.0%	0.0%	0.0%	0.0%	13.0%

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

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The size of the Liability Driven Investing (LDI) program is dependent on the de-risking step of the Plan and the level of real interest rates. As of 31 December 2020, the investment policy reflects the asset allocation prescribed by the first de-risking step of the de-risking Policy for the Plan. Risk reduction at this step was achieved primarily by a reduction of Equity exposure and increase of government bond exposure. The LDI program has a minimum interest rate target of 29% of the Economic Liability and a maximum target of 71% of the Economic Liability. The interim policy and end 2020 interest rate figures are at the minimum, as defined by the trigger table, given the prevailing level of real interest rates. The primary goal of the LDI strategy is to reduce the Plan's funded status volatility. The instruments traded for the LDI program are all centrally cleared. Margin balances were held in the bonds allocation at year end.

5.2 General financial market developments 2020 and outlook 2021

The year began with a relatively sanguine economic outlook and equity markets reaching record highs. However, the outbreak of COVID-19 had a massive impact on the global economy and financial markets. The COVID-19 recession - the most severe downturn in seventy-five or more years - seemingly reached a trough in April as aggressive policy support to counteract the economic impact of lockdown measures buoyed financial markets. Despite the harsh economic climate global equity markets achieved robust returns in 2020. At the start of the year, when COVID-19 cases were spiking in Western Europe and North America, global stock markets experienced a sudden crash. Policy makers implemented aggressive stimulus measures in response to the deteriorating economic backdrop: interest rates were cut to record lows, asset purchase programmes enhanced and record fiscal stimulus measures were passed. Global equities were buoyed by the wave of cash injected into the financial system, which paired with the increased investor confidence as lockdown measures were lifted and the development of promising vaccines, saw major stock market indices rally in the final quarter of 2020.

Sovereign bonds also observed strong returns in 2020 as interest rates were cut by global central banks in response to the virus induced recession. Short term inflation expectations fell as demand-side price pressure collapsed, providing additional merit to the asset class. Credit markets suffered losses during the early stages of 2020, with credit spreads leaping during the initial lockdown period. The adverse effects of the strict lockdown measures and the oil price shock that came about as a result of the Russia-Saudi Arabia price war early in the year weighed considerably on the US high yield debt market. However, as risk appetite picked up in the second half of 2020 credit spreads narrowed significantly which led to credit markets more than recovering losses (in local terms) from the start of the year.

The factors are still in place for global GDP returning to its pre-pandemic level by mid-2021. Monetary and fiscal policies are expected to remain highly stimulative. Central bankers are expected to overlook a transitory spike in headline inflation and maintain policy rates "low for longer". Fiscal policy is also likely to remain highly stimulative, and consumers and many businesses that benefitted from generous government support programmes will exit the pandemic recession in solid fiscal positions. The linchpin in our relatively sanguine 2021 outlook is the expectation that the vaccine will foster a gradual reopening of the global economy. This case for optimism is well supported but caveats remain. It is largely predicated on the effectiveness of the approved vaccines and confidence in the new "messenger RNA" technology that promises to facilitate mass production and quick adaption to mutations. Vaccination programmes in some regions, particularly the Euro area, got off to a slow start. However, with many promising vaccines in the advanced stages of testing, supply and distribution are not likely to be major problems going forward. The key downside risk is that the available vaccines will be less effective against new strains of the virus than is imbedded in our baseline outlook.

5.3 Return on investments

The investment portfolio of the Pension Fund achieved a net performance of 7.0% versus a net benchmark return of 7.0%, performing in-line with its benchmark over the year. The gross of fees return of the Pension fund is by approximation 8.8% coming from the net performance of 7.0% plus the Total investment costs of 1.8% (See paragraph 3.7.2).

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, the performance over the year was as follows[6]:

	Portfolio	PIA Benchmark	Relative Performance
Public Equities	8.0%	5.6%	2.4%
Fixed Income	5.5%	3.9%	1.6%
Global Real Return[7]	-	-	-
Property	-29.5%	-28.4%	-1.1%
Private Equities	23.4%	25.5%	-2.2%
Private Credit	-1.0%	4.2%	-5.2%
Hedge Funds	3.2%	4.1%	-0.9%
Total return mandate investments	**5.1%**	**5.4%**	**-0.3%**
Plan Level Currency Hedge	0.0%	0.0%	0.0%
Plan Level LDI	1.5%	1.6%	-0.1%
Plan Level TRH	0.4%	-	0.4%
Total return (including overlays)	**7.0%**	**7.0%**	**0.0%**

Absolute performance was strong for the year, as most asset classes achieved positive returns. Return-seeking assets fell precipitously in Q1 2020 as it became evident that the COVID-19 outbreak had become a global pandemic that would create a significant negative economic shock. However, investors took confidence from the unprecedented level of financial and fiscal stimulus, and equity and credit markets rebounded sharply from Q2 onwards. These markets were given a further boost in Q4 as COVID-19 vaccines were granted approval for use. Government bond and swap rates fell sharply in 2020, generating positive returns for fixed income asset classes. The Property asset class experienced large negative returns as the direct UK property portfolio, which is in the process of being liquidated, suffered a further decline in valuation in 2020 due to the negative impact that COVID-19 lockdowns had on both net operating income and market liquidity. The impact at a Plan level was -1.7%.

The TRH programme performed exceptionally well over the year, adding 0.4% to Plan returns. By mid-March, global equity markets had fallen over 30% from their peak and the TRH programme was up more than 11% in absolute terms. With volatility and option prices at extreme levels, the programme was restructured, enabling a suitable level of protection to be maintained at a significantly reduced cost. As a result, the TRH programme held onto its gains for the remainder of the year, adding to Plan returns and significantly outperforming its put option benchmark. Yields fell sharply as central banks took extraordinary measures to support the economy during the COVID-19 driven lockdown measures that were introduced throughout Europe and the rest of the world. The fall in yields resulted in a strong positive contribution from the Plan's LDI overlay.

The main positive contributors to Plan performance were Public Equity and Fixed Income managers, which achieved robust returns for the year and significantly outperformed. The largest negative contributors were Private Credit, which suffered from the severe widening of credit spreads earlier in the year, and Private Equity. Performance of the Private Equity and Private Credit asset classes reflected lagged valuations which means that one-year returns do not yet reflect the full recovery to the end of 2020. Hedge Funds recovered from first quarter lows and finished the year in line with its LIBOR target despite lagging the PIA benchmark.

The 2020 average portfolio weight compared to the 2020 average PIA benchmark weights have been as follows[8]:

[6] Source: Mellon Performance Report Mars Pension Fund December 2020
[7] Performance is not available for the year as the allocation was redeemed in March 2020
[8] Source: BNY-Mellon Performance Report Stichting Mars Pensioenfonds December 2020, SECOR Analytics

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Asset Category	Benchmark	Average Portfolio weight	Average Policy Weight
US Equity	MSCI US Net Div (unhedged)	5.7%	5.1%
Emerging Markets	MSCI Emerging Mrkt Net Div index (unhedged)	4.7%	4.5%
EAFE Equities	MSCI EAFE Net Div Index (unhedged)	8.9%	8.6%
Global Equity	Total Equity Benchmark	10.3%	10.3%
Global Bond	Barclays Global Aggregate index (EUR Hedged)	36.0%	36.5%
Diversified Credit (High Yield / EMD)	75% Barclays Global Aggregate index (EUR Hedged) 25% Barclays Global Aggregate index (USD Hedged)	9.3%	10.0%
Global Real Return	HICP + 3%	1.0%	1.0%
Property	MV weighted blend of: Actual Portfolio return and 50% NCREIF Fund Index ODCE[9]/50% INREV ODCE fund index (EUR Hedged)[10]	5.2%	5.2%
Private Equity	Cambridge FoF Vintage Year Weighted	8.1%	8.1%
Private Credit	Barclays Global Aggregate Index (EUR Hedged)	3.8%	3.8%
Hedge Funds	HFRX Equal Weighted Index (EUR Hedged)	6.2%	6.2%
Cash / Plan Level Overlays	LIBID 1 Week Bid Index (EUR)	0.8%	0.8%
Total	**Total Plan Benchmark**	**100.0%**	**100.0%**

Longer term, the Pension Fund outperformed relative to the PIA and Market benchmarks, please see the table below[11]:

Year	Portfolio (Net)	PIA Benchmark (Net)	Market Benchmark (Net)
2020	7.0%	7.0%	6.2%
2019	13.0%	13.6%	14.3%
2018	0.3%	0.6%	0.5%
2017	4.5%	5.8%	6.2%
2016	7.5%	6.5%	9.3%
2015	7.0%	5.1%	5.0%
2014	17.2%	15.1%	17.2%
2013	11.6%	8.3%	8.0%
2012	12.9%	9.8%	11.3%
2011	-0.4%	-0.3%	0.2%
Average last 5 years	6.4%	6.6%	7.2%
Average last 10 years	7.9%	7.1%	7.7%

Measured over a longer period of ten years, the average return for the Pension Fund was 7.9%, 0.8% ahead of the PIA benchmark and 0.2% ahead of the Market benchmark.

[9] Open-end Diversified Core Equity
[10] INREV Quarterly Index Extract of European Core open end funds was replaced by INREV ODCE fund index, effective from the beginning of 2020
[11] 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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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 that environmental, social and corporate governance (ESG) factors impact, and can contribute to, the realization of the objectives of the Pension fund.
The Board has approved the ESG Policy Document 2021 in its March meeting. Among other things, it contains the ESG Beliefs which underly the further development and implementation of the ESG Policies. Beyond that, it includes a concrete action plan for 2021, which will be implemented with support from the strategic investment advisor.
The Board has further decided that MPF will become a signatory to the UN Principles for Responsible Investment (UNPRI) In all of this, the Pension Board believes it is important to be thoughtful and make progress step by step, supported by research findings about the investment efficiency and impact on performance of integrating ESG into the investment process.
To put it differently: Developing thoughtful ESG Policies in line with the Fund's fiduciary responsibility is to be seen as a marathon, not as a sprint.

In order to comply with the newly implemented Sustainable Finance Disclosure Regulation (SFDR), effective 10 March 2021, the Pension Board has included a SFDR disclosure in the 'Statement of Investment Principles' available on the website of the pension fund.

5.5 Financial position and Investments

The Plan has a de-risking policy which enables the Plan to reduce the risk (funded status volatility) in the policy portfolio when the Plan's funding position improves or when real interest rates increase. The next de-risking trigger is at a funded status of 139.5%, at which point the Plan will reduce risk by changing the Fixed Income allocation from market-based to liability-based (government bonds replaced by Liability Matched assets), as well as a reduction in Equity exposure (-5%).

The LDI Target Table determines the target size of the interest rate hedge, based on the level of real interest rates. Following a further decline in rates in 2020, the trigger points (the levels of real interest rate at which a change in the hedge is triggered) remained well below the level required to move to the next stage of de-risking.

In 2020 an asset-liability management ("ALM") study was undertaken. The MPF Board approved Phase I of the ALM study, which concluded that risk profile of the current de-risking framework remained appropriate. The new Pension Deal in the Netherlands was considered as part of the process; however, it was agreed that a new ALM will likely be required once more is known about the future structure of the Plan (which will require input from the Plan sponsor). As part of Phase II of the ALM study, it was agreed that the LDI target table would be made one-way (once LDI overlays are added, they will not be removed) and that the Global Real Return asset class would be removed. The ALM study will be completed, with a formal strategy recommendation to the MPF Board, in 2021.

AEW Global Advisors Europe LLP, a subsidiary of AEW SA ("AEW"), was appointed to manage the direct UK Property portfolio for the liquidation process in 2018 and began the formal liquidation process on 1 January 2019. At the end of 2020 AEW had not completed any transactions as marketing efforts were hampered by COVID-19 lockdown measures. AEW have appointed Savills to market four assets and in Q4 2020 offers were made on three of those assets (marketing has yet to begin for the fourth asset).

After balance sheet date, MPF has established that it is appropriate and prudent to commit itself to extend the existing intercompany loans until at least 30 June 2022 and to provide an additional intercompany loan up to a defined maximum amount required to enable Mars Real Estate Investment B.V. (MREI) to meet its third party obligations until at least 30 June 2022, on terms and conditions satisfactory to MPF, but more or less comparable to the existing intercompany loans.

6 PENSIONS

There have been important developments in 2020 in the area of pensions. Below we describe the legal developments that have had consequences for the Pension Fund in 2020 and /or will have consequences for the Pension Fund in the future (see 6.1). The Pension Board adopts an active attitude with regard to all pension developments.

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

6.1 Developments in legislation and regulations

Pension Deal ('Pensioenakkoord')
In 2021 and the years after, the pension field will be dominated by the developments regarding the new pension deal that was agreed in June 2019 between the government and the social partners. The bill was submitted for consultation on December 16, 2020. That bill describes the framework for the new pension contracts and the transition towards them. The intended implementation date of the law is January 1, 2022, after which the transition must take place in the period from 2022 to 2026. Hence, consideration in successively the House of Representatives (Tweede Kamer) and the Senate (Eerste Kamer) should take place in 2021.

An important part of the new system is that the uniform contribution and uniform accrual system will be abolished. This will lead to a decrease of future pension benefits for the majority of the current employees. According to the proposals, the extent of this decline will be viewed strictly prospectively. In the case of pension funds, the compensation is largely or even entirely sought in the advantages that the same employees experience from the change in the form of the new contract, including the advantages from a transfer to the new system ('easing in').

It is up to the social partners, who are also responsible for any compensation, whether to submit a request for a transfer into the new system to the pension fund. The outlined legal conditions for a transfer to the new system are considered in conjunction with the modification of the pension contract. Based on these conditions, pension funds with only inactive participants are excluded from the possibility of a transfer to the new system.

Transition-FTK
For the years up to the intended transition moment, funds can choose, under certain conditions, to apply the so-called transition-FTK. In the proposed form, this transition-FTK means that both the rules for cuts and the rules for indexation will be considerably eased compared to the current regular FTK. Although the board of the fund must take and justify the decision to apply the transition-FTK, it is obvious and will often even be inevitable to enter into consultation with social partners. This is partly because the expectation of eventually easing in to one of the new pension contracts (which is only possible at the request of the social partners) is the most important condition for being able to apply the transition-FTK.

6.2 Final Pay plan

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

Types of pension	Description
Old age pension	1.657% of pensionable salary including the average shift percentage minus offset
Partner's pension	70% of accrued old age pension, in case of death it is assumed that the membership would have continued
Orphan's pension	In case of death before retirement: 20% of total partner's pension in payment In case of death after retirement: 14% of old age pension in payment
Disability benefit	Full disabled: 75% of pensionable salary minus social security ceiling. Continuation of pension accrual on costs of MPF
Offset (franchise)	As from 1 January 2020: EUR 21,537.78 As from 1 January 2021: EUR 21,775.97
Top-up limit (excedentgrens)	As from 1 January 2020: EUR 58,737.37 As from 1 January 2021: EUR 58,975.56
Maximum pensionable salary	As from 1 January 2020: EUR 110,111 As from 1 January 2021: EUR 112,189
Employee contribution	0%
Normal retirement age	68 years
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 plan

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

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

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

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	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 2020: As from 1 January 2021:	 EUR 14,763.14 EUR 14,926.41	 EUR 14,763.14 EUR 14,926.41
Maximum pensionable salary	1 January 2020: EUR 110,111 1 January 2021: EUR 112,189	1 January 2020: EUR 110,111 1 January 2021: EUR 112,189
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 21,537.78 for 2020) for each year of membership that has been achieved until 1 January 2015 plus 1.16% of the pensionable earnings (excluding offset of EUR 21,537.78 for 2020) 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
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	68 years	68 years

Unless clearly stated otherwise all amounts are in thousands of euros

Flexible options	Buy-in at MPF: Early or postponed retirement, purchase of temporary retirement pension, ratio of partner's pension to old age pension. Buy-in at insurer: whether the above flexible options are possible depends on the offer of the insurer.	Depending on offer insurer: Early or postponed retirement, purchase of temporary retirement pension, size of partner's benefit and old age pension

6.4 Indexation policy and interest addition

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

The annual adjustment/indexation ambition is determined as:

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.

ARP/ASP plan
The balance on the Pension Accrual Account of the ARP is increased by the addition of interest during active and inactive membership. The interest additions occur on a daily basis and in such a manner that 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, and to what extent indexation will be granted. There is no contribution paid for this interest addition.

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

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

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

6.5 Reinsurance

The Pension Fund has a reinsurance contract for the death-in-service and disability-in-service risks with Zwitserleven. The contract will end on 31 December 2022.
This reinsurance can be seen as a catastrophe-risk-coverage because it is based on stop-loss insurance with a net deductible amount of EUR 2.5 million which is approximately 250% of the risk premium. Claims are possible up to 24 months after the contract period.

7 GOVERNANCE AND COMPLIANCE

The Pension Board had all five formal Pension Board meetings and a Day Away session via videoconferencing. The Competency Teams of the Pension Board were involved with 'their' topics during the whole year with several MS Teams meetings. Besides this, part of the Pension Board participated in the tripartite meeting on behalf of the year end close. In 2020 there were four so-called Topical Walk-In sessions (internal training sessions for members of the Pension Board, 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. Due to Covid-19 it was not possible to have physical meetings as from March. Since then all meetings have been done via videoconferencing.

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

7.1 Governance and governance committees

The Pension Board uses a dashboard and balance sheet and investment management reports in order to have an adequate oversight of the status and development of all activities and financial position. The Board also keeps itself informed by attending various internal and external meetings and seminars. During 2020 Pension Board members have attended several seminars organized by the Pensioenfederatie and external experts in order to maintain their expertise and also attended the internal training meetings, the "Topical Walk In sessions".

Competency teams
Pension Board members are allocated to areas of expertise defined by DNB. These Competency Teams are the ''first contact'' Pension Board members for these areas. They have developed thorough knowledge of their area, and also manage the area in more detail and advise other Pension Board members on their topics. The roles and responsibilities of the Competency Teams are as follows at the end of 2020:

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

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

Self-assessment
In November 2020 the Pension Board held a self-assessment with the aim of strengthening its own functioning and cooperation. During the self-assessment is has been concluded that the current process with competency teams is very time-consuming. This is due to the Pension Board making all the decisions. To have a more efficient Governance structure the LAG, AITO and R&C competency teams will be combined as from 1 January 2021 in a Pension Committee. The Pension Committee will have its own agenda and delegated mandate. The Pension Committee will have 4 planning meetings and 4 Pension Committee meetings per year. The new process will be evaluated after one year.

Succession members Pension Board and Accountability Council
The sustainability of Mars Pension Fund going forward is a topic the Pension Board will continue to review. One of the main challenges the Mars Pension Fund faces is to find adequate, available and motivated (future) members for the Pension Board, Accountability Council, ASP Member Group and Investment Committee. For this reason, the Pension Board set up a Talent Pool. In 2020 two candidates resigned from the Talent Pool, but two new candidates have been recruited. These members will follow the training program for one or two years, before entering in their future role. At the moment we are identifying succession options for Mr. W. van de Laar as member representative as his term ends in 2021.

Governance documents
In 2020 the Pension Board has, together with their advisors, worked on updating several governance documents and has agreed on some new policies.

- Administrative and Financial Agreement (AFA)
- Plan rules 2020
- Integrity Policy
- Outsourcing Policy
- IT Policy
- Data Quality Policy
- Data Protection Policy
- Privacy Policy
- Privacy Counsel Charter
- Compliance Charter
- KFH Risk Charter
- KFH Internal Audit Charter

Internal Audit
In June 2020 BDO has been appointed as the fulfiller of the Internal Audit function. In 2020, Mr. H. Faassen has functioned as acting KFH Internal Audit (KFH IA), and in the Board meeting of 23 March 2021, Mr. R. de Waard –insourced from BDO- has been appointed as KFH IA.

The KFH IA would be operating on a separate contract and be insourced, whereas BDO as executer would be an outsourced contract.

7.2 Duty of care (Zorgplicht) ARP/ASP plan

Members of the ARP/ASP plan have the possibility to opt-out from the Life Cycle Mix and choose their own investment mix. Opting out is only possible after c ompleting the Investment Guide (in Dutch 'Beleggingswijzer'); this guide help members learn and understand what their risk profile is and provides an advice on the investment choice. Only when a certain risk profile outcome is achieved, opting out is allowed. The website www.marspensioen.nl supports the members in their choice and keeps a record of member's risk profiles. At the end of 2020 1-2% of the members had chosen for opting out.
As of 1 January 2018 the choice for a fixed or variable lifecycle was implemented in the Investment Guide for members of 55 years or older.

7.3 Communication

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

Digital newsletters and online videos
In 2020 four digital newsletters have been sent and also a physical newsletter about Covid-19 and the financial impact on MPF. Further an additional newsletter has been sent to collect more email addresses and a start has been made to create online videos which can be used for training and information purposes. In the videos a complex topic will be clearly explained.

UPO (Uniform Pension Statements)
In 2020 all UPO’s have been sent before the legal deadline of 1 October 2020.

My Pension Overview (MPO)
MPF has provided all scenario amounts of attainable pension rights for all its members to MijnPensioenOverzicht (MPO) before the legal deadline of 1 October 2020.

7.4 Legal

Legal advisor MPF
NautaDutilh is the legal advisor of MPF. Part of the services performed by NautaDutilh is the legal support during the Pension Board meetings. The legal advisor of MPF was present during all MPF meetings in 2020.

Plan changes as from 1 January 2020
The pension plan rules were adjusted and were approved by the sponsoring Companies and the Pension Board in December. With these adjustments both plans meet the requirements of fiscal legislation).

GDPR
As from 25 May 2018, the General Data Protection Regulation (GDPR) or in Dutch the *Algemene Verordening Gegevensbescherming* (*AVG*) applies. MPF must comply with the requirements of this Regulation. In the context of the GDPR, MPF is seen as a data controller. In 2020 all privacy related documents were reviewed and updated where needed.

The Privacy Policy describes the roles and responsibilities of people involved with MPF in data security and privacy protection, including the tasks of the Privacy Counsel. See paragraph 7.8 for implementation of the Privacy Counsel.

The pension fund has been GDPR compliant in 2020. GDPR remains a continues process.

ABTN
The ABTN was updated and approved in the Pension Board meeting in December 2020.
Amendments that were made include:
- Update of mission, vision, strategy and objectives;
- The structure of the ABTN (three layers);
- The actuarial assumptions;
- Crisis plan.

7.5 Supervisory authorities

There were no penalties from DNB received during 2020 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 the beginning of 2019 DNB have informed us that they are planning a Periodic Review in spring. As a result of the Corona Crisis it was decided in good consultation to delay the periodic review to autumn 2020, which at the end did not take place.

As the transition of the pension administration to a new provider is seen as a strategic decision an Own Risk Assessment (ERB) was performed and provided to DNB.

We had good conversations with DNB regarding the structure of the Internal Audit for MPF. As it became difficult to have a suitable PB member available for the role of KFH Internal Audit an insourcing construction was approved by DNB.

The appointment of the KFH Risk Management had not been finalized by December, which is under discussion with DNB.

7.6 Pension funds code

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

In some situations the principles are not (yet) completely met. In 2020, these principles are:

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

Unless clearly stated otherwise all amounts are in thousands of euros

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

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

64	In its annual report, the Pension Board will report the degree of compliance with the code of conduct and this Code, as well as providing an evaluation of the board's performance.	Part of the annual report process is the confirmation of the Compliance Officer to the Pension Board, and so monitoring the compliance with the Code of Conduct (CoC) and with the law and the effectiveness of internal rules and procedures. In the annual report is reported if any incidents happen in a year. The annual confirmation of all relevant parties with the CoC is accessible for all Pension Board members and members of the AC. The compliance with the Code Pension funds is explained in the annual report as from 2014. The Pension Board regularly evaluates the performance of the Pension Board as a whole, the individual members or the Competency Teams. The self-assessment of the Board for the year 2020 has taken place in November 2020. A summary of the results is reported in paragraph 7.1.
65	The Pension Board must ensure there is an adequate internal complaints and disputes procedure, which is easily accessible to stakeholders. In its annual report, the Pension Board will elaborate on the way complaints have been dealt with and set out any ensuing changes to the schemes or processes.	MPF has a complaints & disputes policy that can be downloaded by every member via the website of MPF. Pension Board members can find the complaints & disputes policy in MPF's online portal (BoardPacks). In the quarterly report from the administrator (TKP) there will be an overview of complaints in that quarter and how they are dealt with. This report is also accessible for each Pension Board member on BoardPacks. And the number of complaints is also an item on the monthly dashboard.

7.7 Compliance function

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

Being appointed in the October 2019 Pension Board meeting, Mr. P. Van Bree has functioned the full year of 2020 as Compliance Officer of the fund, and NautaDutilh as external compliance counsel.

NautaDutilh and the Compliance Officer performed quarterly compliance reviews, as well as have performed the 2020 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.

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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 Code of Conduct holds general rules of conduct for associated persons of MPF as well as for providers. The document was updated under the lead of the Compliance Officer and approved by the Pension Board on 17 December 2020. Associated persons sign the Code of Conduct at the start of the job and make an annual written statement. The annual declarations of compliance have been received and reviewed by the Compliance Officer from all persons and service providers. In this declaration the relevant party confirms that the CoC was adhered to and describes the ancillary positions of the signee. The CO has reported to the Board that every individual has acted according to the CoC and that ancillary positions are acceptable.

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.
- Any changes in reliability factors affecting the (appeared) integrity must be reported to the CO immediately

7.8 Privacy Counsel

To ensure that continued implementation and supervision as to compliance with the GDPR is adequately arranged, MPF appointed a Privacy Counsel that will fulfil tasks in connection with the GDPR. The Privacy Counsel is not a formal data protection officer within the meaning of the GDPR. NautaDutilh will act as the Privacy Counsel for MPF. The tasks of the Privacy Counsel are set out in MPF’s Data Protection Policy and the Privacy Counsel Charter. These tasks include keeping MPF’s privacy documentation up-to-date, monitoring compliance with data protection laws and internal policies, raising privacy awareness in MPF’s organization, performing data protection impact assessments, handling certain data subject requests as well as personal data breaches. The Privacy Counsel can be contacted through a dedicated e-mail address and in performing its tasks, the Privacy Counsel has regular contact with the director of the Pension Fund. 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. In 2020 all privacy documents of MPF (e.g. the data protection policy, the record of processing activities and the privacy statement) have been reviewed and necessary changes have been made, taking into account recent developments in the field of data protection law as well as the Privacy Code of Conduct of the Dutch Pension Fund Federation which applies since 1 January 2020. The privacy documents of MPF now also reflect the 'dotted line' that exists between the Privacy Counsel and the data protection officer of Mars, Inc. Furthermore, the Privacy Counsel has negotiated certain data processing agreements on MPF's behalf, most notably with Blue Sky Group in relation to the pension administration. Compliance with the GDPR is a continuous process that will remain on the agenda of MPF in 2021.

There have been no incidents of privacy-related nature that had to be reported to the Dutch Data Protection Authority.

7.9 Complaints/disputes

The pension fund has an incident scheme. An incident is an act or event that poses a serious threat to the ethical conduct of the pension fund's business. The board is not aware of (suspected) incidents of this seriousness that occurred in 2020. The board is also not aware of (suspected) incidents that have occurred with its outsourcing relations, advisers and / or the certifying accountant and certifying actuary.

Complaints	Number	
Complaints pending January 1, 2020		0
Complaints submitted in 2020		1
• Of which treated as a complaint	1	
• Of which normally handled by the fund	1	
• Of which handled by the Pensions Ombudsman	0	
Completed in 2020		1
Pending December 31, 2020		0

7.10 Diversity

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

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

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

For further details see also paragraph 7.6.

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

7.11 Outsourcing

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

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

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

- The Outsourcing Policy was amended and approved in the first meeting of 2020 and is fully up to date. The outsourcing plan includes a description of the processes that have been outsourced, the objective of the outsourcing policy, the organisation of countervailing power; requirements which the outsourcing parties have to meet and the selection procedure for outsourcing parties, control measures, and the way in which the outsourcing process is evaluated. The MPF Outsourcing Plan also lists the outsourcing policy MPF developed to control the outsourcing risks

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MPF identified. The outsourcing policy describes the general outsourcing framework within the Pension Fund.
- The contracts and the service level agreements with the Pension Fund's service providers have to comply with certain statutory standards, providing the Pension Fund with the necessary tools to manage, monitor and evaluate the outsourced activities. To demonstrate that the Pension Board is 'in control', service providers are requested to provide for regular reports, assurance declarations by means of an ISAE 3402 Type II or similar statement on the quality of outsourcing partner and an In-Control Statement. The Pension office evaluates these reports and the conclusions are presented and discussed in the Board meeting.
- To safeguard compliance, it is important that sufficient monitoring and evaluation takes place on a regular basis, bringing to life the information and audit rights included in the agreements with to service providers.
- Fixed agenda items for the Pension Board meetings are the (evaluation) reports on outsourcing.

7.12 Pension Administration

In 2019 TKP has made the strategic decision to stop servicing a number of relatively smaller funds including MPF. For MPF this means that the contract is terminated as of 1 January 2022. As a result of that MPF started the search for a new pension administrator which ended in the Pension Board meeting of 17 December 2020 with Blue Sky Group being appointed as the new administrator for the Mars pension plans as from 1 January 2022. The year 2021 will be used for the transition from TKP to BSG.

7.13 IRM

Over the past years MPF stepped up in professionalizing Integrated Risk Management (IRM) and has dedicated a substantial amount of time and effort.

MPF has agreed all Key Function Holder positions as follows:

- Acting Key Function Holder Risk Management is Mr. P. van Bree, who is also Performer as European Risk & Compliance Manager
- Acting Key Function Holder Internal Audit has been Mr. H. Faassen. In the December Board meeting, Mr. R. de Waard –insourced from BDO- has been proposed as KFH IA. In the Board meeting of March 2021, Mr. R. de Waard has been appointed as KFH IA.
  BDO is appointed as Mars Internal Audit Performer.
- Key Function Holder Actuarial is Mr. R. van de Meerakker (WTW).

For all functions there have been adequate Charters developed and approved by the Board. Our set up has been approved by DNB. MPF needs to get the acting Key Function Holder Risk Management approved first half 2021.

The 3 Lines of Defense model at MPF is working well. There are structurally planned and recurring meetings between MPF and its providers (1st and 2nd Line), as well as between Key Function Holders. There is intensive and open interaction between MPF’s first and second line, allowing deep understanding of risk exposure, risk changes, changes on mitigating actions and ongoing monitoring. The acting KFH Risk Management wraps this up in the dashboard which is presented to the Board on a quarterly basis. The recommendations of the audit were immediately taken to heart and all worked out in 2020.

For projects there is also a strong interaction between and involvement of the different lines. A good example is the search for the new administration provider, resulting in the first Own Risk Assessment (“ERB”) of the Mars Pension Fund. This document expressed that the risk management systems are at a mature level and that the risk exposure when moving to the new provider is expected to be as solidly managed as and shows similar net exposures as current.

A Crisis Management Team was set-up at the beginning of the crisis, in order to tightly identify, assess and manage any risk exposure changes due to the pandemic. Most specifically subjects as continuity, IT vulnerability and investment risks were reviewed at an ongoing (weekly at the start) basis.

Further the Pension Board has approved continuity proxies in case a Pension Board member is absent for a prolonged period of time. These proxies and the temporary replacement of key functions have been laid down in a proxy document. In case of longer absence, the replacement will be reviewed by the Board within three months.

8 ACTUARIAL SECTION

The actuarial analysis of the 2020 result is shown in the next table:

		2020		2019
Contributions and costs				
Employer contributions	15,874		3,739	
Employee contributions*	2,300		2,258	
Accrual of benefits (including surcharge for future costs)	-31,500		-23,689	
Contribution surcharge for costs	2,031		1,940	
Available for costs out of provision	706		679	
Execution and administration costs	-2,843		-2,806	
		-13,432		-17,879
Return and yield curve change				
Return on investments	111,112		188,577	
Interest addition provision	4,091		2,619	
Yield curve change	-151,565		-162,987	
		-36,362		28,209
Other results				
Result on benefit transfers	-14		294	
Result on other actuarial assumptions	6,271		1,945	
Other income	0		0	
Indexation	-3,597		-17,980	
Change mortality assumptions	33,372		0	
Change actuarial assumptions	-5,421		0	
Corrections	232		1,062	
Other costs	-48			
		30,795		-14,679
Result		**-18,999**		**-4,349**

* 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	43,370
Smoothed cost covering contribution	24,130
Actual contribution	21,238

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 2020 the CCC equals EUR 43,370.

Unless clearly stated otherwise all amounts are in thousands of euros

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

The term structure of interest rates used to determine the SCCC in 2020 corresponds to a single expected return of approximately 5.3%.

In 2020 the SCCC equals EUR 24,130.

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

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

The pension fund receives a total contribution that consists of employer and employee contributions. The employee contribution is equal to the compulsory and voluntary ASP contributions. The employee contributions in 2020 add up to 3.1% of total pensionable salary for all pension plan members. The employer contribution in 2020 according to the contribution policy is equal to 21.1%.

In 2020 the actual total contribution to the pension fund equals 21,238. This total actual contribution is considerably lower less than both the Cost Covering Contribution (market value) and the Smoothed Cost Covering Contribution because the actual salary increases during 2020 were higher than previously estimated. As a result, the accrual and contribution for mainly the back service of the final pay plan increases significantly.

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 58,499. The Minimum Technical Reserve amounts to 103.9% of the total AAL (including risk of the pension fund and risk of the members). The Funding Ratio equals 119.3%. Based on these figures the pension fund is not in a situation of a funding deficit.

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

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

The regulatory own funds are derived from the required margin per risk and amount to 333,841. The Ongoing Solvency Margin Ratio amounts to 122.4% of the AAL (including a 1% margin for the ARP/ASP plan). The Policy Funding Ratio equals 113.2%. Based on these figures the Pension Fund is in a situation of a reserve deficit.

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

9 REPORT BY THE SUPERVISORY COUNCIL

9.1 Report

As from January 2019, Mars Pension Fund has a Supervisory Council (Raad van Toezicht).
The Council comprises 3 external, independent members (Mr. R.A. Davis, Mr. F.R. Valkenburg and Mr. A.M.H. Slager).

The Supervisory Council looks at the strategies and the management of Mars Pension Fund as well as the policies and risk management.

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

Due to the Covid-crisis the Supervisory Council had to meet several times by phone or video and kept an action list of where attention was required. The Supervisory Council carried out the formal obligations in 2020, including advising on two appointments and approving the Annual Report and Integrity Policy.

The Supervisory Council has been kept up to date on all the main issues in a most open fashion, has had access to all the documents of the Pension Fund and attended two meetings of the Pensions Board. The Supervisory Council has been involved in the key areas of strategy and has had an opportunity to give its opinion on the most important aspects. The Supervisory Council has made six recommendations for 2020:

1. Continuity of the Pension Fund
2. The future of the DC and DB Schemes
3. The search for a new administrator
4. The embedding of the Key Function Holders under IORP II regulation
5. The de-risking investment policy in relation to the DB Scheme
6. Sustainability in investment policy.

The Supervisory Council concludes that the Pension Board has to date followed up their recommendations.

The Supervisory Council reviewed how the eight themes of the Pension Fund Code 2018 have been implemented and embedded (living up to trust, taking responsibility, acting with integrity, striving for quality, appointing with care, remunerating appropriately, supervising and ensuring participation and promoting transparency). The Supervisory Council has no specific recommendations in this regard.

For 2021 the Supervisory Council has the following focal points:

1. Lessons learned from the Covid-19 crisis
2. Preparation for the fundamental changes as a result of new pension regulation
3. Evaluation of the functioning of the key function holders
4. Process of preparing for a swift transition to the new pension administrator.

9.2 Response Pension Board on report of the Supervisory Council

The Pension Board has reviewed the report by the Supervisory Council. We are very pleased to read that the Supervisory Council has noted that we have followed up on all the recommendations that were made for the year 2020.
For the year 2021, the following recommendations were made on which we would like to comment as follows:

1. Lessons learned from the Covid-19 crisis – At the moment we are still in the middle of Covid-19 measures. For over 1 year we are all working from our home offices and this also goes for most of the staff working for our advisors like WTW and NauthaDutilh and service providers such as Secor and TKP. Once this period is over it would be good to reflect on lessons learned eg. as to distant

working/travel and how we do our meetings, either via MS Teams or physical meetings. It seems prudent to say that we will not fully revert to working practices before Covid-19.

2. Preparation for the fundamental changes as a result of the Pension Deal – Since the end of 2020 we are fully engaged to understand all aspects of the consequences of the Pension Deal. We are organizing internal training sessions with our advisors to get technically educated and we have had and will have more numerous discussions about the implications. In addition, many of us are following external meetings and webinars about subjects linked to the Pension Deal. Finally, we are in touch with the Sponsors of the Plans, about the Project Plan with key Mile Stones and have addressed our view on some focus points. As the final implementation is latest Jan 1, 2026, this project will stretch out over a number of years with key decisions to be taken most likely in 2022 when the final legislation should be clear.
3. Design and functioning of the Key Function Holders— The KFH Actuarial and the KFH Internal Audit are in place and the KFH Risk Management will be in place by mid-2021. In the second half of 2021 we will perform an internal audit about the entire set up of our Risk Management Organization including the KFH. With the outcomes of this audit we will be able to conclude whether the current set-up works properly and is sustainable or if we need to change parts of it.

Process of preparing for a swift transition to the new pension administrator – The transition from our current administrator TKP to our new administrator BSG has our utmost attention. An adequate project structure was set up with a Steering Group and Escalation Board. Individual staff members of TKP and BSG were identified to execute the transition. MPF is supported by WTW and last but not least the MPF Director is taking a keen interest to oversee the process and take action when required. An update is given to all governance bodies on a monthly basis as a minimum.

10 REPORT BY THE ACCOUNTABILITY COUNCIL

10.1 Report

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

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

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

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

The Accountability Council has the right to advise on a number of subjects in relation to the Accountability Council itself and the structure of the internal governance:
- The remuneration policy for the Pension Board, Accountability Council members and other bodies within Mars Pension Fund;
- The structure of the internal governance (Supervisory Council);
- Selection of members of the Supervisory Council;
- The Mars Pension Fund complaints and disputes procedure;
- The Mars Pension Fund communication and information policy;
- Transfer of the liabilities or acquisition of liabilities;
- Liquidation, merger or split of Mars Pension Fund;
- The termination, change of the Administrative & Financial Agreement;
- Change of the legal form of Mars Pension Fund;
- Merger of Mars Pension Fund 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 during 2020
- The Accountability Council met four times via Microsoft Teams video conference; in these Quarterly Accountability Council Calls the BoardPack of the upcoming Board Meeting is reviewed in detail including the minutes of the previous Board Meeting. Other agenda items are the status of the Mars Pension Fund annual plan, current affairs & legislation and progress tracking of our Accountability Council priorities. Resulting questions are raised with the Mars Pension Fund Director. Minutes are being posted on BoardPacks.

- The Pension Board & Mars Pension Fund Director have had four joint informal meetings with the Accountability Council with respect to the policies and achieved results. In these so-called topical walk-in sessions, Pension Board and Accountability Council get information on latest developments and agenda-topics from the Board. These topical walk-in sessions are also an excellent platform for internal training. An open atmosphere allows all to add freely to the discussions.
- Mars Pension Fund Academy; in-depth internal training for talent pool members and open to those involved with Mars Pension Fund's governance. Excellent initiative with high quality training materials and interactive sessions with qualified trainers / experts in their field.
- In August 2020 the Accountability Council had a "catch-up" working session with the Daily Board for updates on a number of important topics: Supervisory Council vacancy, Asset Liability Management progress, new pension administrator, Mars Pension Fund recovery plan and Mars Pension Fund annual plan.
- In the constructive Pension Board-Accountability Council-Supervisory Council Consultation Meeting in December 2020 there was an Accountability Council presentation on self-evaluation of the Accountability Council and our priorities for 2021.
- In April 2021 the Accountability Council had two working sessions in preparation of the annual report: 1. with the Daily Board; topics included a review of 2020, 2021 priorities for Mars Pension Fund (including the New Pension Deal) and how the Accountability Council can support those pro-actively. 2. with the Supervisory Council; topics included the 2020 draft Mars Pension Fund annual report and an in-depth review of the 2020 Supervisory Council's report.
- External webinars: the Accountability Council has had ample opportunity to attend relevant external webinars regarding pensions in the Netherlands as organized by e.g., the Dutch Pension Federation. These provide the opportunity to learn and to assess the position of Mars Pension Fund in the Dutch national context.
- External training: during 2020 Ad van Gestel started the "Suitability B" training as part of his talent pool development program.

Pension Board requests for Accountability Council advice during 2020
The Accountability Council (AC) has provided the following advices to the Pension Board (PB) upon their request:

Advice request topic	Date PB advice request	Date AC advice	AC advice
Profile for Supervisory Council Chairman of Stichting Mars Pensioenfonds	17-6-2020	18-6-2020	Positive
Administrative & Financial Agreement change - Indexation	2-12-2020	8-12-2020	Positive
Communication Plan 2021	2-12-2020	8-12-2020	Positive
Contribution 2021	7-12-2020	13-12-2020	Positive

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

With regard to the findings of the Accountability Council on the 2020 annual report
In summary the Accountability Council continues to find that the Pension Board of Mars Pension Fund is pro-active and highly engaged in the management of the fund. It seeks appropriate professional advice and works well with strong and committed sponsors to serve the interests of the beneficiaries of the Pension Fund. The Pension Board has maintained the good working relation with all stakeholders.

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

The Accountability Council has the following observations regarding this year's annual report including the follow-up on Accountability Council recommendations for 2020 in last year's report:

Unless clearly stated otherwise all amounts are in thousands of euros

- We recognize that despite all the challenges caused by the Covid-19 pandemic during 2020 very good progress has been made on all major projects, in particular:
- Integral Risk Management: firmly embedded in Mars Pension Fund's ways of working with detailed Integral Risk Management reviews during each of the board meetings. Structure with three Key Function Holders is being implemented: Key Function Holder Actuarial appointed and Key Function Holder candidates for Risk and Internal Audit identified.
- Search for new pension administrator successfully completed and Blue Sky Group seems certainly capable of taking care of Mars Pension Fund's rather complex administration. A competent project organisation has been put in place.
- Asset Liability Management study; following approval of the Asset Liability Management process by the Pension Board and the Investment Committee good progress has been made during 2020 with appropriate focus on the important de-risking policy.
- Long term investment policy/Environmental Social Governance; the Pension Board and our investment managers have worked successfully on the implementation of the 2020 Environmental Social Governance action plan in close cooperation with the Investment Committee and its strategic investment advisor.
- Succession planning & talent pool; strong focus on this important continuity subject with personal development plans in place for all talent pool members. Despite a setback at the end of 2020 the energy is still high with two new talent pool members identified.
- The Pension Board has clear policies in place that are regularly updated and the correct mechanisms to execute these policies.
- We also recognise the ongoing considerable effort made by the Pension Board to ensure that the Accountability Council is consulted timely 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.
-

Accountability Council Recommendations for 2021
The Accountability Council would like the Pension Board to consider the following six areas in 2021:

- New Pension Deal; whilst the sponsor is now in the lead, continue preparation on understanding potential scenarios and their impact including the transition Financieel Toetsings Kader. Maintain current pro-activity and, at the appropriate time, close cooperation with the sponsor on developing sustainable solutions which take into account the interests of all stakeholders in a balanced way.
- De-risking policy triggers and timings; as a result of the Asset Liability Management study the de-risking policy remains unchanged for now. If necessary, because of the New Pension Deal shortened horizons, (part of) the Asset Liability Management study should be repeated to establish the impact on the de-risking policy.The Accountability Council would like to emphasize the importance of ensuring that any changes will maintain the current positive impact of the de-risking policy on all stakeholders.
- New pension administrator Blue Sky Group; this key project should continue to receive the Pension Board's focus and resourcing. Continue with the transparency on progress provided through the regular implementation milestone reporting.
- Integral Risk Management; 2021 should be the year that the Integral Risk Management organisation with three key function holders becomes fully operational. Like the Supervisory Council the Accountability Council would like to understand how this supports the development/embedding of Integral Risk Management within Mars Pension Fund during 2021.
- Continuity/talent pool; we are pleased with the high calibre, motivated candidates for various governance roles within Mars Pension Fund including the Accountability Council. We would like to continue our support for internal training and "training on the job" wherever possible.
- Ways of working/efficiency; we welcome the decision to establish the pension committee and look forward to seeing the goals of improved efficiency, and shorter Board meetings as a result, being realized throughout 2021.

10.2 Response Pension Board on report by the Accountability Council

The Pension Board has reviewed the report by the Accountability Council. We fully agree with the Accountability Council's assessment regarding the follow-up on the recommendations made for 2020 and are pleased that we are aligned.
For the year 2021 the Accountability Council would like us to consider the following areas:

1. New Pension Deal—We will continue preparation on understanding potential scenarios and their impact including the transition FTK and its implications. We should maintain our current pro activity in close cooperation with the Company at the right moments and together develop sustainable solutions taking the interests of all stakeholders in due account, achieving balanced solutions, overcoming challenges and utilize opportunities provided by the changes.
2. The de-risking policy—We will take a fresh look at our current de-risking policy in the light of the Pension Deal. As not all parameters are known at this point in time, we will work with the help of our key advisors WTW and Secor, developing various scenario's. As always, we will take the interests of all stakeholders into account as we did with the current version of the de-risking policy to come to new approaches if in the interest of these stakeholders. As the de-risking policy is directly linked to our Risk Attitude which is agreed with Social Partners any changes to it will obviously be agreed beforehand with mentioned stakeholders.
3. New Pension Administrator – A lot of time has gone into making sure that the project organization is adequately resourced by all parties, i.e. BSG, TKP, WTW and MPF. The Governance bodies will be regularly updated by the Steering Group, including the Director of MPF, via a milestone reporting. Any issues of importance that cannot be quickly overcome are up-streamed to an Escalation Board so that these get the right level of attention. The Mars plans are complex and will require the utmost by all involved to be transferred in a quality way.
4. Integral Risk Management—In the course of 2021 all Key Function Holders will be fully operational. After the planned internal audit into our overall Risk Management we will be able to draw conclusions form our newly developed Three Lines of Defense Model including the functioning of the Key Function Holders and the added value of the entire system.

Talent Pool/Succession options—We are pleased with the continuing support of the Accountability Council as to our training initiatives, be it internal via MPF Academy and ''training on the job ", or external via SPO, WTW, Pensioenfederatie, etc. We are developing the right number of succession options for all sorts of roles in the main governance bodies, with the support of the Company. Our top target is to fill the vacancy for the Pension Board member on behalf of the Members, as soon as possible.

11 LOOKING FORWARD

11.1 Pension Fund Governance and Risk Management

The Pension Board will continue to review the sustainability of Mars Pension Fund going forward. The fruit of this effort is included in the Mission, Vision and Strategy of MPF.
In 2020 the Pension Board consisted of 6 members and has a few member in the Talent pool in order to create sufficient succession options going forward. This will be necessary first and foremost as we need to replace the Board member position for the active Associates that becomes vacant during the first half of 2021.

With the new legislation on Internal Supervision we appointed a Supervisory Council (Raad van Toezicht). As we go into our third year with them we worked together with the Supervisory Council and the Accountability Council to appoint an adequate successor for mr B. Davis, whose term ended at the end of 2020. As from 1 Jan 2021 mr Paul de Koning is the new Chairman of the Supervisory Council.

In the month of April we re-submitted the candidacy of the Key Function Holder for Risk Management to DNB for endorsement.

Due to the ongoing lock down measures by the government, we remain working from home for the time being and so do all our partners. We still have no evidence of Business Interruption which is a compliment for everybody involved.

11.2 Financial position and Investments

Our funded status ended the year 2020 at a funding ratio of 119%. The policy funding ratio was at 113% somewhat below that level and hence below the required Solvency Level. We have updated the Recovery Plan to DNB before 1 April and we have determined that recovery is even quicker than last year as a result of our improved financial position. On 19 May DNB approved the recovery plan of MPF.

At the end of April our Funding Ratio was about 130%. During the month of May we took the decision to protect the improved financial position for a fall in the equity markets however leaving a great deal of upside potential, as this is in the interest of all our stakeholders.

After balance sheet date, MPF has established that it is appropriate and prudent to commit itself to extend the existing intercompany loan (the "Existing Intragroup Loan Agreement") and the additional intercompany loan facility agreement (the "2020 Intragroup Loan Facility Agreement") until at least 30 June 2022. The commitments under the 2020 Intragroup Loan Facility Agreement will be limited to a defined maximum amount required to enable Mars Real Estate Investment B.V. (MREI) to meet its third party obligations until at least 30 June 2022, on terms and conditions satisfactory to MPF, but more or less comparable to the existing intercompany loans.

11.3 Pension Schemes and Administration

The following two topics are worth mentioning here.

Firstly as to the Pension Plans, we are reviewing the draft legislation as a result of the New Pension Agreement which was published in December 2020. Once there is more clarity from the Company can start a Re-Design which might be implemented by MPF in as far as MPF is requested to execute these plans. The new plan has to be in place latest by 1 Jan 2026 so fortunately we have ample time to review before we come to final decisions.

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

11.4 Change of UFR

The AAL has been determined on the basis of the UFR as published by DNB as at 31 December 2020 and the assumptions as stated in the accounting policies for the annual accounts. DNB has explained that the UFR will be changed in four steps in the coming years. A change that follows from the advice of the Parameters Committee. Together with the impact of the expected fall in the ten-years average of the interest rate, an increasing effect on the technical provisions will arise, which has a depressing effect on the funding ratio. Applying the first step of the new UFR method would have an effect of approximately -0.9 percentage points on the funding ratio of the pension fund as of 1 January 2021.

Veghel, 15 June 2021

The Pension Board

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

ANNUAL ACCOUNTS

12 CONSOLIDATED FINANCIAL STATEMENTS

12.1 Consolidated Balance Sheet

(after appropriation of result in EUR 1,000)

	Note [12]		31-12-2020		31-12-2019
ASSETS					
Investments for risk pension fund	1				
Real estate		74,403		82,828	
Equity		763,959		740,169	
Fixed income		534,380		487,089	
Hedge funds		103,839		88,604	
Derivatives		74,547		45,501	
Other financial investments		147,316		173,171	
			1,698,444		1,617,362
Investments for risk members	2		94,832		76,921
Receivables and prepayments					
Other receivables	3		12,494		6,587
Other assets					
Cash	4		2,491		4,093
			1,808,261		**1,704,963**
LIABILITIES					
Foundation capital and reserves					
Foundation capital	5		0		0
General reserves	6		287,438		306,437
Technical provision for risk pension fund					
Actuarial accrued liabilities	7	1,391,691		1,289,041	
Provision for future disability	8	1,299		1,043	
			1,392,990		1,290,084
Pension provision for risk members	9		94,832		76,921
Current liabilities	10		33,001		31,521
			1,808,261		**1,704,963**

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

Unless clearly stated otherwise all amounts are in thousands of euros

12.2 Consolidated statement of income and expenses

(in EUR 1,000)

	Note[13]		2020		2019
INCOME					
Contributions from employer and employees	11		11,652		0
Contributions for account and risk members	12		9,586		8,740
Investment results for risk pension fund	13	110,779		188,738	
Investment results for risk members	14	7,802		8,443	
			118,581		197,181
Other income	15		0		0
Total INCOME			**139,819**		**205,921**
EXPENSES					
Benefits payment	16		35,564		33,918
Execution- and administration costs	17		2,843		2,805
Change pension provision:					
• Accrual of benefits		21,916		14,768	
• Indexation		3,597		17,980	
• Addition of interest		-4,091		-2,619	
• Benefit payments (incl. commutation and costs)		-36,030		-34,530	
• Yield curve change		151,565		162,987	
• Change of mortality assumptions		-33,372		0	
• Other actuarial- and technical assumptions		5,421		-38	
• Changes as a result of transfer of rights		6		-406	
• Other changes pension provision		-6,356		-2,196	
Change provision pension liabilities for risk pension fund	18		102,650		155,946
Change provision for future disability	19		256		-148
Change provision for risk members	20		17,911		18,035
Reinsurance	21		63		45
Transfer of pension rights for risk pension fund	22		6		81
Transfer of pension rights for risk members	23		-523		-413
Other expenses	24		47		0
Total EXPENSES			**158,818**		**210,270**
NET RESULT			**-18,999**		**-4,349**
Proposed appropriation of net result:					
Deducted from the general reserves			-18,999		-4,349

[13] 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)

		2020		2019
Contributions received	17,260		5,676	
Net cash flow from transfers of rights	140		155	
Pension benefits paid	-35,516		-33,850	
Paid execution- and administration costs	-2,823		-2,898	
Paid contribution reinsurance	-63		-46	
Other amounts received	0		0	
Total cash flow from pension activities		-21,002		-30,963
Cash flow from investment activities				
Sale and redemption of investments	2,061,267		1,285,871	
Received direct investment returns	24,984		33,036	
Purchase investments	-2,078,138		-1,325,502	
Paid costs asset management	-20,416		-16,961	
Other amounts paid	0		0	
Total cash flow from investment activities		-12,303		-23,556
CHANGE CASH		**-33,305**		**-54,519**
Movements in cash and cash equivalents can be broken down as follows:				
Cash available for investments		145,740		177,443
Cash pension fund		2,491		4,093
Balance per 31 December		148,231		181,536
Balance per 1 January		181,536		236,055
CHANGE CASH		**-33,305**		**-54,519**

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

12.5.1 General

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

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

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

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

Comparison with prior year
The accounting policies are consistent with those applied during the previous year.

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

The estimates and underlying assumptions are continuously assessed.

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

Mortality assumptions
As of December 31, 2020, the pension fund adopted the AG Projection table 2020 based on the most recent mortality rates made available by the Royal Dutch Actuarial Association (AG) in September 2020. The effects of mortality due to Covid-19 were not taken into account in the AG2020 projection table. This results in a decrease of the total AAL of 29,055 (+ 2.4%-points on the funding ratio).

Furthermore, the pension fund updated the fund specific experience ratings based on the Willis Towers Watson experience rating model 2020, to adjust for the difference between mortality rates of the whole Dutch population and the population of the pension fund. This results in a decrease of the total AAL of 4,317 (+ 0.3%-points on the funding ratio).

Provision for future costs
The AALPF takes into account an addition of 2.5% for future costs for executing the pension plans. This cost loading is in line with the policy in the abtn determined on the assumption that, after the termination of the Administrative and Financial Agreement between employer and MPF, MPF will transfer all pension assets and liabilities to an insurer followed by liquidation of MPF within two years. This policy aligns with the further guidance as published by DNB in 2014 on the provision for administrative expenses. Based on an evaluation of the policy in regard to the provision for future costs in October 2020 the cost loading in the AAL is increased from 2.0% to 2.5%. This leads to an increase of the AAL of 6,748 (- 0.5%-points on the funding ratio).

Orphan's pension
Based on an evaluation of the of the surcharge for orphan's pension based on the WTW oprhan's pension model the surcharge for orphan's pension is adjusted from 3.0% to 0.5% of the AAL for deferred spouse pension. This results in a decrease of the total AAL of 2,188 (+ 0.2%-points on the funding ratio).

Assumed retirement age Final Pay plan
The standard retirement age for the Final Pay plan, as well as the ARP/ASP plan, is equal to 68. For the Final Pay plan it is assumed that active, disabled in-service and former members retire at age of 62. This assumption is based on the option to use early retirement. For the calculation of the AAL it is assumed that all active, disabled-in-service and former members retire at age of 62. Based on an evaluation in October 2020 of this policy using the actual observed retirement age over the past years it was concluded that, although most members retire before the currently assumed retirement age of 61, an increased assumed retirement age leads to a smaller actuarial result on retirement. The assumed retirement age is therefore increased from 61 to 62. Given the expectation that the actual retirement age will follow an increasing trend due to pension plan retirement age of 68 as well as the increasing state pension age, the assumption of 62 is a better fit for MPF. This adjustment leads to a decrease of the AAL of 861 (+ 0.1%-points on the funding ratio).

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

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

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

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

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

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

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

Negative positions of derivatives are presented as short term liabilities.

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

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

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

Reinsurance
Outgoing reinsurance premiums are recognized in the period to which the reinsurance relates. Receivables from reinsurance contracts on a risk basis are recognized when the insured person presents himself. In the valuation, the reinsured benefits are discounted against the interest rate term structure, applying the actuarial assumptions of the pension fund. Receivables from reinsurance contracts that are classified as guarantee contracts are equal to the corresponding provision for pension obligations. Receivables from reinsurance contracts that classify as capital contracts are valued for the value of the insured risk on the

basis of the principles of the contract. In assessing the receivables, the creditworthiness of the reinsurer (exit for credit risk) has been taken into account. Claims arising from profit-sharing arrangements in reinsurance contracts are recognized at the moment of granting by the reinsurer. The valuation and presentation of investment deposits linked to capital contracts are in accordance with the principles for investments.

Receivables and prepayments
Receivables and prepayments are valued at current value upon initial processing. After initial recognition, receivables are valued at amortized cost (equal to the nominal value if there are no transaction costs) less any impairment losses in the case of bad debts. Receivables in connection with investment transactions in accordance with RJ 610.230 are recognized under receivables and prepayments.

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 2020 as published by the Dutch Actuarial Association (2019: AG Projection Table 2018).
- The mortality rates for experience rating are adjusted with fund specific correction factors based on the Willis Towers Watson 2020 experience rates model (2019: 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 62 (2019: 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 2.5% (2019: 2.0%) 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.

Current liabilities
Current liabilities are stated at current value upon initial recognition. After initial processing, liabilities are valued at amortized cost (equal to the nominal value if there are no transaction costs). Amounts payable in connection with investment transactions in accordance with RJ 610.268 are recognized under the item other liabilities and accruals. Short-term liabilities have a term of less than one year.

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

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

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

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

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

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

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

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

Interest addition
The pension liabilities were increased, based on the one-year rate of the DNB curve at the beginning of the financial year 2020.

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.

12.5.4 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 2019	76,537	549,168	514,858	81,629	20,262	232,457	1,474,911
Purchases	17,441	97,394	562,399	0	164,094	488,257	1,329,585
Sales	-947	-104,212	-548,951	0	-181,307	-456,736	-1,292,153
Valuation changes	-10,192	127,953	26,120	6,975	23,410	1,087	175,354
Other	-11	69,865	-67,336	0	-19	-55,657	-53,158
Subtotal	82,828	740,169	487,089	88,604	26,441	209,407	1,634,539
Derivatives credit							19,060
Deducted: investments for risk members (ARP)							36,237
Value per 31 December 2019							**1,617,362**
Value per 1 January 2020	82,828	740,169	487,089	88,604	26,441	209,407	1,634,538
Purchases	23,229	141,654	1,155,398	18,308	232,392	601,802	2,172,783
Sales	-462	-178,380	-1,061,134	0	-290,666	-587,091	-2,117,733
Valuation changes	-31,192	60,486	-17,752	-3,073	92,771	-574	100,665
Other	0	30	-29,221	0	173	-31,703	-60,721
Subtotal	74,403	763,959	534,380	103,839	61,111	191,841	1,729,533
Derivatives credit							13,436
Deducted: investments for risk members (ARP)							-44,525
Value per 31 December 2020							**1,698,444**

The value per 31 December 2020 is including the credit position of derivatives (13,436) and a deduction of 44,525 presented as investments for risk of members (ARP).

Included in the investment-category ‘Other financial investments’ is cash available for investment for an amount of 145,740 (2019: 177,443). This amount includes 9,949 (2019: 12,015) of cash in Mars Real Estate Investments B.V. Also included in this category are collaterals (25,623), short term funds (2,779) and repo’s (17,700).

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	**31-12-2020**		**31-12-2019**	
	EUR	**%**	**EUR**	**%**
Angel Place Bridgwater	5,083	7%	8,859	11%
Westside Edinburgh	3,910	5%	6,674	8%
Exchange Rochdale	5,279	7%	10,631	13%
Four Seasons Mansfield	112	1%	8,682	10%
Clarendon Hyde	3,407	5%	6,851	8%

Equity	**31-12-2020**		**31-12-2019**	
	EUR	**%**	**EUR**	**%**
Pem - effem fund	149,801	20%	128,572	17%

Unless clearly stated otherwise all amounts are in thousands of euros

Fixed Income	31-12-2020		31-12-2019	
	EUR	%	EUR	%
Effem private credit feeder	48,581	9%	44,289	9%
Commit to PUR FNMA SF MTG	34,550	6%	-	-
Japan Treasury Discount Bill	29,218	5%	-	-

Hedge funds	31-12-2020		31-12-2019	
	EUR	%	EUR	%
Blackstone effem fund	103,839	100%	88,604	100%

Fair value hierarchy

The following tables summarize the valuation of investments by level within fair value hierarchy (according to the International Financial Reporting Standard 13) as of 31 December 2020 and 2019. Level 1 inputs are unadjusted quoted prices in active markets for items identical to the asset or liability being measured. Level 2 inputs are inputs other than the quoted prices as determined in level 1 that are directly or indirectly observable for that asset or liability. Level 3 inputs are unobservable inputs (modelling is used to determine the value). Derivatives are shown net of Assets/Liabilities (clean value) and the table is before deduction of investments for risk of members.

Asset Category	Level 1	Level 2	Level 3	Total
Real estate	2,297	0	72,106	74,403
Equity	410,137	189,872	163,950	763,959
Fixed income	81,620	259,524	193,235	534,380
Derivatives	-163	61,274	0	61,111
Hedge funds	0	0	103,839	103,839
Other financial investments	148,519	43,323	0	191,841
Total per 31 December 2020	**642,410**	**553,993**	**533,130**	**1,729,533**

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

Asset Category	Level 1	Level 2	Level 3	Total
Real estate	1,818	0	81,010	82,828
Equity	142,273	465,094	132,802	740,169
Fixed income	0	425,293	61,797	487,090
Derivatives	403	26,038	0	26,441
Hedge funds	0	0	88,604	88,604
Other financial investments	206,605	2,802	-	209,407
Total per 31 December 2019	**351,099**	**919,227**	**364,214**	**1,634,539**

2 Investments for risk members

The investments for risk members consist of:

	31-12-2020	31-12-2019
Investments concerning ARP plan	44,525	36,237
Investments concerning ASP plan	50,307	40,683
Total	**94,832**	**76,921**

Unless clearly stated otherwise all amounts are in thousands of euros

In 2020 the investments developed as follows:

	ASP	ARP
Balance per 1 January	40,683	36,237
Contributions	3,865	5,721
Transfers	187	338
Investment result	5,383	2,229
Other changes	189	0
Balance per 31 December	**50,307**	**44,525**

Other changes can concern commutations or small differences between the investment administration and member administration.

In 2019 the investments developed as follows:

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

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

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

3 Other receivables

	31-12-2020	31-12-2019
Contributions	1,693	0
Pensions	0	1
Other receivables	10,801	6,586
Total	**12,494**	**6,587**

Contributions concern the contributions from the Company for the month December 2020.

Other receivables concern corporate income tax (84) and debtors (10,717) from Mars Real Estate Investments B.V. (MREI).

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

4 Cash

	31-12-2020	31-12-2019
Cash at Rabobank	2,491	4,093

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:

	2020	2019
Balance per 1 January	306,437	310,786
Result for the year	-18,999	-4,349
Balance per 31 December	**287,438**	**306,437**

The minimum regulatory own funds, 3.9% of the actuarial accrued liabilities at the risk of the pension fund, equals EUR 58.5 million. Legally required own funds amount to EUR 333.8 million and are equal to 22.4% of the actuarial accrued liabilities at the risk of the pension fund. The present own funds are lower than the required funds.

The Real Policy Funding Ratio gives an indication of the extent to which supplements can be granted. The Real Policy Funding Ratio in accordance with the FTK definition is equal to the Policy Funding Ratio divided by the Policy Funding Ratio required for full indexation based on price inflation. The Real Policy Funding Ratio at year-end 2020 was 93.6% (2019: 101.0%).

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

	31-12-2020	31-12-2019
Funding Ratio	119.3%	122.4%
Minimum required solvency ratio	103.9%	103.9%
Policy Funding Ratio	113.2%	123.3%
Ongoing solvency margin ratio	122.4%	123.1%

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

Policy decisions are 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 2020 is 113.2% (31 December 2019: 123.3%).

Recovery plan

The pension fund submitted a recovery plan to DNB in June 2020. The recovery plan expected an increase in the current funding ratio to 112.3% and a policy funding ratio of 110.8% for 2020. Due to higher than expected investment returns, the actual funding ratio was higher as at 31 December 2020 (119.3%). The policy funding ratio was also higher at 113.2%. Based on the recovery plan submitted in 2020, it was expected that the pension fund would have reached the required capital by 2024.

For the pension fund, the cycle for submitting a recovery plan must be continued for as long as it is applicable. The pension fund submitted an updated recovery plan to DNB on 25 March 2021. Based on this updated recovery plan, it is expected that the pension fund will have reached the required capital by 2022. No additional measures have been included in the recovery plan. DNB approved the recovery plan on May 19, 2021.

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 2020 with an amount of 18,999 from the general reserve. This proposal has already been incorporated in the balance sheet.

Unless clearly stated otherwise all amounts are in thousands of euros

7 Actuarial accrued liabilities

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

	2020	2019
Provision for pension liabilities, balance at 1 January	**1,289,041**	**1,133,095**
Accrual of benefits (including surcharge for future costs)	21,916	14,768
Indexation to the account of the pension fund	3,597	17,980
Addition of interest	-4,091	-2,619
Benefit payments (incl. commutation and costs)	-36,030	-34,530
Yield curve change	151,565	162,987
Change in mortality assumptions	-33,372	0
Other actuarial and technical assumptions	5,421	-38
Individual value transfer (outgoing)	6	-406
Other changes pension liabilities (results on mortality and disability, corrections)	-6,362	-2,196
Total change	**102,650**	**155,946**
Provisions for pension liabilities, balance at 31 December	**1,391,691**	**1,289,041**

Change in mortality assumptions
This result consists of a decrease of the AAL of 29,055 due to the adoption of the AG Projection table 2020, and a decrease of the AAL of 4,317 due to the adoption of the fund specific experience ratings based on the Willis Towers Watson experience rating model 2020.

Other actuarial and technical assumptions
The AAL increased with 5,421 due to changes in the technical assumptions (provision for administration costs, change in assumed retirement age of the Final Pay plan and cost loading in contribution and surcharge for orphan’s pension).

Other changes pension liabilities (results on mortality and disability, corrections)
This result mainly consists of a decrease of the AAL of 4,202 due to mortality, an increase of 169 due to disability and a decrease of 1,764 because of retirement. The increase in the result on mortality is explained by the higher actual mortality in 2020. This is most likely to be explained by Covid-19, however, the fund does not have the information as to the cause of the death, so this hypothesis cannot be confirmed.

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

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

Unless clearly stated otherwise all amounts are in thousands of euros

	31-12-2020 Members	31-12-2020 AAL	31-12-2019 Members	31-12-2019 AAL
Actives (including disabled)	506	479,319	607	465,564
Deferred members	830	271,283	765	234,179
Retirees	1,277	669,367	1,289	616,390
Sub-total	**2,613**	1,419,969	**2,661**	1,316,133
Minus: BPF Zoetwaren*		-28,278		-27,092
Total	**2,613**	**1,391,691**	**2,661**	**1,289,041**

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

8 Provision for future disability

	2020	2019
Balance per 1 January	1,043	1,191
Regular change	256	-148
Balance per 31 December	**1,299**	**1,043**

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

9 Pension provision for risk members

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

The provision for risk members consist of:

	31-12-2020	31-12-2019
Provisions concerning ARP plan	44,525	36,237
Provisions concerning ASP plan	50,307	40,683
Total	**94,832**	**76,921**

In 2020 the provisions developed as follows:

	ASP	ARP
Balance per 1 January	40,683	36,237
Contributions	3,865	5,721
Transfers	187	338
Investment result	5,383	2,229
Other changes (commutation etc.)	189	0
Balance per 31 December	**50,307**	**44,525**

In 2019 the provisions developed as follows:

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

Unless clearly stated otherwise all amounts are in thousands of euros

10 Current liabilities

	31-12-2020	31-12-2019
Derivatives	13,436	19,060
Accrued expenses and other liabilities	15,954	10,197
Contributions of employer	2,604	1,291
Wage tax and premiums social security	1,007	973
Total	**33,001**	**31,521**

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

The accrued expenses includes EUR 1,663 (2019: EUR 1,085) corporate income tax and VAT and EUR 13,286 (2019: EUR 7,610) of payables concerning MREI.

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

12.7 Rights and obligations not included in the balance sheet

Long term contracts

With respect to the investments in the Private Equity, Private Credit, Global Property and Hedge funds, MPF has an off-balance sheet commitment of EUR 214.7 million to these managers to invest in their funds. Non-compliance can lead to interest being charged as well as legal- and other collection costs.

The pension fund has a contract with TKP for the administration. In accordance with the conditions, TKP has indicated that it will not renew the contract as of 1 January 2022. This is because TKP has indicated that there is no joint future for the medium term, since TKP has adjusted their strategy to continue with less pension funds. The main reason for this is the growing impact of audits such as IORP-II. The annual fee for the regular services of TKP amounts EUR 0.8 million in 2020.

The pension fund contracted Blue Sky Group Pension Management B.V. (BSG) to be the new pension provider as of 1-1-2022. The annual fee for the regular services of BSG amounts EUR 1.3 million.

MREI

MPF has established that it is appropriate and prudent to commit itself to extend the existing intercompany loans until at least 30 June 2022 and to increase the principal amount of each existing intercompany loan up to a defined maximum amount required to enable MREI to meet its third party obligations until at least 30 June 2022, on terms and conditions satisfactory to MPF, but comparable to the existing intercompany loans.

Related parties

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

Unless clearly stated otherwise all amounts are in thousands of euros

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	**31-12-2020**		**31-12-2019**	
	EUR	**%**	**EUR**	**%**
S1 Interest rate risk	7,200	0.5	21,500	1.6
S2 Market risk on equities and property	250,500	16.8	238,500	17.5
S3 Currency risk	117,000	7.9	96,700	7.1
S4 Commodity risk	0	0	0	0
S5 Credit risk	87,900	5.9	76,700	5.6
S6 Technical insurance risk	39,300	2.6	35,900	2.6
S10 Active risk	32,500	2.2	39,100	2.9
Diversification-effect	-201,600	-13.6	-194,800	-14.3
Adjustment for risks for members	1,000	0.1	800	0.1
Required own funds	333,800	**22.4**	314,400	**23.1**

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)

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.

	31-12-2020 in years	**31-12-2019 in years**
Fixed income duration (excluding derivatives)	3.1	3.1
Fixed income duration (including derivatives)	6.1	5.8
Duration of the (nominal) pension liabilities	18.2	18.0

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

The Pension Board has adopted a formal interest rate hedging procedure. This interest rate hedging procedure is dynamic in nature. The interest rate hedge will generally increase linearly with the relevant interest rate, but small tactical deviations are possible. The Pension Board and its Investment Committee have carefully implemented the necessary infrastructure to enable this interest rate hedging procedure. As of 31 December, 2020 the 20-year EUR real swap rate was -0.6%, which was below the lowest trigger defined in the LDI trigger table. Thus, the 'dynamic' liability hedge ratio target (based on the full economic indexed liability) for the Plans was 29%. The hedge resulting from the Plan's physical assets covers 18% and 11% is added by a dynamic overlay. The tactical hedge target was neutral to the dynamic target.

Unless clearly stated otherwise all amounts are in thousands of euros

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

Fixed income - Asset categories	**31-12-2020**		**31-12-2019**	
	EUR	**%**	**EUR**	**%**
Government Bonds	153,388	27%	125,275	25%
Index Linked Bonds	5,616	1%	20,099	4%
Mortgages and Mortgage backed securities	64,744	11%	32,906	7%
Credits	321,348	57%	299,040	61%
Cash and cash-like instruments	23,462	4%	14,754	3%
Total	**568,558**	**100%**	**492,075**	**100%**

Cash and cash-like instruments mostly concern short term claims. The net pending trades (- EUR 34.2 million) are not included in the fixed income portfolio above.

12.8.2 Market risk (S2)

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

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

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

Equity – sector categories	**31-12-2020**		**31-12-2019**	
	EUR	**%**	**EUR**	**%**
Consumers	128,515	17%	111,559	15%
Energy	17,829	2%	25,596	3%
Financials	241,077	31%	259,910	35%
Health care	77,514	10%	75,545	10%
Industrials	89,490	12%	75,033	10%
Communication services	42,791	6%	35,259	5%
Information Technology	114,596	15%	98,973	13%
Materials	40,607	5%	37,216	5%
Other	11,207	2%	21,078	3%
Total	**763,626**	**100%**	**740,169**	**100%**

The net pending trades (EUR 0.3 million) are not included in the equity above.

12.8.3 Currency risk (S3)

At the end of 2020 about 69% (2019: 62%) 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 58% at the end of 2020 (63% at the end of 2019). The total net market value of the outstanding currency forward contracts at the end of the year was 2,687.

Unless clearly stated otherwise all amounts are in thousands of euros

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

Currency	Before Hedging	Currency Derivatives	31-12-2020 Net position after hedging	31-12-2019 Net position after hedging
Euro	540,070	467,501	1,007,571	1,010,879
British pound	165,268	-53,897	111,371	74,455
Japanese yen	91,359	-57,686	33,673	17,229
US Dollar	887,705	-309,437	578,268	526,273
Other	42,444	-43,794	1,350-	5,703
Total	**1,726,846**	**2,687**	**1,729,533**	**1,634,539**

The strategic currency exposure is equal to 39.1% of the assets (30% exposure plus exposure to emerging market currencies) or 665,932 in equilibrium. The buffer for the currency risk is 117,009.

12.8.4 Commodity/price risk (S4)

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

The equity investments can be divided into the following regions:

Equity - Regions	31-12-2020	31-12-2019
Mature markets	667,782	635,807
Emerging Markets	95,844	104,362
Total	**763,626**	**740,169**

The net pending trades (EUR 0.3 million) are not included in the equity above.

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

Fixed Income - Regions	31-12-2020	31-12-2019
Mature markets	492,007	419,440
Emerging Markets	76,551	72,635
Total	**568,558**	**492,075**

The net pending trades (- EUR 34.1 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.

Unless clearly stated otherwise all amounts are in thousands of euros

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	31-12-2020		31-12-2019	
	EUR	%	EUR	%
AAA	142,975	25%	112,791	23%
AA	35,898	6%	41,436	8%
A	97,037	17%	76,223	15%
BBB	97,329	17%	76,894	16%
Lower than BBB	115,038	20%	107,179	22%
No rating	80,281	15%	77,552	16%
Total	**568,558**	**100%**	**492,075**	**100%**

The net pending trades (- EUR 34.1 million) are not included in the fixed income above. Assets without a rating mostly concern cash and short term loans.

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 2020 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 2020 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.

Unless clearly stated otherwise all amounts are in thousands of euros

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 is conditional.

12.8.7 Liquidity risk

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

12.8.8 Concentration risk

Large individual investments in the portfolio can lead to concentration risk. In order to determine which investments could be earmarked as large positions, one must add or compare all positions against the same debtor per asset class. Large positions are then defined as positions that constitute more than 2% of the total assets (EUR 1,808,261, 2019: EUR 1,704,963).

Positions more than 2% of the total assets:

	31-12-2020		31-12-2019	
	EUR	**%**	**EUR**	**%**
Pimco - GL BD	169,041	9.3%	113,000	6.6%
Bond collateral	157,344	8.8%	173,939	10.2%
Blackstone effem fund	103,839	5.7%	88,604	5.2%
HDG FD FX Overlay	103,562	5.7%	89,089	5.2%
Pem - effem II	99,802	5.5%	89,151	5.2%
Nomura HY BD	82,538	4.6%	78,167	4.6%
GL EQ CCY Hedge	63,119	3.5%	76,746	4.5%
P/C FX-O/LAY	62,158	3.4%	62,667	3.7%
Global Value Property Fund	51,103	2.8%	0	0.0%
Equity TRH	50,020	2.8%	68,092	4.0%
Blackrock PV CR	48,581	2.7%	44,289	2.6%
Plan Level LDI	37,182	2.1%	0	0.0%
Prop CCY Hedge	0	0.0%	69,078	4.1%
	1,028,289	**56.9%**	**952,822**	**55.9%**

Unless clearly stated otherwise all amounts are in thousands of euros

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. 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 2020:

Type of contract	Expiry Date	Notional Values	Market Value assets	Market Value liabilities
Futures	Various	315,913	1,567	-2,112
Currency Forward contracts	Various	-465,796	4,294	-1,607
Options	Various	10,021	5,077	-2,573
Interest Rate Swaps	Various	93,144	59,304	-2,544
Total return swaps	Various	36,640	2,707	-3,009
Other	Various	-84,790	1,442	-1,591
Total		**-94,868**	**74,391**	**-13,436**

12.9 Notes to the statement of income and expenses

11 Contributions from employer and employees

The total employer contribution amounts EUR 21,238 (21.1%, 2019: 7.2%) 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 5,721) and a contribution with respect to the ASP-plan (EUR 1,257). This is resulting in an employer's contribution with respect to the Final Pay Plan of EUR 11,652.

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

	2020	2019
Cost covering contribution	43,370	28,363
Smoothened contribution	24,130	18,656
Actual contribution	21,238	8,740

The cost covering contribution is based on the actuarial assumptions applicable as per 31 December 2020, including an interest rate term structure according to the instructions of DNB per this date. The smoothened cost covering contribution is, in accordance with the ABTN, based on a fixed discount rate of 5.3%. This causes the smoothened contribution to be lower than the cost covering contribution. The actual contribution is based on the contribution policy and at least equal to the smoothened cost covering contribution (determined at the beginning of the financial year) and is expressed as a percentage of the pensionable salary.

The (smoothened) cost covering contribution is:

		2020		2019
	CCC	SCCC	CCC	SCCC
Unconditional accrual	35,030	19,566	22,900	15,107
Solvency surcharge	6,309	2,533	3,523	1,609
Surcharge for administration costs	2,031	2,031	1,940	1,940
Total	**43,370**	**24,130**	**28,363**	**18,656**

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

Unless clearly stated otherwise all amounts are in thousands of euros

12 Contributions for account and risk members

	2020	2019
ARP contribution	5,721	5,123
ASP contribution	3,865	3,617
Total contribution	**9,586**	**8,740**

The ASP contribution consist of 2,608 of contribution paid by members and 1,257 paid by the employer.

13 Investment results for risk pension fund

	Direct investment results	Indirect investment results	Investment related costs	Total 2020	Total 2019
Real Estate	10,380	-28,200	-14,910	-32,730	-6,111
Equity	4,080	65,496	-623	68,953	134,916
Fixed Income	6,755	-15,223	11	-8,457	33,570
Derivatives and hedge funds	1,525	89,725	-1,638	89,612	30,700
Other financial investments	-129	-985	-3,256	-4,370	-3,003
Investment results	22,611	110,813	-20,416	113,008	190,072
Allocated to ARP				-2,229	-1,334
Net Investment result				**110,779**	**188,738**

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 20.4 million also include the operational costs related to the direct investments in real estate (EUR 14.9 million in 2020 and EUR 11.8 million in 2019).

	2020	2019
Management fee external asset managers	2,691	2,158
Investment advice	1,982	1,725
Operating costs real estate	14,910	11,809
Custody fee	482	386
Value added tax on costs foreign asset managers and other	351	884
Total	**20,416**	**16,961**

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

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

14 Investment results for risk members

	2020	2019
Investment results ARP (after deduction of transfers ARP)	2,229	1,080
Investment results ASP	5,383	7,363
Total	**7,612**	**8,443**

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 2020 the calculated return was maximized to the CPI-index plus 3%. The investment results ASP consists mostly of positive returns on equity.

Unless clearly stated otherwise all amounts are in thousands of euros

Investment results ASP

	Direct investment results	Indirect investment results	Investment related costs	Total 2020	Total 2019
Equity	-596	6,211	-85	5,530	7,320
Fixed Income	0	44	-1	43	43
Total	-596	6,255	-86	5,573	**7,363**

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

	2020	2019
Other	0	0

16 Benefits payment

	2020	2019
Retirement pension	30,510	28,901
Partner pension	4,651	4,535
Disability pension	314	390
Commutation of small pensions	58	53
Orphan pension	31	39
Total	**35,564**	**33,918**

17 Execution- and administration costs

	2020	2019
Administration costs	867	962
Actuarial (advising)	748	654
Legal advisory	257	380
Cross charges from the employer (support Pension Office)	212	232
Benefits Professional (support Pension Office)	147	0
Governance costs (Pension Board, Supervisory Council, Accountability Council)	316	312
Audit and advisory services	74	100
Communication costs	6	1
Membership contributions	99	103
Actuarial (certifying)	111	27
Other costs	6	34
Total	**2,843**	**2,805**

The execution- and administration costs are VAT included. In total an amount of 525 has been paid on VAT charges. The advisory costs are slightly higher compared to 2019.

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 (2019: two employees) who have employment contracts with Mars Nederland B.V. and have been outsourced to Mars Pension fund. The costs are charged to Mars Pension fund and included in this report. In 2020 the Pension Office was supported by a Benefits Professional.

The total remuneration paid to members of the Pension Board and Supervisory Council for their membership in the Board is 243 (2019: 241).

Unless clearly stated otherwise all amounts are in thousands of euros

Members of the Accountability Council receive a compensation of 3 per year (2019: 2).

Board members not employed at Mars Nederland B.V. received a total remuneration of EUR 167.

Independent audit and advisory services

	2020	2019
Audit annual accounts	74	94
Other non-audit services	0	0
Advisory services	0	6
Total	**74**	**100**

Audit services are provided by PricewaterhouseCoopers Accountants N.V.

18 Change provision pension liabilities for risk pension fund

	2020	2019
Change provision	102,650	155,946

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

	2020	2018
Provision change for future disability	256	-148

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

20 Change provision for risk members

	2020	2019
Provision change for the account and risk of members	17,911	18,035

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

21 Reinsurance

	2020	2019
Premium	63	45

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

22 Transfers of pension rights for risk pension fund

	2020	2019
Incoming transfer values	0	0
Outgoing transfer values	0	81
Total	**0**	**81**

Unless clearly stated otherwise all amounts are in thousands of euros

23 Transfers of pension rights for risk members

	2020	2019
Incoming transfer values	-959	-413
Outgoing transfer values	301	0
Total	**-658**	**-413**

24 Other expenses

	2020	2019
Contribution AO for ASP members	47	0

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

The balance of income and expenses (loss) of 2020 of 18,999 is added to the general reserves.

12.11 Subsequent events

De Nederlandsche Bank (DNB) indicated on 28 August 2020 that the new UFR method will be introduced in four equal steps from 1 January 2021. This Ultimate Forward Rate (UFR) is part of the interest rate term structure as published monthly by DNB.

The transition to a new UFR method is part of the advice of the Parameters Committee of June 2019.

The gradual introduction ensures that the effect of the new UFR method on the funding ratio gradually materializes over time. The 'younger' a pension fund, the higher the interest rate sensitivity of the pension liabilities and the greater the impact of the introduction of the new UFR method. A lower interest rate term structure also has a greater impact.

Applying the first step of the new UFR method would have an effect of approximately -0.9 percentage points on the funding ratio of the pension fund as of 1 January 2021.

Unless clearly stated otherwise all amounts are in thousands of euros

13 SINGLE FINANCIAL STATEMENTS

13.1 Single balance sheet

After appropriation of results (in EUR 1,000)

	Note [14]		31-12-2020		31-12-2019
ASSETS					
Investments for risk pension fund					
Real estate	25	53,400		33,584	
Equity		763,959		740,169	
Fixed income		534,379		487,089	
Hedge funds		103,839		88,604	
Derivatives		74,548		45,501	
Other financial investments	26	137,367		161,156	
			1,667,492		1,556,103
Investments for risk members	2		94,832		76,921
Investments in subsidiaries	27		0		0
Receivables and prepayments	28		28,452		59,476
Other assets					
Cash	4		2,491		4,093
			1,793,267		**1,696,593**
LIABILITIES					
Foundation capital and reserves					
Foundation capital	5		0		0
General reserves	6		287,438		306,437
Technical provision for risk pension fund					
Actuarial accrued liabilities	7	1,391,691		1,289,041	
Provision for future disability	8	1,299		1,043	
			1,392,990		1,290,084
Pension provision for risk members	9		94,832		76,921
Current liabilities	29		18,007		23,151
			1,793,267		**1,696,593**

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

Unless clearly stated otherwise all amounts are in thousands of euros

13.2 Single statement of income and expenses

(in EUR 1,000)

	Note[15]		2020		2019
INCOME					
Contributions from employer and employees	11		11,652		0
Contributions for account and risk members	12		9,586		8,740
Investment results for risk pension fund	30	142,303		204,564	
Investment results for risk members	14	7,802		8,443	
			150,105		213,007
Other income	15		0		0
Total INCOME			**171,343**		**221,747**
EXPENSES					
Benefits payment	16		35,564		33,918
Execution- and administration costs	17		2,843		2,805
Change pension provision:					
• Accrual of benefits		21,916		14,768	
• Indexation		3,597		17,980	
• Addition of interest		-4,091		-2,619	
• Benefit payments (incl. commutation and costs)		-36,030		-34,530	
• Yield curve change		151,565		162,987	
• Change of mortality assumptions		-33,372		0	
• Other actuarial- and technical assumptions		5,421		-38	
• Changes as a result of transfer of rights		6		-406	
• Other changes pension provision		-6,356		-2,196	
Change provision pension liabilities for risk pension fund	18		102,650		155,946
Change provision for future disability	19		256		-148
Change provision for risk members	20		17,911		18,035
Reinsurance	21		63		45
Transfer of pension rights for risk pension fund	22		6		81
Transfer of pension rights for risk members	23		-523		-413
Other expenses	24		47		0
Total EXPENSES			**158,819**		**210,269**
NET RESULT			**12,525**		**11,478**
Result subsidiary (MREI)	**31**		**-31,524**		**-15,827**
TOTAL NET INCOME			**-18,999**		**-4,349**

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

Unless clearly stated otherwise all amounts are in thousands of euros

13.3 Accounting policies

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

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

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

13.4 Notes to the single balance sheet

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

25 Real estate

	2020	2019
Balance per 1 January	33,584	15,064
Purchases	23,193	17,346
Sales	-461	-689
Valuation changes	-2,916	1,863
Balance per 31 December	**53,400**	**33,584**

26 Other financial investments

	31-12-2020	31-12-2019
Cash available for investments	135,790	165,428
Liquid assets available for investment	46,102	31,965
Deducted investments ARP	-44,525	-36,237
Total	**137,367**	**161,156**

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

27 Investments in subsidiaries
This item consists of the capital investment in Mars Real Estate Investment B.V. (MREI). The capital is lower than the outstanding loans form the pension fund to MREI. The investment in subsidiaries is there for zero and the loans are denominated with the negative value of the capital and reclassified as Receivables form group companies.

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:

Capital	2020	2019
Balance per 31 December previous year	**-11,419**	**4,408**
Repayments and dividend	0	0
Operational result	-31,524	-15,827
Revaluations (foreign currency)	547	0
	-42,396	-11,419
Reallocated to receivables	42,396	11,419
Balance per 31 December	**0**	**0**

28 Receivables and prepayments

	2020	2019
Receivable from group companies	25,794	58,254
Prepaid expenses	1,693	203
Accrued interest Intercompany loan MREI	965	1,019
Total	**28,452**	**59,476**

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

Receivables from group companies	2020	2019
Balance per 31 December previous year	69,673	65,773
Additional loans	2,377	0
Repayments and dividends	-3,860	3,900
	68,190	69,673
Deduction remaining negative equity	-42,396	-11,419
Total	**25,794**	**58,254**

Receivables from group companies concern the loans to MREI. The Senior Debt loans (EUR 59,359) have an average interest rate of 5.06% and the Junior Debt loans (EUR 10,314) have an average interest rate of 10.06%. The loans are extended until at least 30 June 2022. All loans are denominated in GBP. There are no particular warranties underlying the loan. The loan was devalued due to the operational result of MREI in 2020.

29 Current Liabilities

	31-12-2020	31-12-2019
Derivatives	13,436	19,060
Accrued expenses and other liabilities	960	1,827
Contributions employer	2,604	1,291
Wage tax and premiums social security	1,007	973
Total	**18,007**	**23,151**

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

Unless clearly stated otherwise all amounts are in thousands of euros

13.5 Notes to the single statement of income and expenses

30 Investments results for risk pension fund

	Direct investment results	Indirect investment results	Investment related costs	Total 2020	Total 2019
Real Estate	44	-2,917	0	-2,873	5,772
Equity	4,080	65,495	-623	68,952	134,917
Fixed Income	6,755	-15,223	11	-8,457	33,570
Derivatives and hedge funds	1,525	89,725	-1,638	89,612	30,700
Other financial investments	-129	-985	-3,256	-4,370	-3,003
Investment results	**12,275**	**136,095**	**-5,506**	**142,864**	**201,956**
Allocated to ARP				-2,229	-1,334
Loan to subsidiary	1,668			1,668	3,942
Net Investment result				**142,303**	**204,564**

31 Result subsidiary (MREI)

The result of the subsidiary is compiled of:

	2020	2019
Operational result	-31,586	-16,087
Results on exchange rates	62	260
Total	**-31,524**	**-15,827**

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 (2019: two employees) who have employment contracts with Mars Nederland B.V. and have been outsourced to Mars Pension fund. The costs are charged to Mars Pension fund and included in this report.

13.6 Subsequent events

De Nederlandsche Bank (DNB) indicated on 28 August 2020 that the new UFR method will be introduced in four equal steps from 1 January 2021. This Ultimate Forward Rate (UFR) is part of the interest rate term structure as published monthly by DNB.

The transition to a new UFR method is part of the advice of the Parameters Committee of June 2019.

The gradual introduction ensures that the effect of the new UFR method on the funding ratio gradually materializes over time. The 'younger' a pension fund, the higher the interest rate sensitivity of the pension liabilities and the greater the impact of the introduction of the new UFR method. A lower interest rate term structure also has a greater impact.

Applying the first step of the new UFR method would have an effect of approximately -0.9 percentage points on the coverage ratio of the pension fund as of 1 January 2021.

Veghel, 15 June 2021

The Pension Board

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

Unless clearly stated otherwise all amounts are in thousands of euros

OTHER INFORMATION

14 OTHER INFORMATION

14.1 Articles of association governing profit appropriation

In the Articles of Association of the pension fund no arrangement is included for the appropriation of the balance of the statement of income and expenses. The destination is further detailed in the Actuarial and Technical Business Memorandum (ABTN). The proposal for the appropriation of the balance of income expenses for 2020 is included in the statement of income and expenses.

14.2 Actuarial Statement

Assignment
The assignment to issue an Actuarial Statement, as referred to in the Pension Act in respect of the financial year 2020, 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' that applies for both the external auditor and me, 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 € 10,437,000. With the external auditor I have agreed to report any observed discrepancies above a level of € 695,000. 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 lower than the statutory required net assets, but higher than the statutory minimum required net assets.

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

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

My opinion about the financial position of Stichting Mars Pensioenfonds is based on the liabilities of the pension fund incurred up to and including the balance sheet date and the available assets on that date. In my opinion, the financial position of Stichting Mars Pensioenfonds is not sufficient, because the net assets are lower than the statutory required net assets. For the sake of completeness. I note that if the change in the interest rate term structure as implemented by DNB as of 1 January 2021 was taken into account on the balance sheet date, this would not change my opinion of the financial position of Stichting Mars Pensioenfonds.

Rotterdam, 15 June 2021

R.J.M. van de Meerakker MSc, AAG
Affiliated with Towers Watson Netherlands B.V.

14.3 Independent auditor's report

Independent auditor's report

To: the Pension Board of Stichting Mars Pensioenfonds

Report on the annual accounts 2020

Our opinion

In our opinion, the annual accounts of Stichting Mars Pensioenfonds ('the Foundation') give a true and fair view of the financial position of the Foundation and the Group (the foundation together with its subsidiaries) as at 31 December 2020, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying annual accounts 2020 of Stichting Mars Pensioenfonds, Veghel. The annual accounts include the consolidated financial statements of the Group and the single financial statements.

The annual accounts comprise:

- the consolidated and single balance sheet as at 31 December 2020;
- the consolidated and single statement of income and expenses for the year then ended; and
- the notes, comprising the accounting policies and other explanatory information.

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

The basis for our opinion

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

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

Independence

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

Report on the other information included in the annual report

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

- the report of the Pension Board; and
- 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 annual accounts and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

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

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

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

Responsibilities for the annual accounts and the audit

Responsibilities of the Pension Board

The Pension Board is responsible for:

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

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

Our responsibilities for the audit of the annual accounts

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

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

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

Groningen, 15 June 2021
PricewaterhouseCoopers Accountants N.V.

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

Appendix to our auditor's report on the annual accounts 2020 of Stichting Mars Pensioenfonds

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

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

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

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

Considering our ultimate responsibility for the opinion on the 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 annual accounts as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

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

14.4 Terminology

AAL	Accrued Actuarial Liabilty
ABTN	Actuariële Bedrijfs Technische Nota
AFA - Administrative and Financial Agreement	Uitvoeringsovereenkomst
AFM	Autoriteit Financiële Markten
AG	Actuarieel Genootschap
ALM	Asset Liability Management
ARP (MUP)	Associate Retirement Plan (Medewerker Uittredings Plan)
ASP (MSP)	Associate Selection Plan (Medewerker Selectie Plan)
BPF (industry wide pension fund)	Bedrijfstak Pensioen Fonds
CBS	Centraal Bureau voor de Statistiek
CCC	Cost Covering Contribution
CPI	Consumenten Prijs Index
CSA	Credit Support Annex
Defined Contribution Pension Scheme (DC)	Beschikbare premieregeling
DNB	De Nederlandsche Bank
EAFE	European And Far East
EB – Executive Board	Dagelijks bestuur
ECB	Europese Centrale Bank
EM	Emerging Markets
EMD	Emerging Market Debt
TBC	Treasury & Benefits Centre
FED	Federal Reserve Board
FR	Funding ratio (dekkingsgraad)
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.
MTR	Minimum Technical Reserve (minimaal vereist eigen vermogen)
OTC	Over The Counter
OSMR	Ongoing Solvency Margin Ratio (vereist eigen vermogen)
PCC	Pensioen Communicatie Commissie
PFR	Policy Funding Ratio (Beleidsdekkingsgraad)
RTS	Rentetermijnstructuur
SLA	Service Level Agreement
SCCC	Smoothened Cost Covering Contribution
TRH	Tail Risk Hedge
UFR	Ultimate Forward Rate
UPO	Benefit Statement (Uniform Pensioen Overzicht)

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