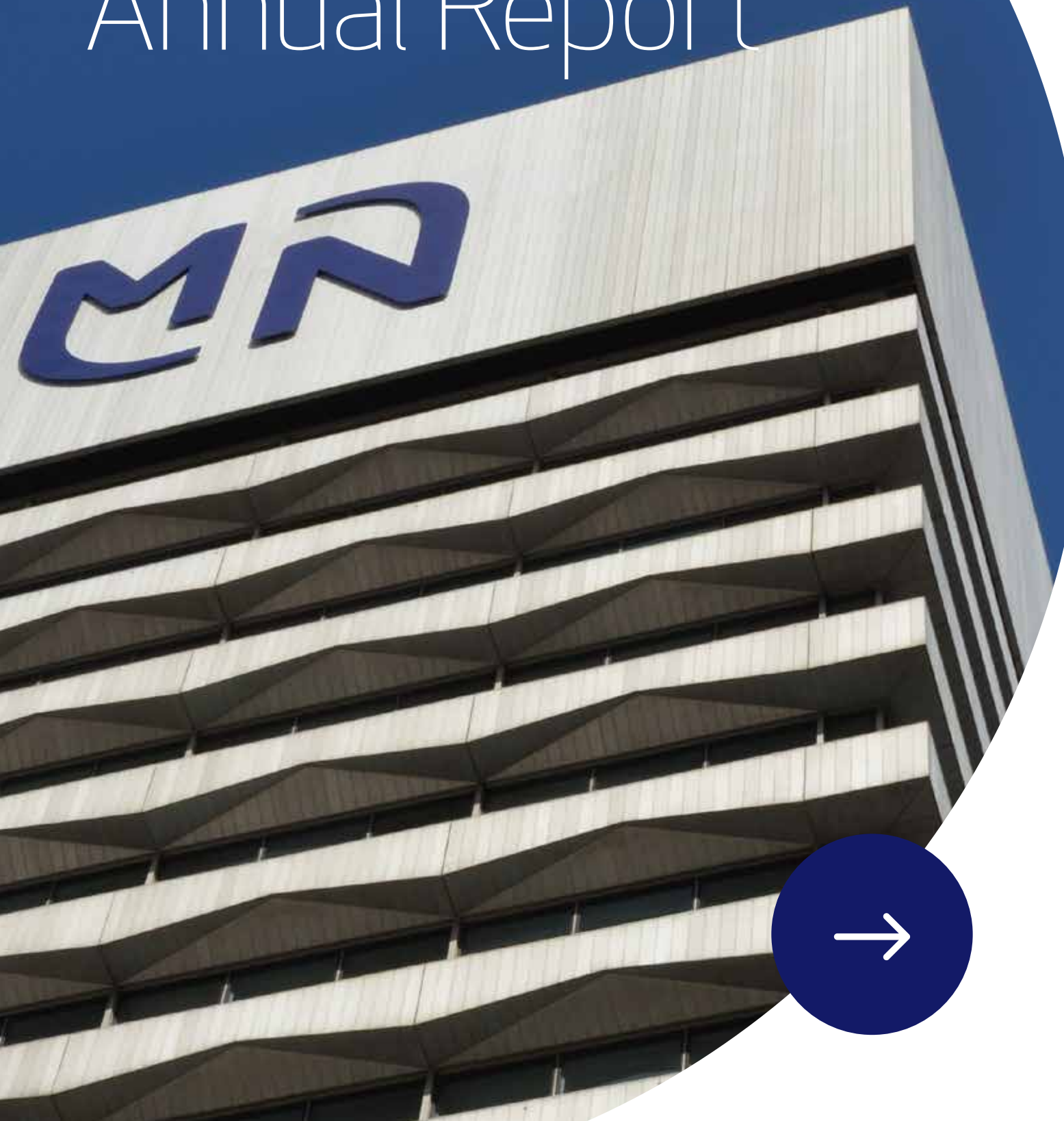


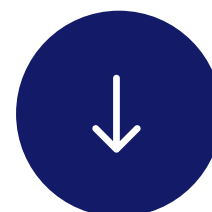
2015 MN Annual Report



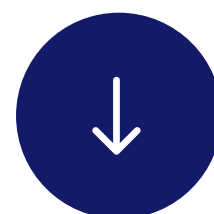
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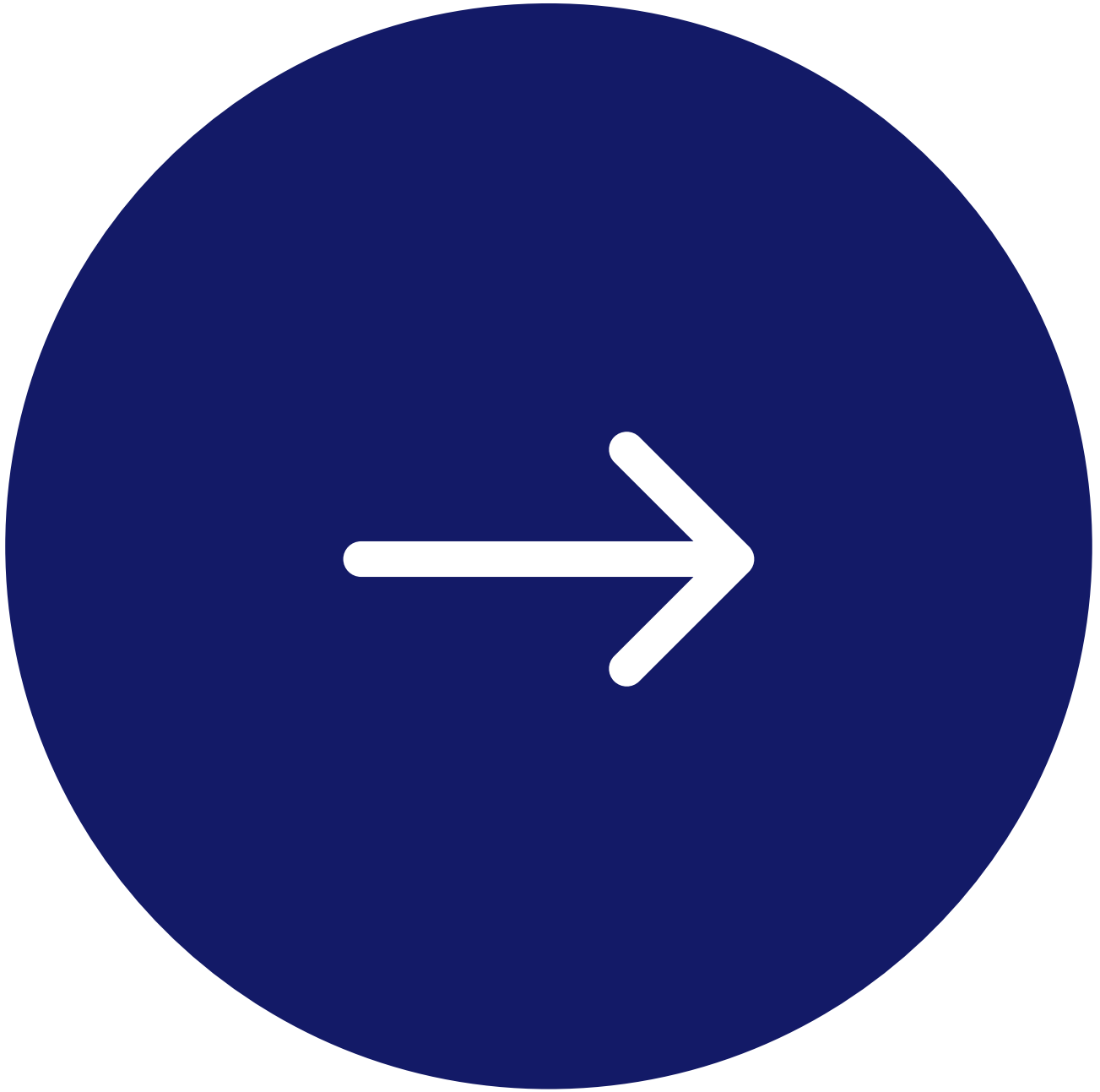
Reader's guide

The 2015 MN Annual Report contains our annual financial statements and the corporate social responsibility (CSR) annual report. By combining both annual reports in a single MN publication, we are taking an important step towards integrated annual reporting. An overview is provided below of those parts of this publication to which the audit opinions of the independent auditor relate. An icon at the bottom of the page indicates which audit opinion applies to the page in question. The interviews in this report are not part of the assurance.

Section	Annual financial statements audit opinion	CSR annual report audit opinion
Introduction		
Executive Board report		
Risk management		
Statement by the Supervisory Board		
Socially responsible		
Annual financial statements		

This year, MN is also publishing a separate annual Socially Responsible Investment report for the first time.

Introduction



← Foreword



The much-needed clarity about the future of the Dutch pension system failed to materialise in 2015. Everyone agrees that a thorough review of our system is required. The fall in interest rates to an historical low point has put pressure on the financial position of many pension funds. Despite the new financial assessment framework, reductions are again on the horizon, so that pension fund members are losing confidence in the sector. Because of the focus on issues that are experiencing difficulties, it is easy to forget that our country still has one of the best pension systems in the world. The pension world seems to have lost contact with the ordinary citizen. The system has become so complicated that those for whom it was created can no longer understand it. It is therefore vital that all parties involved move speedily to reform the system. It will have to be conspicuous for its simplicity. That is an essential condition for a sustainable recovery of confidence.

One of the goals that MN has set itself for the near future is joining with our customers in repairing the link with employers, employees and pensioners. We wish to enter into a dialogue, listen to what members of society are saying and clearly explain what we are doing and why. For instance, we think it's important that our policy of responsible and sustainable investment is successfully combined with achieving a favourable return. Explaining this satisfactorily presents a challenge. Clarity regarding policy and results is vital. However, the less favourable messages must also be explained transparently. We can only regain confidence together with the funds by being open. But that's not all. We will also have to reorganise internally to perform our work effectively at the lowest possible costs.

Changing organisation

MN's goal is to become the number one financial service provider in the pension sector. The MN 3.0 improvement programme intervenes throughout the organisation in the structure and management, as well as in processes and systems. Work processes will be automated as much as possible. As a result, the work content will be changing for many of our staff and higher demands will often be made. MN is making every effort to guide staff properly during this process. They are crucial to the success of this major programme that will make a fundamental change to MN. MN 3.0 will also result in the reduction in the number of staff, a reduction that will be felt most when the programme nears its end in 2018.

In the past year, MN has devoted a great deal of energy to the relationship with our most important customers. We reached new agreements regarding the details of the strategic frameworks. This set of agreements forms the basis for reinforcing the relationship of trust with our stakeholders. We have reached agreement regarding the financing of the MN 3.0 change



programme. Together with PME (Metal & Electrical Engineering Industry Pension Fund) and PMT (Metal and Engineering Industry Pension Fund), we have finalised the integration of the two former schemes into a single uniform scheme. The sale of our UK activities means that MN is now focusing entirely on its Dutch customers.

In 2015, the Executive Board was reduced from eight to four members. This heralded the start of our Next Blu programme, which is geared to changing the internal organisation, culture and customer service. A smaller Executive Board means that we are shortening the internal cooperative chain and making it more effective. The programme also focuses on the link with members and employers. It serves as a prelude to the Huis voor de Maakindustrie (House for the Manufacturing Industry) and to a greater involvement with those whom our clients represent.

In early 2016, the appointment of Johan van der Ende and Michaël Kortbeek meant that the Supervisory Board was returned to full strength. In late 2015, two new female members, Hanny Kemna and Sandra Spek had already been appointed. These appointments filled the vacancies that had arisen after Kees Linse, Peter Kok and Cees van Woudenberg had stepped down. This new composition has boosted diversity on the Supervisory Board.

As expected, MN ended 2015 in the red. This was the consequence of, for instance, MN 3.0 and one-off costs associated with outsourcing the IT infrastructure. In 2016, we expect to achieve a positive result again.

Staff

For our staff, 2015 was far from easy. The MN 3.0 and Next Blu programmes involve many changes and uncertainty. Furthermore, our staff are still having to deal with a public that is following developments in the pension sector very closely and critically. This is evident from, for instance, statements on social media. I am therefore very grateful for the efforts made and the loyalty shown by them in the past year, and I respect the way in which they continue to perform their work with dedication in these uncertain times. That also applies to their representative body, the Works Council. Finally, a special word of thanks to Paul Versteeg and Walter Mutsaers, both former members of the Executive Board, who left MN at the end of 2015.

The Hague, 7 April 2016

René van de Kieft, CEO



← External developments

In 2015 too, uncertainty was a major characteristic of the world in which MN operates. The following external developments are particularly relevant to MN.

Demographic: life expectancy has risen sharply in recent years. As a result, pension funds are having to increase benefits and the funding ratios are falling. The ratio between the number of actives and pensioners is changing.

Economic: there are signs of recovery within the Eurozone. The Netherlands Bureau for Economic Policy Analysis (CPB) is forecasting growth of more than two percent. There is no inflation and the monetary easing programme of the European Central Bank means that interest rates are very low. As a result, the funding ratios of pension funds are under continuous pressure. Low interest rates have not resulted in a growth acceleration. Western economies seem to be holding their own, but several emerging countries such as Russia, Brazil and China are facing increasing problems.

From a **socio-cultural** point of view, we see a continuous individualisation trend within the Netherlands. This is evident from the growing number of self-employed workers and a decrease in permanent employment. This is impacting the pension and social security system. Furthermore, a debate about solidarity within the pension system is in full swing.

Technological developments are bringing about improvements in computer systems. As a result, pension funds can reduce their administration costs because they can work more efficiently.

As regards **ecological** considerations, there is an increasing focus on responsible climate policy. At the major climate summit in Paris, international agreements were reached on limiting CO₂ emissions. This has repercussions such as a growing emphasis on socially responsible investment (SRI). Large institutional investors are increasingly expected to incorporate SRI in their investment policy.

The direct **political** influences have their origins mainly in The Hague and Brussels. The Netherlands must defend its effective fully-funded system against the tendency of Brussels to standardise European pensions. The debate in the Netherlands about the much-needed reform of the system is proceeding slowly.



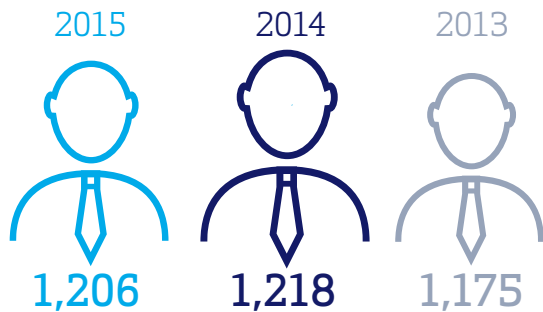
On 1 January 2015, the new Financial Assessment Framework (nFTK) was introduced. This included a tightening of the rules with which pension funds must comply. During the year, moreover, the actuarial interest rate for pension funds was adjusted. As a result, the funding ratios of pension funds, which were already low, fell even further. In conjunction with the ongoing low interest rates, this means that indexation of pension entitlements in the next few years is very unlikely. Geopolitically, there are increased tensions in Europe and the situation in the Middle East is very tense. These developments are also causing uncertainty on the financial markets.



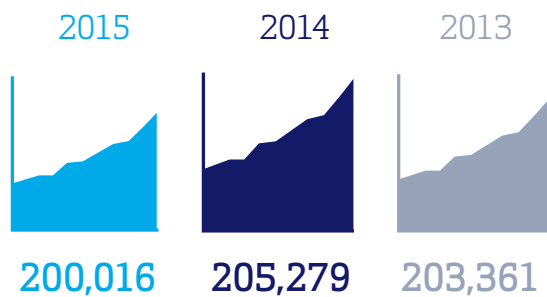
← MN in brief



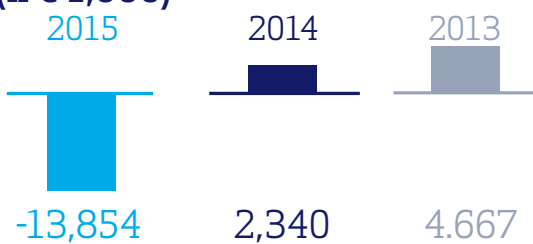
MN staff



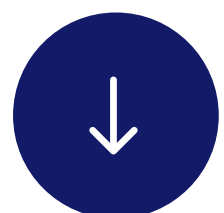
Net turnover (x € 1,000)



Result from ordinary activities before tax (x € 1,000)

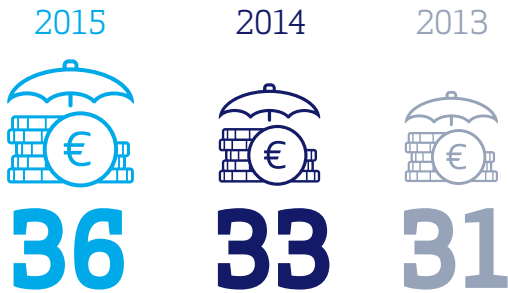


An extensive overview of MN's financial key figures can be found on page 105.

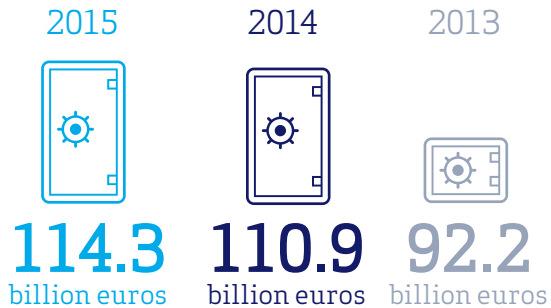


← MN in brief

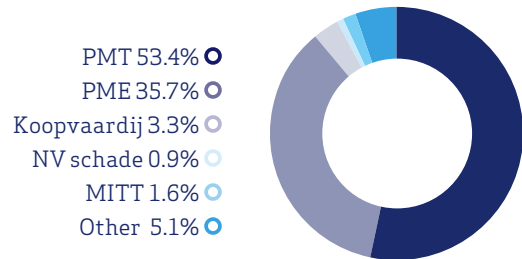
Clients



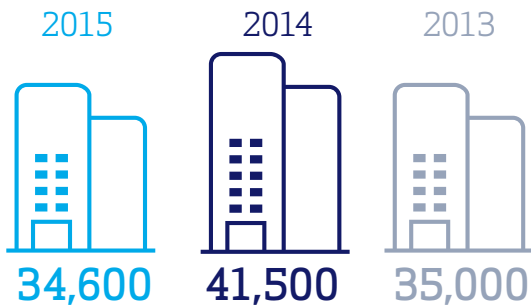
Assets invested



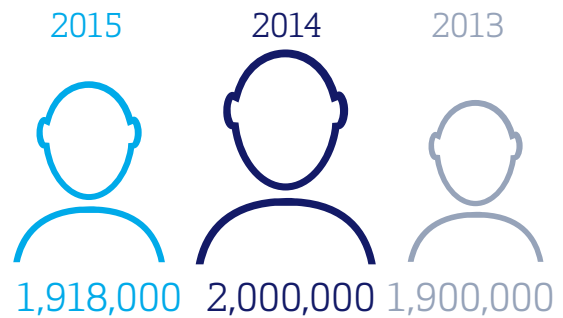
Distribution of client assets invested



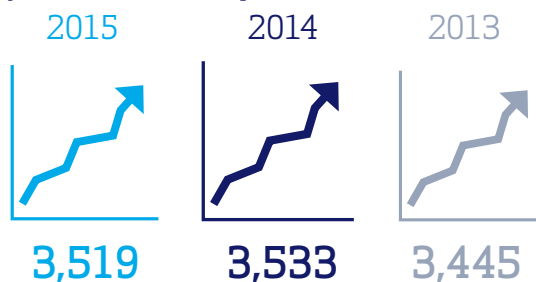
Employers



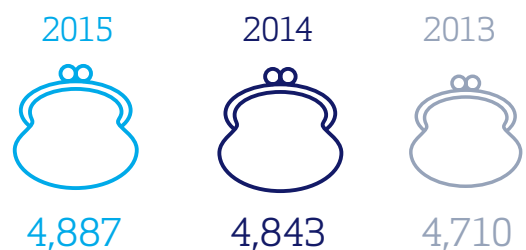
Members



Contribution income (x € 1 million)



Benefit payments to members (x € 1,000)



← MN profile

MN works to ensure the financial future of almost two million people. We do so by implementing pension and social schemes and managing insurance for our clients. In addition to these tasks, we advise our clients. We aim for both financial and social return. We manage more than 114 billion euros in an efficient manner, with a focus on people and the environment.

This is what MN stands for

MN stands for the professional implementation and performance of fiduciary management, asset management, pension administration, social schemes and other related income support provisions at acceptable costs. In the engineering sector, we are considered the preferred supplier for a wide range of services with regard to collective schemes. MN focuses primarily on current clients and their affiliated members and employers. MN shares a joint mission with clients: 'bringing about the viable financial future that people deserve.' MN pursues this goal based on the vision that collectivity and scale advantages are the ingredients for favourable work-related entitlements.

Pensions and income protection insurance

For three clients, who are also shareholders, we handle both the pension administration and the asset management. These clients are Pensioenfond Metaal en Techniek (PMT), Pensioenfond van de Metalektro (PME) and Bpf Koopvaardij (Dutch Merchant Navy's Company Pension Fund). When it comes to income protection insurance, our clients also include NV schade, UVVS and Combinatie Bovemij Mn Services BV. Our clients, customers and the members are central to everything we do.

We want to be leading when it comes to pensions and income protection insurance and that is our daily focus. We are continuously developing our organisation and we also have an eye for such aspects as responsible asset management, ageing and the technical side of our administration.

For many people, pensions and income protection insurance are difficult subjects, which is why we try to communicate as simply and clearly as possible. And we explain complicated subjects as often as is required. We are very much involved with our customers and go the extra mile in order to

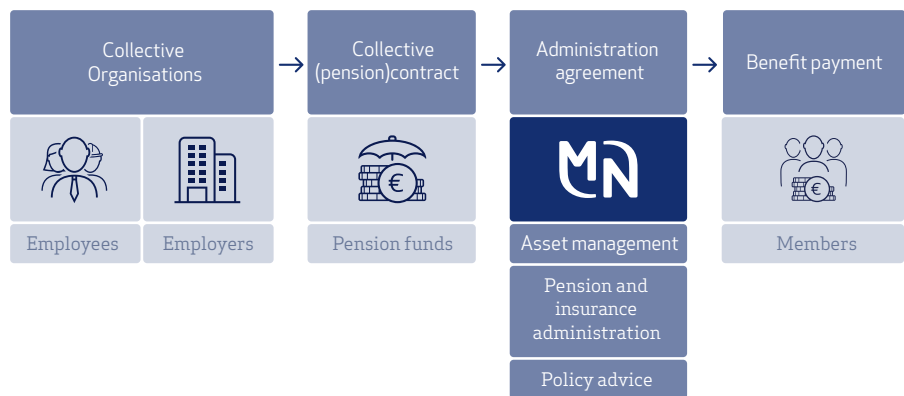


help them. And in the end, that's what it's all about: offering people a pension and an income protection insurance that is sound, easy to understand and affordable.

MN in the value chain

MN plays a pivotal role in the value chain from concluding pension agreements to making benefit payments. This value chain is shown schematically below.

Value Chain



MN is a company of and for social partners (trade unions and employers' organisations) and pension funds. The social partners conclude collective agreements (CAs) with arrangements relating to pensions and income protection insurance. Pension funds and sectoral insurers are responsible for the implementation. The pension funds and insurers outsource most of the actual administration to MN. MN collects contributions, manages assets and ensures the viable financial future of members. MN also ensures that clients have control over the implementation by MN.



Core activities

MN is involved in the following core activities:

Administration of pensions and income protection insurance

We handle the entire pension administration for an important number of clients. In other words, we collect contributions, monitor the pension entitlements of almost two million members and pay out pension benefits. We also manage income protection insurance for various insurers. We handle the entire process from quotes, via acceptance of members and policy administration, to calculating and paying out damage claims.

Policy advice

We also use our knowledge and experience to provide pension funds and social partners, with sound and customised advice about the current and future situation. We offer investment advice, perform assessments and identify relevant developments in national and European legislation and social circumstances. Moreover, we support our clients when it comes to actuarial, legal, technological and organisational matters.

Asset management

We manage and administer the assets of our clients, focusing on three activities: fiduciary management, internal control and socially responsible investment. MN has been involved in fiduciary management right from the start and we are one of the parties that has developed this concept to the full. We advise and support clients throughout the entire asset management process. This integral approach ensures an optimal coordination of all asset management activities, from policy advice to portfolio and risk management through to reporting. This is very reassuring for clients, particularly at a time when increasingly higher demands are being imposed on pension fund boards. MN manages almost half the assets of clients internally. This provides added value with regard to cost efficiency and risk management.

Clients and MN are aware that a responsible investment policy contributes to a sustainable society and consequently to a sustainable and viable future for people. That is why MN is a signatory to the United Nations Principles for Responsible Investment (PRI). On that basis, MN has defined ten guiding principles for responsible asset management. As part of its fiduciary role, MN ensures that these principles are applied.



Strategy

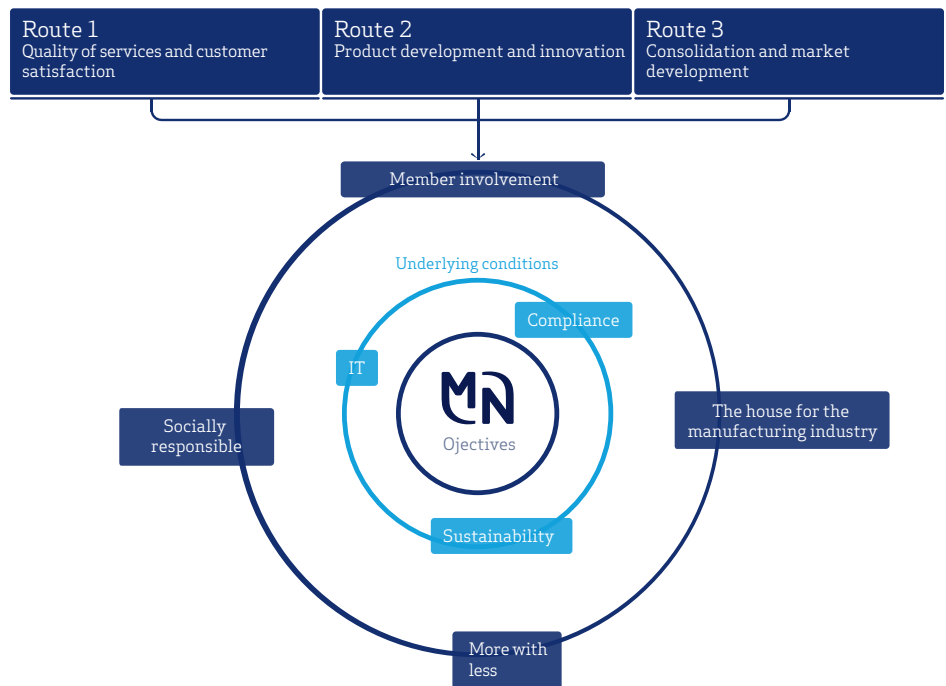
MN's strategy to achieve its mission and vision is effected via three routes:

- 1) Optimising the current business model: reinforcing the position within manufacturing industry, i.e. engineering, chemicals, food and other production industries and the maritime sector.
- 2) Supplying products and services to current clients.
- 3) Consolidation and market development.

The essence of these three routes is: increasing confidence and trust among clients, members and employers. MN has a four-pronged approach to achieving these goals: 'member involvement', 'the house for the manufacturing industry', 'more with less' and 'socially responsible'.

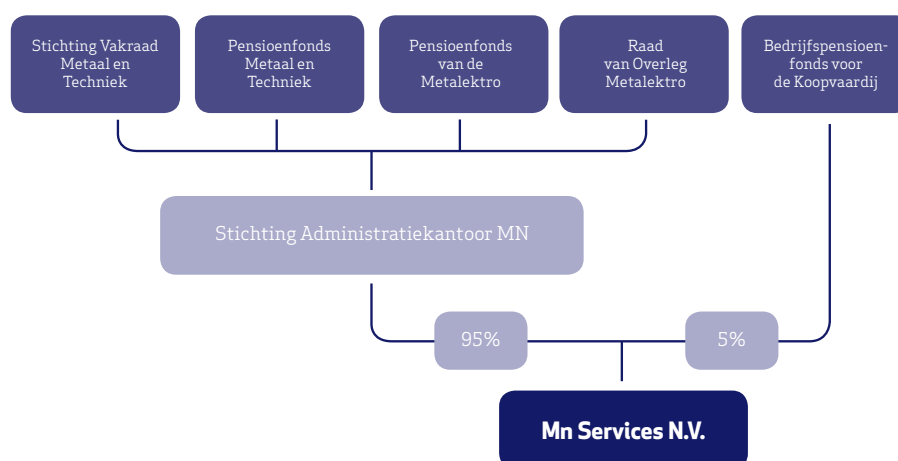
In its business plan, MN's strategy for the medium to long term is set out and substantiated on the basis of an internal and external analysis. Each year, the business plan is converted into a more operational framework document that constitutes the basis for the annual plans at unit level and the final budget book at MN level. Progress and results are reported at the various management levels in accordance with agreements. Corrective actions are taken where necessary.

Routes 2015 - 2017



Shareholder structure

Social partners and pension funds PMT and PME are represented on the board of an MN trust office foundation (StAK MN) that is a 95% shareholder of MN. The StAK MN board has members with two types of designations, i.e. 'S' board members nominated by the social partners and 'P' board members nominated by the pension funds. Bpf Koopvaardij is a 5% shareholder.



Supervisory Board

The MN Supervisory Board consists of six independent members. The Supervisory Board also has three main committees: the Audit Committee, the Remuneration & Appointments Committee and the Change Committee. These committees prepare decisions to be taken by the Supervisory Board relating to financial, audit and risk issues (Audit Committee), decisions relating to major change programmes (Change Committee), as well as remuneration, appointments and reappointments issues (Remuneration & Appointments Committee).

Allocation of tasks on the Supervisory Board

Chair	Ella Vogelaar
Audit Committee	Sandra Spek (Chair) and Johan van der Ende
Change Committee	Hanny Kemna (Chair) and Ella Vogelaar
Remuneration and Appointments Committee	Michaël Kortbeek (Chair) and Kees Korevaar



Composition of the Executive Board

The MN executive board has been slimmed down and made more decisive. This allows it to respond more effectively to the challenges facing the organisation. The Board has been reduced from eight to four members.

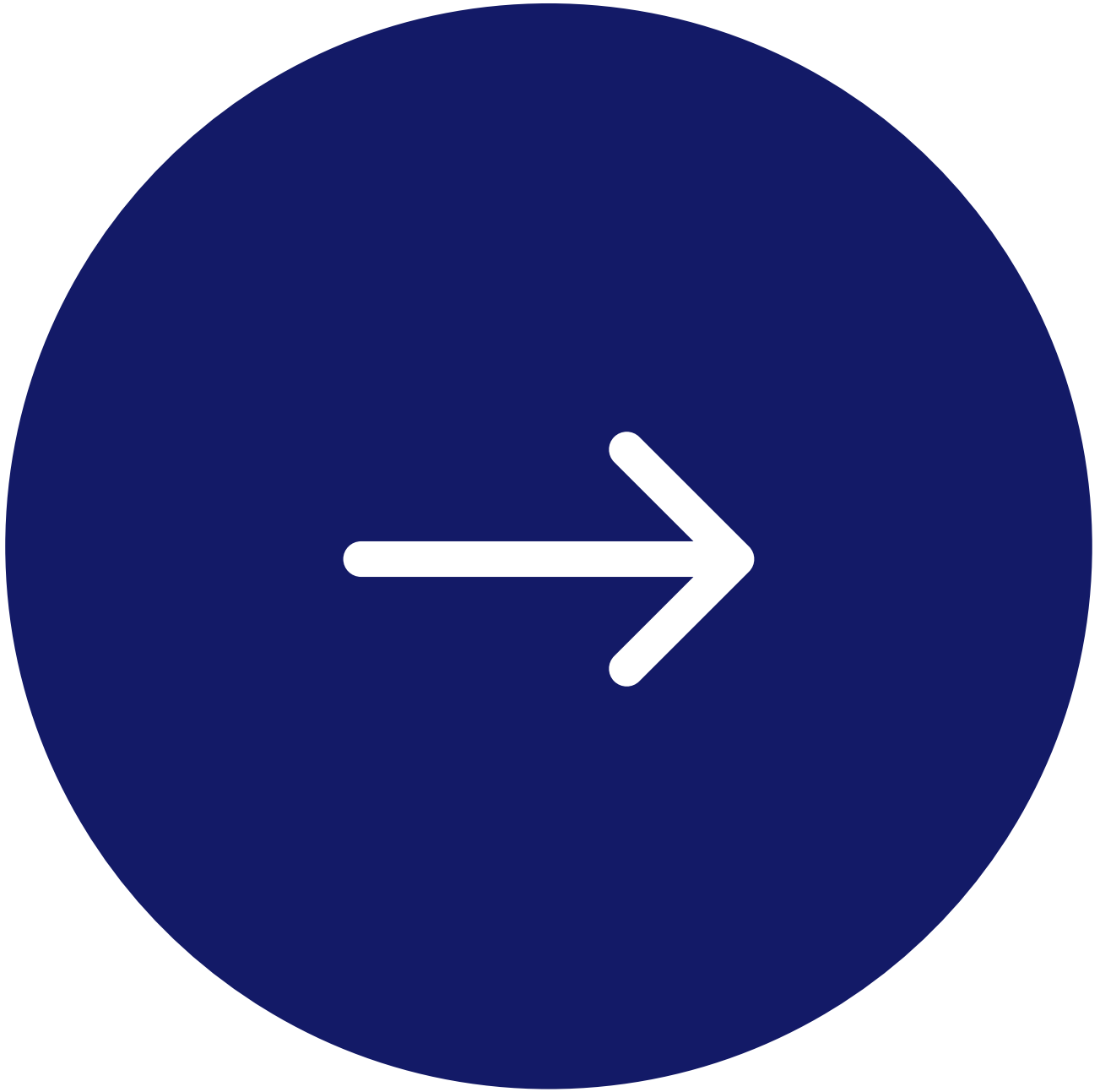
MN has an Executive Board consisting of four persons who are responsible for the management of MN and its subsidiaries. In addition to CEO René van de Kieft, MN's senior management consists of Henri den Boer, Gerald Cartigny and the CFRO (vacancy). At present René van de Kieft and the CFRO make up the Management Board of MN.

The Executive Board consists of the following members:

Executive Board	Position
René van de Kieft Chief Executive Officer	The Chief Executive Officer is responsible for linking business objectives with the aims of clients in line with the mission and core values of the company. He is also responsible for customer satisfaction and a customer-driven organisation by acting as the central link between clients and the organisation. Primarily, he manages change within MN.
(vacancy) Chief Finance, Risk and Information Officer	The Chief Finance, Risk and Information Officer objectively supports the creation and development of the strategy and the corresponding risks to monitor the financial health of the company. He/she is also responsible for running and managing the information provision and providing proper (future-proof, solid, scalable) ICT facilities.
Henri den Boer Chief Pensions and Insurance Officer	The Chief Pensions and Insurance Officer is responsible for both the management of and advice relating to the pension and insurance administration of clients. He is responsible for the contacts with clients regarding these matters.
Gerald Cartigny Chief Asset Management Officer	The Chief Asset Management Officer is responsible for creating and promoting MN's vision regarding investments and converting this vision into investment policy and the portfolio construction for clients. He is also responsible for making investments within the mandates and for administering the investment accounts. He is responsible for the contacts with clients regarding these matters.



Executive Board report



← Governance and organisation

In 2015, important changes took place within MN. The management structure was adjusted and agreements were reached with the most important clients regarding future developments. In the volatile environment in which we operate, this has created the balance and stability that are required in order for us to effectively perform our role as an asset manager and administrator of pension and insurance schemes.

After MN adjusted the governance in 2014, a more detailed substantiation followed during a strategic conference in the autumn of 2015. We reached new agreements with our shareholders (pension funds and social partners) regarding the specifics of the strategic frameworks. These include the role that MN can play in market consolidation, attracting new customers and our response to the desire for individual pension schemes.

On 1 December, a new senior management structure was introduced, with the Executive Board being reduced from eight to four persons. With the appointment of four new members, the supervisory board was returned to full strength after supervisory directors Kok, Linse and Van Woudenberg had stepped down in 2015.

Management and supervision in 2015

According to the Dutch Management and Supervision (Public and Private Companies) Act (*Wet Bestuur en Toezicht*), large companies must ensure a proper balance of men and women on the Executive Board and the Supervisory Board.

At the start of 2015, Ruud Hagendijk and Walter Mutsaers were the MN Management Board members. Mr Hagendijk subsequently retired as of 1 April 2015, after which René van de Kieft was appointed a Management Board member as of May 2015. Mr Mutsaers resigned as a Management Board member as of 1 December 2015. The current vacancy for a Management Board member is in the process of being filled. From a diversity viewpoint, a female Board member is preferred. This is being taken into account in the appointment procedure.

The MN Supervisory Board comprises six supervisory directors, three of whom are women. After Messrs Kok, Linse and Van Woudenberg had stepped down, MN successfully aimed during the selection procedure for a proper balance between men and women.

Since 2013, MN has had a diversity policy focusing on appointing more women to senior positions within MN. When appointing board members, the profile explicitly takes account of a balanced division of seats on the Executive Board, Management Board and the Supervisory Board.

Organisational developments in 2015

Late 2015 was characterised by changes to the senior management, as described above. The new MN senior management structure was introduced as of 1 December 2015. The next phases in the change process, such as the reorganisation of customer service and the review of the line and staff organisation will be detailed in 2016.

As of 1 October 2015, MN transferred its activities in the UK to Kempen Capital Management. In Kempen Capital Management, MN has found a party that is able to continue the same level of service to UK clients. Following the transfer, the staff of the UK office are now employed by Kempen.

Pensions

In 2015, MN continued to work closely with PME and PMT to combine the pension schemes of both funds. The social partners took a number of decisions to facilitate the further harmonisation and simplification of the schemes. In collaboration with the administrative offices of both funds, MN worked hard to prepare the decision-making process. This resulted in late 2015 in the adoption of new PME and PMT pension scheme rules. In 2015, a new pension scheme was implemented at Bpf Koopvaardij.

MN also concentrated a great deal of effort on introducing the Dutch Pension Communication Act (*Wet Pensioencommunicatie*). This act makes it possible to take a more customised approach to serving members when it comes to pension information. The possibilities to provide members with digital information are also being extended. In this way, MN can better respond to the specific needs of members. In addition to the introduction of the Pension Communication Act, a portal was created in 2015 where metal and engineering industry, metal and electrical engineering industry and merchant shipping employers can supply their data centrally. This ensures a better data supply and more ease of use for employers.

An important factor was the relocation of our data centre to an ICT service provider in the context of a project to set up a new infrastructure landscape.

Insurance

In the past year, a further intensification of customer focus remained an important point of attention in the case of Insurance. In 2015, we extended the Customer-Driven Insurance Quality Mark (*Keurmerk Klantgericht Verzekeren – KKV*) for NV schade.

A lot of attention was directed towards the setting up of a new automated insurance system. This new system allows MN to greatly improve customer service and to respond to the wishes of customers more effectively. Furthermore, many processes can be automated instead of having to be performed manually. MN and its clients can better engage with an ever-changing market. The implementation of the new insurance system was originally scheduled for January 2016. After a thorough analysis of the available functionalities and technology, it was decided in late 2015 to postpone the launch of the new insurance system until April 2016. With a view to the manageability and continuity of the services, a later implementation was opted for.

Asset management

With regard to asset management, we facilitated the following initiatives for our clients.

In April 2015, under the auspices of the Dutch National Investment Institute (*Nederlandse Investeringsinstelling – NLII*), two funds were created to meet corporate finance needs in the Netherlands: the Subordinated Loans Fund (*Achtergestelde Leningen Fonds – ALF*) and the Corporate Loan Fund (*Bedrijfsleningen Fonds – BLF*). As a result, SMEs have extra financing capacity available for the next few years. Participating in the NLII is in line with the policy of MN and its clients to combine social involvement with meaningful and responsible investment choices.

Following a joint procedure with MN, PMT adopted a new investment framework in July 2015. This is part of a complete review of the strategic investment policy that will allow PMT to better inform members about how the contribution is invested. PMT decided to invest via Dutch Mortgage Funding Company (DMFCO) in home mortgages under the Munt Hypotheken label.

At the start of the year, PME issued MN with '*De Betrokken Belegger*' (The Involved Investor) mandate. As a result of this mandate, PME is investing in a concentrated European equity portfolio with a high score as regards ESG factors and which yields a stable return. In the autumn of 2015, PME also allocated € 1 billion to DMFCO to invest via Munt Hypotheken in Dutch home mortgages.

MN is playing a role in the consolidation on behalf of its clients and is handling the transitions of funds adapting to new schemes. Most recently, MN finalised Alcatel Lucent's affiliation to PME, which involved a transfer of € 680 million in assets under management.

MN 3.0 and Next Blu

In 2014, MN introduced the MN 3.0 long-term change programme to gradually make our organisation more customer-driven, efficient and decisive at lower costs and to cement MN's position as a leading service provider. MN is using this programme to respond to current and future developments in the pension sector and changing customer requirements. The markets are developing rapidly and people want simplicity and transparency. That requires fully functional business operations in order to provide an excellent and rapid service. MN 3.0 is a comprehensive programme that focuses on processes and system changes in pension and insurance administration.

A change programme has been launched within MN under the name The Next Blu. Next Blu symbolises the desired behaviour within MN and the change that this means for staff. Examples of the behaviour associated with Next Blu are: involvement (with the larger whole and with the end customer), feedback (providing and requesting clear, open and honest feedback), change (do not wait for others but start closer to home and with yourself), ownership and cooperation. In addition to this softer aspect, Next Blu also involves changes in the organisation structure to operate more effectively and with more customer satisfaction. The first adjustment in this context was the change to MN's senior management structure and changes have now been initiated relating to the customer organisation, staff and asset management.

In the past year, a new employer portal was created as part of MN 3.0. The introduction of the new employer portal makes it easier for MN to have the correct data available so that we can serve our employers better. The first business release of MN 3.0 is expected in 2016.

Given the importance and the size of the MN 3.0 project, the MN Executive Board has instructed an assessment of the programme, the infrastructure and the development environment. The progress and risks of MN 3.0 are being monitored critically, as are the productivity and the partial deliveries. The Executive Board is considering taking steps because the programme is not yet being implemented satisfactorily in all aspects. One of the reasons was that the effectiveness of the project teams was still below the intended level.

Our staff

MN is a service organisation in which the quality of the staff is crucial. The staff create value for the stakeholders for whom they work. To maintain their quality and to benefit their personal development, MN considers it vital that they advance and develop, both personally and professionally.

The staff strategy is characterised by three strategic priorities: helping to transform MN, reinforcing management and boosting performance. New staff are given a sound start by means of the onboarding programme, which was launched in 2015. This programme familiarises them quickly with MN and they acquire basic knowledge of MN's processes, its operating environment and its customers.

On the basis of its societal position, MN has opted to maximise variable pay at 20%. Furthermore, the target group that can claim variable pay is limited. In 2015, MN employed 58 staff who were entitled to variable remuneration as part of their total pay. The Executive Board members and the senior management do not have variable pay.

Corporate Social Responsibility (CSR)

MN wishes to perform its social mission, handling pensions and income protection insurance, in a socially responsible manner. That means focusing on people, the environment and the economy. In addition to ensuring incomes, we also have a responsibility to the world around us. In other words, we want the young employees of today to eventually become pensioners in a liveable and sustainable world. We put this into practice by investing assets in such a way that they achieve a favourable return and contribute to people and the environment. We also express this in the way we organise our own company with regard to purchasing, staff policy, mobility, energy management, etc. We encourage our staff to participate in small and large-scale projects that allow them to contribute to social initiatives within their own environment. In the transparency benchmark that the Dutch Ministry of Economic Affairs publishes annually, MN gained the 31st place in 2015 on a list of 500 companies in the Netherlands that were assessed according to the content and quality of their CSR reporting.

MN attaches great importance to socially responsible investment because the sizeable assets invested provide us with the opportunity to influence the ESG policy of companies worldwide. We enter into dialogue with them if we believe that they can make improvements regarding their environmental, social or governance performances. MN has joined a number of national and international initiatives relating to corporate responsibility. For instance, MN has been a signatory to the UN Principles for Responsible Investment (PRI) since 2009.

As a signatory to the Montreal Pledge, MN is committed each year to publishing the CO₂ impact of the investments. We are also part of the Institutional Investors Group on Climate Change (IIGCC). In late 2015, we were the first Dutch pension administrator to join the Portfolio Decarbonisation Coalition. The participants are mainly institutional investors that exchange knowledge and experience regarding strategies for dealing with climate change and ways of measuring this. In 2015, MN actively participated at the international climate summit in Paris. As co-author of an IIGCC report, one of our staff participated in a debate about the way in which the pension sector and institutional investors can contribute to achieving the climate objectives agreed at the summit.

'Confidence can only be restored by a joint approach'



Confidence

Restoring and safeguarding confidence. That has top priority on the joint agenda of MN and its most important stakeholders. Having confidence in one another and restoring confidence among the public at large. The directors of PME, PMT, Bpf Koopvaardij and MN are in complete agreement: only by standing shoulder to shoulder will it be possible to tackle the challenges effectively.

The pension sector is finding it difficult to restore the confidence and appreciation of society. Low funding ratios, lack of indexation and even the reduction of pensions that have already commenced means that there is little faith in the ability of pension funds to deal successfully with economic setbacks. Consequently, promises about pension entitlements, but also the soundness of the system appeared to be far more fragile than was long thought.

"There is a risk that individual parties will now do their best within their own four walls to repair everything," says Erwin Cramer, director of the administrative bureau of Bpf Koopvaardij. "However, confidence can only be restored by a joint approach. The unrest in the

pension sector means that we must all pull together. Everything is under pressure, the costs, the system, the financial markets, the economy. When the burden is so high, you have to share it."

During a working conference of MN and its stakeholders in October 2015, the basis for future cooperation was reinforced. Everyone agrees that the current problems can be tackled effectively only by an unequivocal and joint approach. There is also a joint mission to develop the 'Metal and Maritime Pension House', as a logical service provider for the manufacturing industry. PMT, PME, Bpf Koopvaardij and MN will adopt a single position in the major consolidation movement now taking place in the pension world.

Eric Uijen, chair of the executive board of pension fund PME, confirms that pension funds and the administrator are now having to stand shoulder to shoulder. "During the working conference, we stated our confidence in one another, based on respect and equality. The cooperative process has no room for an attitude involving 'a boss' and 'a contractor'. That's not the right mentality here. With good intentions and a sound plan, we have already won half the battle."

"You not only need good intentions, you must act in accordance with them too," says Guus Wouters, director of pension fund PMT. He argues for a business-like and realistic approach in addition to the philosophical considerations. He cites the MN 3.0 change project as an example. "That was something we all opted for. And if you say A, you must be willing to say B and C too. In other words, you must not pull out as soon as the first setback occurs. On the contrary. You need to be a bit more patient or you make that extra investment because you have committed yourself and you have confidence in a successful result."

René van de Kieft, CEO of MN, emphasises the joint objective of the parties: the highest possible pension for members. "This is a joint mission to clean up the legacies of the past and to make pension administration future-proof."

MN's chief executive is referring to the major changes taking place at the administrator that will lead to, for instance, the renewal of the ICT systems. This will involve the digitisation of almost the entire pension process. "This will mean that in the future, members and affiliated employers can arrange far more things

themselves," he explains. "In this way, processes will be more transparent, quicker and trouble free. And it will be far easier for us to monitor what our members really want to know and what they need. Having that information is worth a great deal, because if we link it to up-to-date means of communicating with members, that is an effective way of demonstrating that we are there for them and not the reverse."

The most important changes relate not only to systems and processes, they also demand a different attitude from the pension professional, he says. "More ownership and dynamism to surmount existing obstacles, but also creativity in order to face up to the new challenges. And effective cooperation – within the administrative organisation in the first place, but also with the clients and, let's not forget, the members – is vital," according to René van de Kieft.

"Our members will notice that progress is being made. We are working together to reduce costs and to improve the response time and quality. It is up to us to create a climate in which the changes are introduced and in which they really have an impact," says Guus Wouters.

Eric Uijen
chair of the executive board of PME

Erwin Cramer
director of the administrative bureau of
Bpf Koopvaardij

René van de Kieft
CEO of MN

Guus Wouters
director of PMT

← Financial developments

Result

The result before tax in 2015 was € 12 million negative. This is in line with expectations. The result was influenced to a major extent by the costs of the MN 3.0 programme, which were borne by MN. If the costs of the MN 3.0 programme and the one-off costs associated with the outsourcing of the ICT infrastructure are excluded, a positive result similar to that in 2014 would have been obtained in 2015.

Appropriation of result

The result after tax of € 10.9 million negative will be charged to the capital base. After profit appropriation, the capital base at the end of 2015 amounted to € 15.3 million. The proposed profit appropriation will be finally adopted at the General Meeting of Shareholders.

Operating income

Turnover in 2015 was € 203.9 million, which was a decrease of € 3.5 million compared with 2014. In 2015, the assets under management of Dutch clients increased by € 3.4 billion to € 114.3 billion, which was mainly the result of the positive development of the financial markets. Partly as a result, there were higher revenues from investment activities despite the sale of MN UK to Kempen Capital Management as of 1 October 2015. In contrast to these investment revenues, pension administration revenues were lower. In 2014, more customer projects were carried out within pensions in the context of amended legislation, the processing of a pension reduction and a higher number of pension transfers.

Operating expenses

In comparison with the previous financial year, operating expenses increased by € 12.5 million euros to € 217 million. The costs of subcontracted work and depreciations were mainly the result of the MN 3.0 programme consisting of pension renewal and the reorganisation of the insurance administration. MN wishes to become more effective and flexible within the pension and insurance administration. This programme focuses on new processes and optimal customer service, supported by a new ICT base. With

regard to the MN 3.0 programme, development costs are entered on the balance sheet, which are partly evident in an increase in the legal reserve in-house developed software

In 2015, a number of specific change initiatives were also developed. In the context of legislation, activities were performed for the new Financial Assessment Framework (nFTK), the Pension Communication Act and the Solvency II Directive. The successful completion of the New Schemes (*Nieuwe Regelingen*) project in 2015 means the implementation of several projects to adapt products, processes and systems within the pension administration to statutory changes and specific customer wishes. Important results include the non-age-related setting up of systems and the structuring of new products and parameters. In 2015, Asset Management prepared for Central Clearing requirements and introduced initiatives aimed at optimising risk and data management.

There were also one-off transition costs in 2015 for the purpose of outsourcing ICT infrastructure to an external ICT supplier. The aim of the outsourcing is to guarantee the ICT operation and to improve the quality of the ICT infrastructure at a competitive cost model. This outsourcing means that future ICT investments and the associated depreciations will be reduced significantly. On the other hand, MN incurs annual outsourcing expenditure. This year, the data costs have increased within asset management in line with the information needs of clients. The development of staff costs was influenced by the increase in wage costs resulting from collective agreement indexation of 0.75% as of September 2015, an increase in pension costs and training costs. There were also extra reorganisation expenses within the framework of the MN 3.0 programme.

Cash position

As a result of active working capital control, MN's cash position at the end of 2015 was € 47.8 million, despite the negative operating result and the investments made. The high cash position at the end of 2015 is explained by amounts received in advance from our clients relating to the first quarter of 2016. MN has a capital-intensive character and therefore a high level of investment. An important consideration is that MN operates in a market that is very susceptible to change. Moreover, the administrative nature of our service provision means that it depends on high-quality automation and consequently investments. This pressurises the cash position and increases the need to properly coordinate short-term working capital with a view to the liquidity requirement. Furthermore, financial service providers such as MN have to deal to an important extent with legislation such as the Internal Capital Adequacy Assessment Process (ICAAP) and the Alternative Investment Fund Managers Directive, resulting in not all cash and equivalents being freely available for use in the working capital. If required, MN has drawing rights of € 21 million to finance short-term liquidity shortages.

Investments

To support staff, business processes and the continued professionalisation of production, € 20.2 million have been invested in hardware, software, etc. The book value of the tangible and intangible fixed assets has risen from € 30.2 million 2014 to € 37.5 million in 2015. This rise is a deliberate choice in line with the planned technical replacement investments and the intended future development investments of MN 3.0. In 2015, MN transferred its vehicle fleet by means of a sale and lease back construction. This transaction resulted in a disposal, which was balanced by the income from sale of the vehicle fleet.

Capitalisation of MN

MN must have so much capital buffer that the continuity of the business operations is guaranteed for all stakeholders. Given the nature and size of the business activities, account must be taken of applicable social standards, as well as Dutch Central Bank standards for maintaining the capital base for clients at MN Vermogensbeheer and MN Fondsenbeheer and for the other clients. Furthermore, MN has a liquidity requirement and needs to be able to finance future investments efficiently. Analysis has shown that MN meets the statutory prudential capital requirements for the entities under supervision. As well as the capital base, MN has an additional credit facility of € 24 million that has been made available as a risk buffer by shareholders should an emergency occur. Should it be required, this credit facility will take the form of a subordinated loan that can be converted into a capital base under certain conditions. In this way, MN's total capitalisation is sufficiently robust to counter risks in current and future conditions.

← Looking ahead

The uncertainty about the future of pensions in the Netherlands is likely to continue for some time. Many parties are being consulted and an important part of the process, the report of the Social and Economic Council of the Netherlands (SER), is expected in the course of 2016. That does not relieve the sector of its duty to do everything in its power to arrange pensions to the best of its ability under the current difficult economic circumstances. The fact that it is not possible to index pensions – despite the favourable investment results – because interest rates are at an unprecedented low level, is very frustrating. This is very difficult to explain to the average citizen and contributes to the lack of confidence in the sector.

It is vital that the pension sector, and therefore MN too, makes every effort to restore this confidence. That can be achieved by even more dialogue with the public, explaining why and how we arrived at the current situation and particularly by listening to individual opinions and formulating answers to questions.

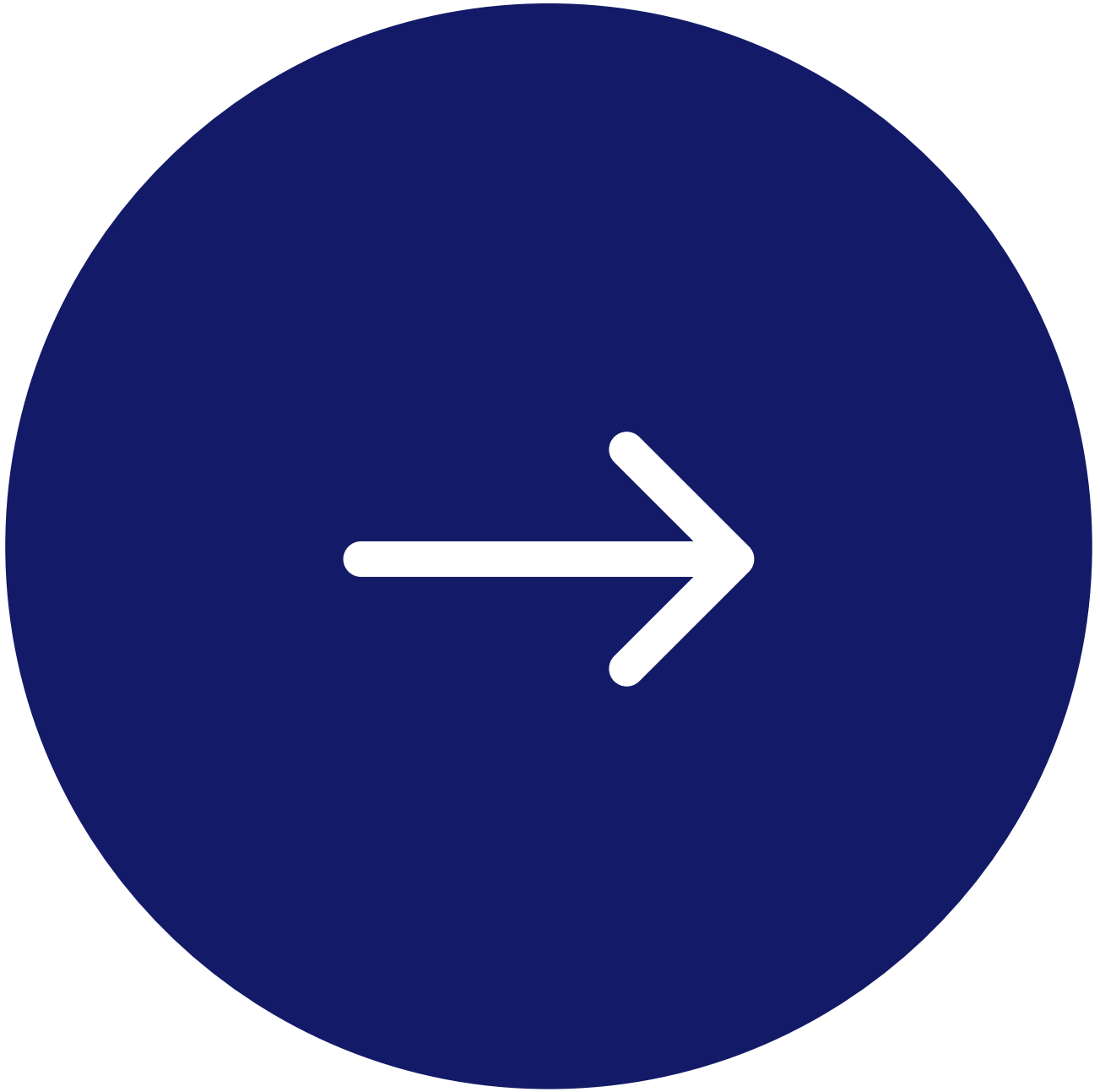
In 2016, MN will implement important parts of the MN 3.0 change programme and Next Blu. The digital communication with all stakeholders will be greatly improved, which will enhance the speed and efficiency of our operations. A major part of the 2016 investment agenda will be taken up by the MN 3.0 programme. We have reached satisfactory framework agreements with customers concerning the programme financing. The restructuring of the insurance administration with a new automated system will be concluded in 2016.

As a result of the intended decision to close the Radarport location in Amsterdam, our Radarport staff will be able to start work in the Zilveren Toren (Silver Tower) from mid-2016. The reasons for the relocation include the harmonisation of the PMT and PME schemes, the urgency of reducing costs per member and the synergy advantages of working at a single location. In 2016, the first MN 3.0 savings are expected to be reflected in a reduction of staffing as a result of digitisation and straight through processing. This will lead to some uncertainty within the organisation. On the other hand, changes will energise many employees. One example in the joint aim of responding to the consolidation of the pension sector. In coordination with PME, PMT and Bpf Koopvaardij, we will be detailing our specific approach in the first half of 2016. We are confident of achieving the right results in due course.

The Hague, 7 April 2016

René van de Kieft, CEO

Risk management



← Risk management

MN considers sound and solid risk management to be a condition for proper internal control and for retaining the confidence of clients, employers and members in effective pension administration and asset management.

Within MN, risk management is based on the principles of sound management, as formulated in the Netherlands Corporate Governance Code and on the COSO internal control framework. The COSO framework has been generally accepted internationally and acts as an important basis for corporate governance and risk management initiatives. The application of COSO ensures that within MN, risks are unambiguously and efficiently identified, measured, managed and monitored.

Three Lines of Defence

MN uses the 'Three Lines of Defence' model in order to monitor risks. The operational business units (first line of risk management) bear primary responsibility for properly controlling the risks related to their own operations. They must ensure that (senior) management can take well-considered risk management decisions within the delegated powers and frameworks imposed by MN.

The supporting risk and control functions are positioned in the second line and are independent with respect to the operational business units. The responsibility of the second line is two-fold. Monitoring correct and complete compliance with the various MN risk management frameworks and policy documents on the one hand, and independently analysing, reporting and advising on the various risk types on the other.

As the third line of defence, the Internal Audit department is positioned independently with respect to both the first and second lines of defence. It is responsible for providing independent and objective assurance by taking a systematic and structured approach to reviewing and improving the operating effectiveness of internal risk management and control. In other words, Internal Audit investigates whether first-line and second-line risk management is robust enough to achieve the organisation's objectives.



Committee structure

The Executive Board of MN is aiming for a sound and transparent risk management model, so that MN can demonstrate that risks are being mapped out and controlled and are in line with the desired risk strategy and appetite. The Executive Board has delegated certain risk management decisions within the MN organisation to various committees (committee framework), in which both the first and independently positioned second line are represented.

The Executive Board of MN is supported by the Corporate Risk & Compliance Committee (CRCC). The CRCC is supported by four Risk & Compliance Committees (RCC). These committees have been set up to deal with Pensions, Insurance, Asset Management and Information Provision. They have been delegated powers by the Executive Board to take risk management decisions within their areas of expertise.

Furthermore, the Asset Management RCC has delegated a number of specific risk-related tasks to four supporting committees: the Product Committee, the Reporting Committee, the Valuation Committee and the Investment Committee.

Risk appetite

The controlled acceptance of risks is an essential part of MN's business operations. By deliberately accepting controlled exposure to risks as part of our activities, we try to achieve an optimal balance between risk and return. MN guides its business operations in this way in order to create added value for stakeholders. Assessments are made in all layers of the organisation to estimate the financial and/or material effect of a risk. These assessments are carried out in cooperation with business experts to ensure that a realistic estimate can be made. MN also applies many control measures to exclude undesirable risks from our activities. MN has a low risk appetite and its objective is to take risks only if these are properly understood and can be properly controlled across the organisation. However, given the nature of our operations, there will always be risks that MN is not actively looking to take.

Specifically, this results in a risk appetite based on:

- achieving strategic objectives to guarantee the continuity of MN;
- avoiding risks that may negatively affect the quality of the service provision to MN's clients;
- complying in full with applicable legislation;
- complying with rules to prevent the failure of the system for risk management and internal control;
- aiming for a sound and responsible financial policy;
- protecting and managing the reputation of MN and its clients.



The senior management considers MN's risk appetite in evaluating strategic alternatives, setting related management objectives and developing mechanisms to manage potential risks. The risk and control functions and Internal Audit are responsible for an independent assessment of the functioning of this framework and report their findings to the Executive Board and the audit committee.

Risk capital

It is vital for MN to be sufficiently capitalised for the financial consequences of risks within its subsidiaries. In the case of MN Vermogensbeheer BV, this should take place in accordance with the Internal Capital Adequacy Assessment Process (ICAAP). The Dutch Financial Supervision Act (*Wet op het financieel toezicht – Wft*) obliges MN Vermogensbeheer B.V to establish each year the amount of capital that it considers adequate. In this context, the amount of capital considered adequate is established according to the prudential capital requirements of the regulator. The annual risk and scenario analysis was again performed in 2015. For MN Vermogensbeheer BV, several clarifications have been added in the risk analysis to comply with the Dutch Central Bank's policy rules on ICAAP investment firms and investment institutions in line with the *Wft 2015 (Beleidsregel ICAAP beleggingsondernemingen en beleggingsinstellingen Wft 2015)*, which came into effect in 2015. A capital policy and methodology document has also been drawn up in which the responsibilities and approach relating to establishing the required buffer capital are formulated clearly and transparently.

In mid-2014, the Alternative Investment Fund Managers Directive (AIFM Directive) came into force. This is a European directive introducing coordinated rules with which managers of alternative investment institutes have to comply. The coming into force of the AIFM Directive involves the appointment of an independent depositary and Mn Services Fondsenbeheer acquired that role in 2014. In that context, the management of the assets of the pooled funds has been transferred from Vermogensbeheer BV to Fondsenbeheer BV.

The capital base of the MN legal entities is considered adequate, partly in view of the nature and size of the business activities and the chosen risk appetite. The capital maintained is regarded as sufficient to counter risks under current and future circumstances.



Risk classification and explanation

The Executive Board considers it important to have a proper understanding of the risks to which MN is exposed, so that these can be controlled. MN defines risk as the potential variation from expected results that impacts the value, capital, income, organisational objectives or future opportunities of MN or its clients. This means that MN's and its clients' risk exposure is linked to the external and/or internal risks that are inherent to its operations.

MN makes a distinction between MN's business risks and client portfolio risks. MN monitors its own operating risks (business risks) and monitors various risk typologies on behalf of its clients that are an implicit part of the client's outsourced activities (the client portfolio risks). Client portfolio risks can convert themselves into business risks for MN. When managing the portfolio of clients, MN runs risks of a non-financial nature.

To ensure effective risk management for its business operations, MN has opted to classify the various risks and to divide them into categories. The risk classification is generally in line with the Financial Institutions Risk Analysis Method (FIRM, currently FOCUS) as developed and published by the Dutch Central Bank in 2005. The choice of categories is based on the most frequently occurring risks as identified by MN. MN distinguishes the following risk classifications for business risks:

Strategic & business risk	Outsourcing risk
Operational risk (including IT and model risk)	Legal risk
Reputational risk	Financial risks
Compliance risk	Sustainability risk
Fraud risk	




Cost efficiency

Muriel van den Berg occasionally compares her work to the cautiousness that is required when buying a house: "You are extremely enthusiastic – and that's when it's a good idea to engage an independent party that looks for hidden defects. That's something you don't notice at a time like that."

As Operational Due Diligence manager, she is closely involved in the investment decisions of MN. "When the asset manager is enthusiastic, the risk managers appear on the scene. As devil's advocate, we examine the investment carefully, looking for hidden dangers. We have to maintain the good reputation of our clients and MN and we don't want to enter into relationships with parties who could prejudice confidence in us and in the pension world. So even if all the signs seem favourable, we will not be investing immediately. We first carry out a thorough assessment. Is the external asset manager's business in order? Are the processes, IT and governance sound? Does the investment involve people serving two masters? Is legislation being complied with? This involves extra expense, but it protects us against possible misery in the future."

However technical this all sounds, the human aspect is still 93% part of the job, says Muriel. "Communication, group culture and behaviour determine the effectiveness of our efforts. The cost literally precedes the benefit. In the case of good risk management, you extract the bad apples and you are left with the healthy profitable part. There is a great emphasis on cost-awareness. We assess complex risky investments more often than relatively straightforward liquid products."

According to Muriel, the focus on profitable socially responsible investments and a cost-conscious implementation is making the playing field increasingly fascinating for the risk manager. "Because we not only assess risk and return, but also the businesses and people behind the investment, we have good debates within MN. And occasionally we do not agree, and that's when we are the ones intentionally putting forward objections. That is the role we have to assume on behalf of members and our clients. Fortunately, we are well aware within MN that everyone must be able to play his or her role. The organisation can take and respects a critical voice."

A portrait of Muriel van den Berg, a woman with short, curly brown hair, wearing green-rimmed glasses, a pink blazer over a dark top, and a pearl necklace. She is smiling and looking towards the camera. The background is a plain, light-colored wall.

'When the asset manager is enthusiastic, the risk managers appear on the scene'

Muriel van den Berg
Operational Due Diligence manager MN

Explanation of the business risks

This paragraph describes the most important business risks of MN, the associated control measures and the developments in 2015. The starting point in the case of all the business risks described below is that following the control measures, the risks are minimised so that MN's operations and the services to clients at the desired or agreed level will not be prejudiced in the short or medium term.

Strategic & business risk

Strategic risks are opportunities, threats, strengths and weaknesses when it comes to achieving our strategic objectives. MN identifies the following risk types:

- The risk that the competitive and market position of MN is prejudiced as a result of activities, actions and/or decisions of existing or new competitors.
- The risk that MN is no longer regarded as the 'trusted, logical' partner, or is insufficiently able to anticipate the new rapid market so that clients leave or growth is hardly possible.
- Dependence/concentration risk: the risk that MN loses a substantial client and consequently a large portion of turnover.
- The risk resulting from exterior changes relating to: the economy, stock exchange sentiment, wage and/or purchasing power development, society, politics or technology.
- Risks relating to actions or the manner of management, supervision of the organisation (Three Lines of Defence), consistent management, cohesive policy, processes and rights to decide for a certain power.

In so far as possible, suitable measures have been taken in response to the risks and where necessary, actions and action plans have been drawn up to raise the control to the desired level.

Developments in 2015 and control

The controllability, the costs and the maintainability of the pension administration have been subject to increased pressure. Increasing complexity is involved, e.g. by growing demand for individual solutions (client and purchasing customer) in combination with pressure on costs and quality. The MN 3.0 change programme is intended to bring about process optimisation, efficiency improvements and a culture change. The programme therefore helps us prepare for the future. MN is undergoing controlled development, with existing areas of expertise being built on. MN maintains close contacts with its clients and is well aware of their wishes. The largest clients are also MN shareholders.

In 2015, a strategic reorientation and alignment with stakeholders took place. Further emphasis was placed on the strategic partnership with the three largest clients, who are also MN shareholders. The strategic partnership with NV schade and the CBM and UVVS participations was



further reinforced. It was also agreed to expand MN by means of affiliation of pension funds to current clients (particularly the strategic partners). It has also been agreed with shareholders and social partners that MN can focus on a broader position in the manufacturing industry when it comes to asset management. In 2015, MN also took the strategic decision to sell its UK operations to an external party.

Operational risk (including IT and model risk)

Operational risk is the risk that arises if, as a result of human or technical failures, the systems or procedures do not function correctly. IT risk, which often has interfaces or overlap with operational risk, is the risk that business processes and information supply are not soundly, not continuously or are insufficiently securely supported by IT. In this risk class, MN has categorised the risks relating to security, manageability and continuity.

In this category, model risk is understood to be the risk that the current or future financial position of the pension fund or insurance company is incorrectly estimated as a result of a modelling or parameter error. Examples include derived risks such as financial and/or reputational damage resulting from incorrect risk and/or valuation figures. The risk may occur if MN creates and maintains valuation models for the benefit of its own organisation or clients that are insufficiently in line with the actual situation.

Developments in 2015 and control

The ISAE 3402 assurance report has been developed specifically for outsourced processes that have an indirect link to the financial reporting. MN draws up an annual ISAE 3402 report for its clients, with the report including an opinion of an independent auditor on the extent of the control regarding the outsourced processes. The report is intended for the management of MN's clients and its auditors.

In mid-2015, MN's data centres were relocated to a co-sourcing partner. As a preparation for this move, MN performed and evaluated two major redundancy tests. Risk analyses were performed, with the most important specific risks concerning the relocation being mapped out and the resulting actions being followed up where necessary. MN and the co-sourcing partner also structured the operational and tactical risk management regarding the co-sourcing and the control frameworks of both parties were coordinated.

Reputational risk

Reputational risk is a derived risk that occurs if MN makes operational mistakes when performing the outsourced work of clients. The reputational risk becomes evident if stakeholders or outside parties become aware of such and attach great importance to it. MN may be portrayed negatively



in the news as a result of, for instance, complaints, disputes, negative reporting in the media, incidents and compliance issues. Important sources for reputational risk include MN's internal operations and actions for the benefit of clients and other business parties. Furthermore, public opinion about pensions and pension administrators may be influenced by politicians, the press and legislation.

As an administrator, MN runs a risk if the investment strategy of clients is not in line with public opinion or if well-considered investment strategies do not prove successful. As an asset manager, MN bases its policy on, for instance, the United Nations Principles for Responsible Investment (UN PRI). MN also runs a reputational risk if incorrect risk and/or valuation figures are used that originate from applied models (model risk).

With regard to pension and insurance administration, MN runs a risk when making changes to the systems of complex schemes. Such operational risks may be converted into a reputational risk for MN.

Developments in 2015 and control

By means of an ISAE 3402 report, MN provides an understanding of important risks and key controls for MN and its clients and of the way in which and the extent to which MN controls the risks within these processes.

Compliance risk

Compliance is an independent activity focusing on investigating and encouraging the fulfilment of legislation, the internal codes of conduct, and the values and procedures relating to MN's integrity. The aim is to maintain integrity and to prevent any financial, legal and reputational damage. Compliance risk is the risk that the internal and external regulations, as well as ethical standards, are not being observed, which may result in dissatisfied clients, reputational damage and fines from the regulator.

Developments in 2015 and control

New legislation that applies to MN and/or clients is addressed within MN by the legislation working group, which includes the Legal and Tax Affairs, Policy and Advice and Compliance departments. Compliance subsequently ensures that legislation is implemented on time by the various business units.

Further, Dutch Central Bank assessments are carried out relating to Information Security and Integrity for the benefit of our clients.

Compliance Charter, Code of Conduct and Internal Policies

The compliance charter sets out the objectives, tasks and powers of the Compliance department. The compliance officers are responsible for ensuring that the MN staff and affiliated persons are aware of the relevant legislation and regulations and the reputational and integrity risks. Staff who have access to inside information in accordance with their



position sign the Code of Conduct for compliance with the Insider Rules. The Code of Conduct sets out how MN staff should deal with customers, suppliers and society. The Code of Conduct can be found on the MN website. The compliance officer is responsible for investigating and identifying behaviour that is not in accordance with the Code of Conduct.

The Code of Conduct also contains a whistleblowing procedure. In 2015, no reports of a violation on the basis of the whistleblowing procedure were received by the Compliance department.

Banker's oath

On 1 April 2015, the revised banker's oath came into force. At MN, all staff who are designated as being part of the Identified Staff and employees having customer contact will take the oath. The aim of the revised banker's oath is to make these staff members more aware of their special role in society (or within MN in particular).

Privacy

Within the next three years, the legislative framework for privacy will change. In the case of most changes, the impact will become clear in the first quarter of 2016. An exception is the Dutch Data Leaks (Reporting Obligation) Act (*Wet Meldplicht Datalekken*), which took effect on 1 January 2016. This act makes the reporting of data leaks to the regulator obligatory and also, if necessary, to those who may be the victim of a such a leak. Furthermore, the regulator's powers relating to fines have been extended and binding instructions may be issued and fines imposed of up to € 810,000. In the fourth quarter, a Privacy Officer was appointed within Compliance who will initiate a number of improvement activities.

Fraud risk

Fraud risk is the risk that occurs if persons knowingly and willingly act contrary to internal guidelines, legislation or business ethics with the aim of benefiting themselves or others.

Developments in 2015

Since October 2013, MN has had a fraud policy approved by the Executive Board. This policy prescribes that the management must perform an annual fraud risk assessment. In 2015, MN took a first step towards identifying fraud risks and measures have been introduced, where necessary, to mitigate identified risks to an acceptable level. In 2015, as a further detailing of fraud policy, possibilities were investigated to monitor fraud policy more urgently and specifically, using techniques such as data analysis and process mining. This will be followed up in 2016, with an assessment being made of the extent to which the above techniques can actually be introduced and applied in the long term.



Financial risks

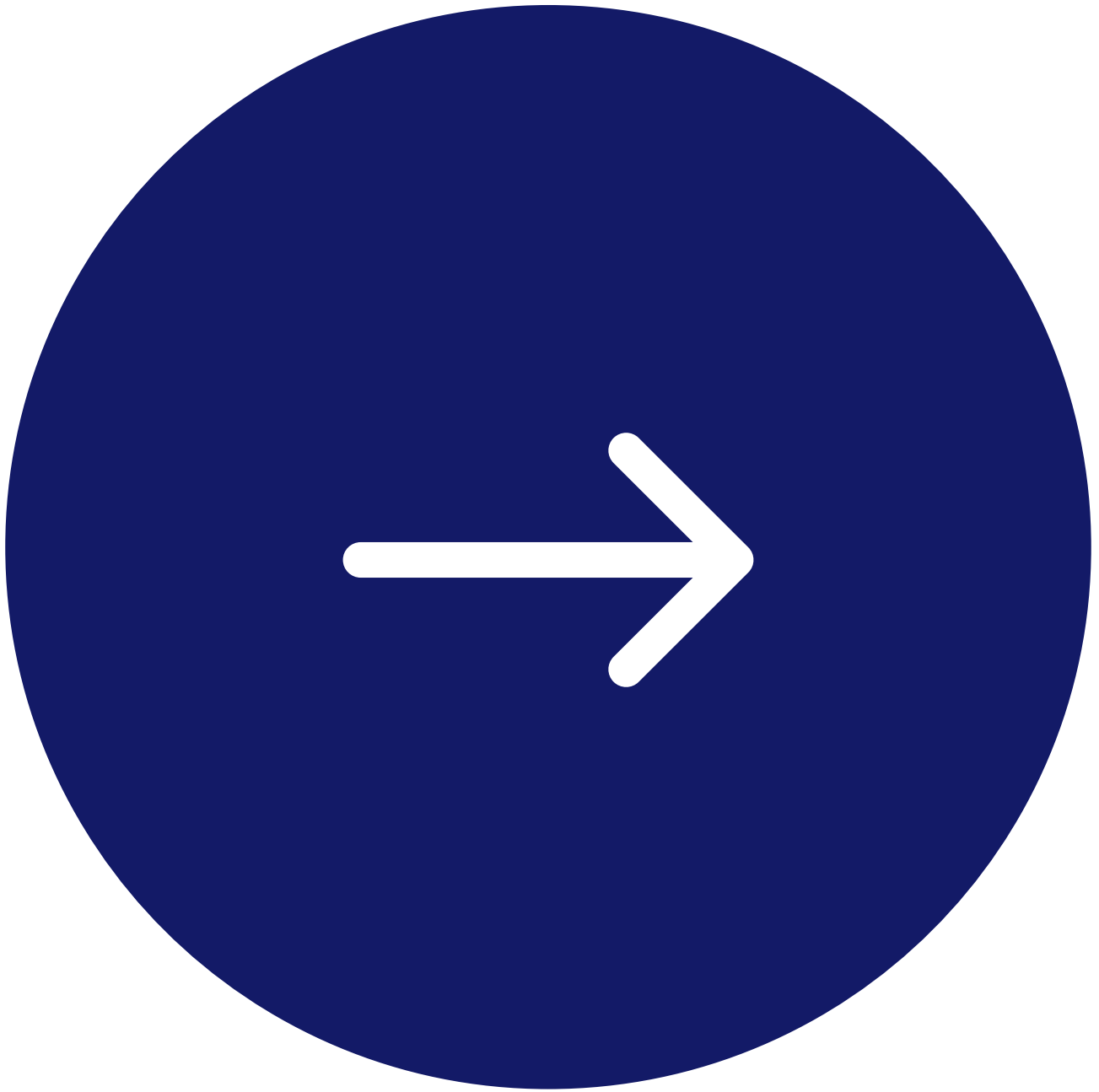
The financial risks are included in our annual Financial Statements on page 119.

Sustainability risk

Corporate social responsibility (CSR) means that in addition to aiming for profit, an organisation also takes account of the effect of its activities on the planet and considers human aspects – people – within and outside the organisation. It means trying to strike a balance between people, planet and profit. Sustainability risk relates to risks associated with CSR. This could occur if MN were to pursue a CSR vision and approach that is contrary to the wishes of its stakeholders. In 2015, MN's CSR policy was reviewed, with an explicit focus being placed on stakeholder engagement, creation of a CSR vision and measuring and controlling CSR objectives.



Statement by the Supervisory Board



← Statement by the Supervisory Board

The MN Supervisory Board hereby submits the 2015 Financial Statements to the General Meeting of Shareholders (GMS) for adoption. The Financial Statements and the Annual Report have been drawn up under the responsibility of the Executive Board. The Financial Statements have been audited by PricewaterhouseCoopers Accountants N.V., who have issued an unqualified opinion. You will find the audit opinion on page 154.

Developments in 2015

In 2015, the Supervisory Board focused mainly on several key subjects, namely:

- The strategic working conference with the stakeholders
- The changes to the management and Executive Board of MN
- The changes to the Supervisory Board
- MN 3.0

Coordination with stakeholders

One of the Supervisory Board's important tasks is maintaining contacts with stakeholders, such as the shareholders and the chairs of depositary receipt holders PME, PMT and Bpf Koopvaardij. Following the appointment of the new CEO René van de Kieft, agreement was reached with stakeholders on coordinating the direction of MN with them. This resulted in a meeting with all MN stakeholders on 15 and 16 October 2015. This working conference of the social partners, clients PME, PMT and Bpf Koopvaardij and the Executive Board and Supervisory Board of MN, made a major contribution to restoring mutual trust and confidence. The parties put forward their views regarding the desired direction of MN. These discussions included the various developments in the pension sector, such as new measures and adjustments to the current system and the effect thereof on the funds and the administration of the pension schemes, as well as the opportunities and possibilities in the market for insurance administration and social schemes.

The working conference was intended to update the strategic starting points for MN and to act as a prelude to the change plan for MN. That objective was achieved and an important basis has now been created for a clearer outline of the primary tasks and focus of MN. MN's social partners and shareholders have expressed their support and confidence. During the working conference, arrangements were made to arrive at an implementation plan for the subjects discussed, e.g. consolidation. It was also agreed that MN and the funds would adopt a more joint approach in the media. Further close cooperation will continue between MN and the stakeholders to improve the service provision. The Supervisory Board is pleased with the results of the working conference and concludes that the relationships with the stakeholders are now characterised by greater openness and trust.

Organisational developments

After he had announced in late 2014 that 2015 would be his final year at MN, former CEO Ruud Hagendijk left the organisation as of 1 April 2015 in consultation with the Supervisory Board. His departure marked the end of an important chapter in MN's history, which included the demerger of PMT and the growth of MN. The Supervisory Board is very appreciative of the role Mr Hagendijk fulfilled in the development of MN as a leading player in the pension sector. In close consultation between the Supervisory Board and the shareholders, a profile was drawn up and a new CEO was recruited. During the shareholders' meeting on 2 April 2015, Mr L.C. (René) van de Kieft was appointed CEO on the recommendation of the Supervisory Board. The Supervisory Board decided to appoint Mr Mutsaers as acting CEO of MN in the period from 1 April 2015 to 20 May 2015. René van de Kieft subsequently took up his position as of 20 May 2015. The Supervisory Board is delighted with the appointment of Mr Van de Kieft and considers him to be the right person to implement the required changes and the intended cultural shift at MN so as to improve the confidence of employers and members in the sector. The Supervisory Board approves of the first changes introduced under the leadership of Mr Van de Kieft, such as the introduction of the new Executive Board structure as of 1 December 2015.

The Supervisory Board recognises the need for the ambitious programme that MN has launched to bring about customer service improvements and more efficient business operations. The Supervisory Board notes that shareholders and clients support the new Executive Board in implementing these changes.

Walter Mutsaers decided to leave MN as of 1 December 2015. The Supervisory Board appreciates the great loyalty shown by Mr Mutsaers to the MN organisation and praises his versatility given the various positions he fulfilled as a member of the Executive Board. The Supervisory Board expresses its respect for and thanks to Mr Mutsaers.



'Problems that need solving must be examined from various points of view'

Ella Vogelaar
chair of the Supervisory Board of MN

Diversity

"The argument that the quality of a director is paramount is often used as an excuse for not recruiting a woman in order to boost diversity. There are, of course, women with the required quality, but you have to take the trouble to search properly and be willing to appoint them."

For Ella Vogelaar, who has already been an MN supervisory director for five years and who has been chair of the Supervisory Board since 2015, the value of a diverse group of directors is self-evident. "Problems that need solving must be examined from various points of view. That requires different people with different approaches. That's something you need to focus on when you put together an executive board, supervisory board or management team." But that's not all. It is vital that all points of view in a team are properly listened to and considered, otherwise it still doesn't work.

"MN is an organisation with a high percentage of women. But the higher you go in the organisation, the fewer the women." The 'MN in balance' programme is intended to change the situation. The Supervisory Board now consists of three men and three women. "A nice balance."

According to Vogelaar, diversity is not just about a balanced division of men and women. It is more than that. Different age categories, background or training are also important. "Experience has shown that without being aware of it, people are inclined to play safe and select a clone of themselves. But if you do that, no new talent will be admitted and you will keep going round in circles. You are all fishing in the same pond. So if you have a sufficiently experienced team, you can make an effort to include younger people without any supervisory or management experience and give them a chance. If you don't, you will never train any new people." She contests the argument that more women means difficult decisions are harder to take. "If painful decisions are required, they have to be taken. Take, for instance, the agreement between MN and the clients that costs have to be reduced. That will lead to fewer jobs, but the decision can be explained properly. The important thing is to take decisions with respect and attention for the people involved. You must communicate, clearly, openly and honestly, and not hide behind others."

Composition of the Supervisory Board

During the shareholders' meeting on 2 April 2015, the Supervisory Board officially informed the shareholders that the then chair Kees Linse and Cees van Woudenberg were intending to step down immediately as supervisory directors of MN. As supervisory directors, they could not approve of the practical substantiation of the governance of MN. Peter Kok also indicated during that period that he would be stepping down as of 1 January 2016. Following the resignation of Mr Linse, Ms Vogelaar was appointed chair of the Supervisory Board as of 3 April 2015. Between June 2015 and December 2015, a recruitment process was followed for the vacancies on the Board. This process was characterised by continuous close coordination between the Supervisory Board, a delegation of shareholders and the Executive Board of MN. A profile was drawn up including the competences required of the new supervisory directors in the light of the tasks facing MN in the next few years. This detailed process resulted in the selection of four new supervisory directors.

During the Exceptional General Meeting of Shareholders on 14 October 2015, Ms S. (Sandra) Spek and Ms J.M.A. (Hanny) Kemna were appointed supervisory directors of MN. Subsequently, during the General Meeting of Shareholders on 10 December 2015, Mr M. (Michaël) Kortbeek and Mr J. (Johan) van der Ende were appointed members of the Supervisory Board. The Supervisory Board is delighted with the appointment of the new supervisory directors. They are all very enthusiastic, competent and experienced administrators. They are well-suited to the profile of MN as the third pension administrator of the Netherlands, the largest in the market sector. These appointments constitute a solid basis for the further embedding of that position. This is, moreover, an important boost to diversity on the Supervisory Board of MN. All new supervisory directors have been appointed for a term of four years.

Including the current supervisory directors Kees Korevaar and Ella Vogelaar, these appointments mean that MN's Supervisory Board is now complete. Although, in principle, only three vacancies had arisen following the departure of Messrs Linse, Van Woudenberg and Kok, the Supervisory Board decided in consultation with shareholders that it would temporarily consist of six supervisory directors. The aim was to comply with the profile that involves experience relating to finance, asset management and risk management, as well as knowledge of the sector in which the funds are active. In the end, it was not possible to combine sufficient experience in all areas in three candidates. The temporary nature of the composition is guaranteed by the arrangement that when Mr Korevaar's second term in office ends in December 2017, no new supervisory director will be recruited. From then, or when a supervisory director steps down prematurely, the Supervisory Board will again consist of five persons.

In view of the changes to the composition of the Supervisory Board, no assessment of the Supervisory Board's functioning has taken place, which would normally have been the case. In 2016, the Supervisory Board will gain its

first experience in its altered composition. A time will subsequently be chosen for an evaluation. Given the changes, there has been no collective ongoing training either. Individual supervisory directors have attended meetings organised by the VITP (Dutch Association of Internal Supervisors in the Pension Sector). The Supervisory Board in its new composition will benefit from an introduction programme, which contains ongoing training elements, after which the need for collective ongoing training will be considered.

Corporate governance

In 2015, the Supervisory Board met on eight occasions. Two normal shareholders' meetings were held and an exceptional shareholders' meeting took place. The Remuneration and Appointments Committee met twice and the Audit Committee met six times. Apart from the normal meetings, the Supervisory Board held consultations and coordination meetings on several occasions when one of the supervisory directors requested such. Within the context of the changes to the Executive Board and the Supervisory Board, many consultations were held outside meetings between the supervisory directors themselves, between the Supervisory Board and the Executive Board and between the Supervisory Board and a delegation of shareholders.

Functioning of the Management Board

The Supervisory Board rules state that the Board must also consider the functioning of the Management Board. Consequently, an evaluation meeting was held late December between the chair of the Supervisory Board and the CEO. The Supervisory Board notes that the intended changes were initiated in the second half of 2015. By making these changes to the senior management, the Executive Board has given a good example regarding the cultural shift that has to be made. The Supervisory Board praises the frugality, approachability and efficiency that is being propagated. This strengthens the Supervisory Board's conviction that the direction taken will be continued in 2016. That is vital given the tasks that still lie ahead.

Coordination with the Works Council

In 2015, the Supervisory Board invested a great deal of time in employee participation. After all, there were not only management changes, a great many new Works Council members were also elected. Kees Korevaar, who maintains contacts with the Works Council on behalf of the Supervisory Board, attended meetings between the Works Council and the Executive Board in April and December. Four detailed meetings were held with the entire Works Council about MN 3.0, the management changes, the appointment of new supervisory directors and the consultation style. There was frequent telephone contact with the chair of the Works Council. The complete Supervisory Board held exhaustive discussions with the entire Works Council in October. Here too, MN 3.0 and the consultation style were discussed. There were also brief consultations between the entire Works Council and the Supervisory Board in early March. Furthermore, the Supervisory Board reviewed the contents of the 2014 Works Council Annual Report with a great deal of interest.

Coordination with the external supervisors

This year, the Supervisory Board repeatedly requested coordination with the Dutch Central Bank and the Netherlands Authority for the Financial Markets regarding the management changes at MN and the changes to the composition of the Supervisory Board. The regulators were also consulted regarding the strategy of MN and MN 3.0.

Capitalisation of MN

MN meets the standards imposed by the Dutch Central Bank for maintaining the capital base. Furthermore, MN has a liquidity requirement and needs to be able to invest. In accordance with current arrangements, MN has access to additional capital if required. In the opinion of the Supervisory Board, MN's room for manoeuvre and freedom in making its own investments is limited.

In 2016, agreements will be reached with Bpf Koopvaardij, PME and PMT regarding a new fee structure. The Supervisory Board underlines the importance of broadly-supported agreements for a fee structure for 2017 and beyond. The thorough preparatory work that has already been carried out must be used effectively. Furthermore, the Supervisory Board believes that these consultations must result in more room for investment within the MN budget.

Corporate social aspects

MN aims to initiate a long-term process to apply an 'integrated thinking' framework. The Supervisory Board appreciates the way in which MN is substantiating its CSR policy.

In the opinion of the Supervisory Board, the combination of the annual financial statements and the CSR annual report in the 2015 MN Annual Report, is a further step towards achieving an integrated annual report.

MN UK developments

The Supervisory Board was involved in the preliminary process that led to the sale of MN UK to Kempen Capital Management (KCM). The majority of the shareholders were strongly in favour. The Supervisory Board approves of the reasons that led to this decision. The transition took place in accordance with the planning and the agreements made. This was partly the result of the positive and constructive collaboration with KCM.

MN 3.0

The Supervisory Board received detailed information throughout the year about the status and developments regarding MN 3.0. The Supervisory Board still endorses the need and importance of MN 3.0. The Supervisory Board has requested a specific focus on:

- The financing of the various business cases: it has been generally agreed that for 2015, MN will bear the investment costs. For 2016 and beyond, the

financing will partly be made via project financing, with MN still bearing a small portion of the investment costs in 2016. The Supervisory Board approves of the agreements reached with clients regarding the financing of MN 3.0. This is in view of the fact that fee reduction will not be introduced until efficiency advantages have actually been achieved. The Supervisory Board does, however, believe that consultations should be started with the funds to arrive at a long-term solution to the financing of MN.

- The Supervisory Board does have critical comments regarding the stability of the development environment and the progress of the implementation of the new insurance system. The Supervisory Board has noted the decision of the Executive Board to postpone the implementation.

Other subjects discussed

In addition to the subjects referred to above, the standard quarterly reports, the annual report and the regular information provision, the Supervisory Board also considered the following subjects in 2015:

- Excellent Asset Management Business Case

The Supervisory Board has taken note of the Excellent Asset Management Business Case (*Businesscase Excellent Vermogensbeheer – BC EVB*). It appreciates the advantages of balanced investment accounting on a daily basis for reports to customers and regulators and the availability of transaction data at T + 1.

At the same time, the Supervisory Board attaches particular importance to the position of clients regarding the added value of this business case. The Supervisory Board is closely following the finalisation of the preliminary process.

Remuneration and Appointments Committee

Because of the limited size of the Supervisory Board throughout most of 2015, many subjects that are normally the responsibility of the Remuneration and Appointments Committee were now discussed by the entire Supervisory Board. Examples include appointments to the Supervisory Board. The following subjects were dealt with exhaustively by the Remuneration and Appointments Committee:

- Performance criteria
When the performance criteria were discussed in early 2015, a reservation was made that the arrival of a new CEO would require a supplement or an amendment. Furthermore, a desire had already been expressed for a broader assessment on the basis of both internal and external input. For 2016, the Remuneration and Appointments Committee will request the detailing of the above changes.
- Strategic staff policy
MN has provided the Remuneration and Appointments Committee with extra information about how it shapes such policy. The Committee approves of this.
- Remuneration policy
The Committee has taken note of the remuneration policy in which variable pay is limited to a select group of staff.
- Collective agreement (CA) negotiations
The Committee has taken note of the process and the results of the CA negotiations.

Audit Committee

MN 3.0

The Audit Committee is pleased with the dynamic manner in which MN dealt with any problems that occurred. The Committee recognises the great importance of the programme. Just like the Executive Board, however, the Committee is following developments with a critical eye because of the importance of the MN 3.0 project and the risk that because of its size, the project cannot be controlled. For that reason, the Audit Committee has supported the proposal for an independent assessment of the programme, the infrastructure and the development environment. It is vital that the scope is limited and that the assessment focuses on the risk areas. The Audit Committee supports the Executive Board in continuing to take a critical view of the progress of MN 3.0 in order to make timely adjustments. The Audit Committee is delighted that the financing for the Pension Administration Renewal (*Vernieuwen Pensioenuitvoering*) Business Case has been finalised. The Audit Committee regrets the fact that a protracted process had to be followed before agreement could be reached.

Other focus areas of the Audit Committee

Other important subjects dealt with by the Audit Committee are:

- **Internal Audit, Compliance and Risk**

The Audit Committee has discussed the results of the periodic reports of Internal Audit, Compliance and Risk. The responses to the various findings were monitored and adjusted where necessary. In view of the focus on the many change processes, extra attention has been devoted to this topic and, as stated, explicit consideration was given to MN 3.0.
- **Budget and investment estimate**

In the opinion of the Committee, the investment estimate for 2016 is a sound, well-substantiated and future-driven estimate. However, the Committee is also concerned about the high investments that negatively impacted the 2015 result. A negative result for MN in 2016, too, must be avoided.
- **Other MN reports**

The monthly reports of MN were discussed in detail by the Audit Committee.
- **Internal value analysis**

The Committee was given an explanation regarding the differences in the valuation as of 1 January 2015 compared with the valuation as of 1 January 2014. The valuation of €40-45 million is substantially lower than the former valuation of € 125 million. The Committee emphasises the consequences of the arrangements regarding the financing of MN 3.0 for the valuation. The Committee notes that the valuation of MN UK had a major positive influence on the valuation of MN. Furthermore, MN 3.0 requires substantial investments. The Audit Committee has requested that in new analyses, more emphasis should be placed on the consequences of a sound fee structure.
- **Transition of MN UK**

The Audit Committee has ascertained that the desire of the shareholders to sell off the UK activities has been met.
- **Dividend**

The Audit Committee approves of the current proposal.
- **Evaluation of the independent auditor**

As the independent auditor, PricewaterhouseCoopers Accountants N.V. was present at the meetings of the Audit Committee. There was also quarterly contact outside the meetings with the chair of the Audit Committee. The functioning of PricewaterhouseCoopers Accountants N.V. as the independent auditor was positively assessed by the Audit Committee. The auditor has, however, been informed that it may act proactively more often and may express its opinion more frequently on matters that are important to MN without being asked. As a result of this evaluation, the Committee has decided to support the proposal to appoint PwC as MN's auditor for the audit activities for the 2016 financial year, with the intention of an extension up to and including 2017.

Looking ahead

MN will continue to face challenges in 2016. The agreements reached at the working conference in October 2015 will be detailed. In mid-2016, an initial evaluation will be made with all those involved and the organisational changes that have been implemented must be felt. The activities in the context of MN 3.0 will continue to demand a great deal of attention. The first tangible results of MN 3.0 are expected to be evident.

The Supervisory Board is fully confident that in 2016 too, the MN staff will continue to make every effort to contribute to the improvement of MN's service provision and to all change processes that are required to bring about that improvement.

The Hague, 7 April 2016

Ella Vogelaar, Chair of the Supervisory Board

Kees Korevaar

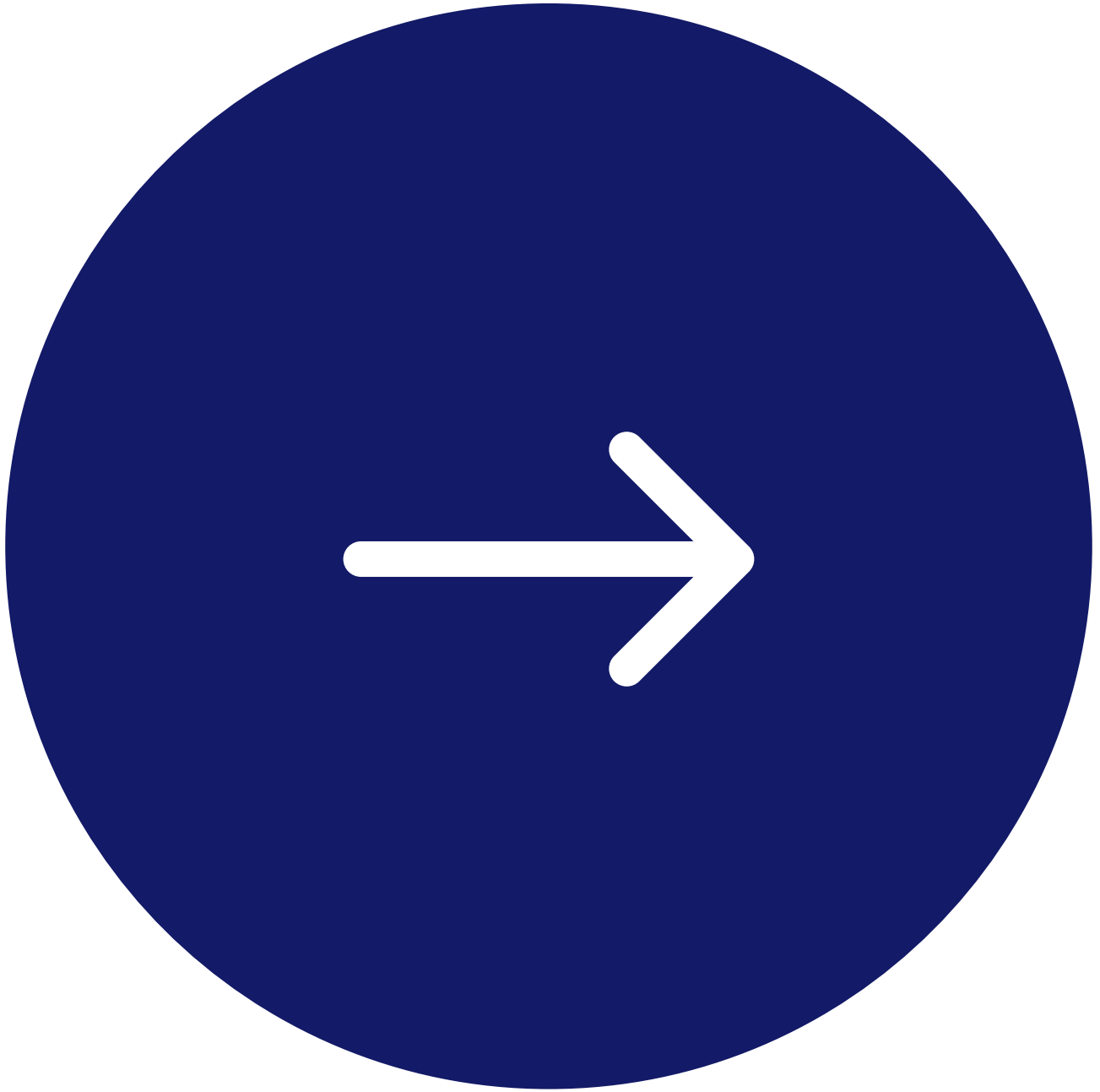
Sandra Spek, since member 30 December 2015

Michaël Kortbeek, member since 9 March 2016

Hanny Kemna, member since 19 January 2016

Johan van der Ende, member since 19 January 2016

Socially
responsible



← MN from a CSR perspective

From a social point of view, income protection insurance, and pensions in particular, play a major role. Employers' and employees' organisations conclude agreements to withhold part of the wage for this purpose to ensure that employees have an income in periods in which they are occupationally disabled. And to offer them a decent retirement after their working life.

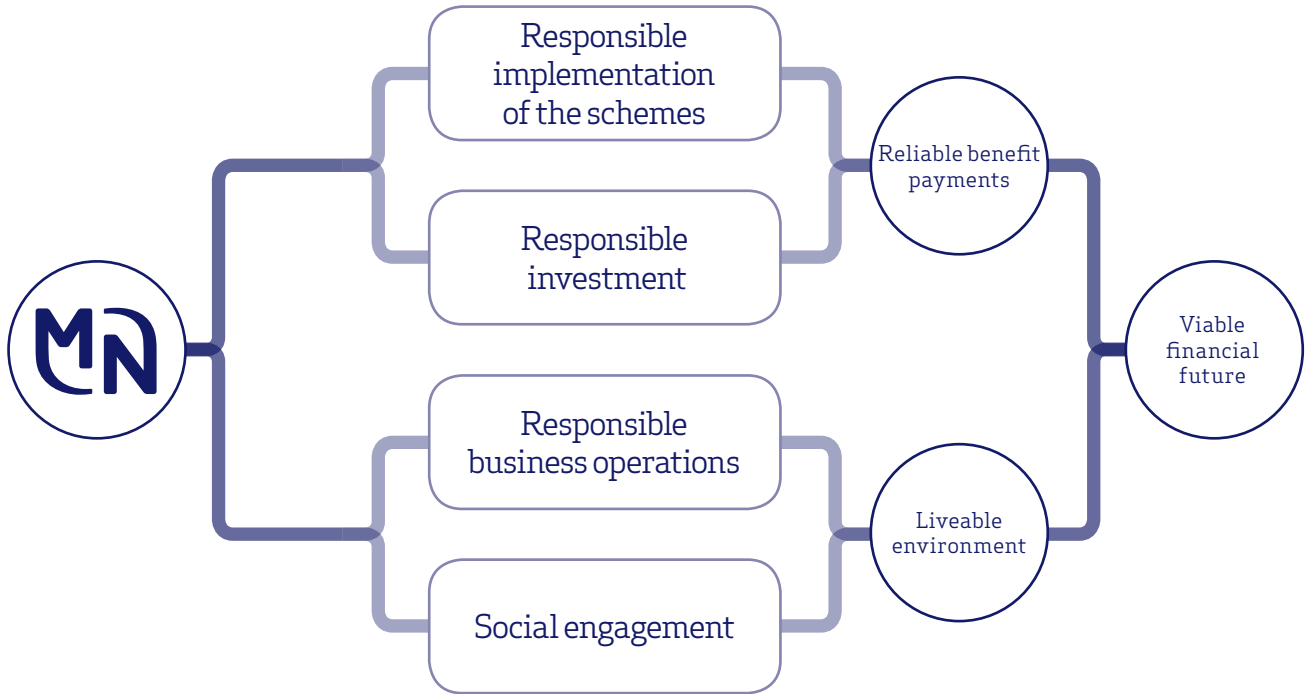
MN's value creation

At MN, we focus on issues that are relevant to our society: pensions and income protection insurance. We want to do so in a socially responsible manner: by taking into account people, the environment and the economy. The quality of staff is paramount, because only with inspired and committed personnel can we restore the declining confidence in income protection and help build a better world. We aim for a sustainable administration of the schemes by developing and implementing transparent, honest, customer-oriented and long-lasting products. Responsible investment is investing in such a way that the assets not only yield a good return, they also contribute to people and the environment. Our vision of socially responsible business operations is imposing the demands we make on others on ourselves too: transparent governance, an effective staff policy, the lowest possible carbon footprint and a sustainable purchasing policy. We are involved in the world around us, and that involvement is expressed in sharing our knowledge and skills.



Our values model shows how we are working to achieve this multiple value creation on the basis of four aspects.

MN values model



Together with our stakeholders

'A satisfactory income in a better world' is not only what MN wants, it is also what our stakeholders find important. The most important stakeholders – our clients – expect it from their administrative organisation. They are closely involved in determining the strategic direction of MN. That is only natural. We are, after all, managing their assets and administering *their* schemes.

The other stakeholders are also involved, albeit less closely. MN has made no changes to its stakeholder model this year. The range of people and organisations that are influenced by our actions is unchanged.



Our stakeholders and materiality

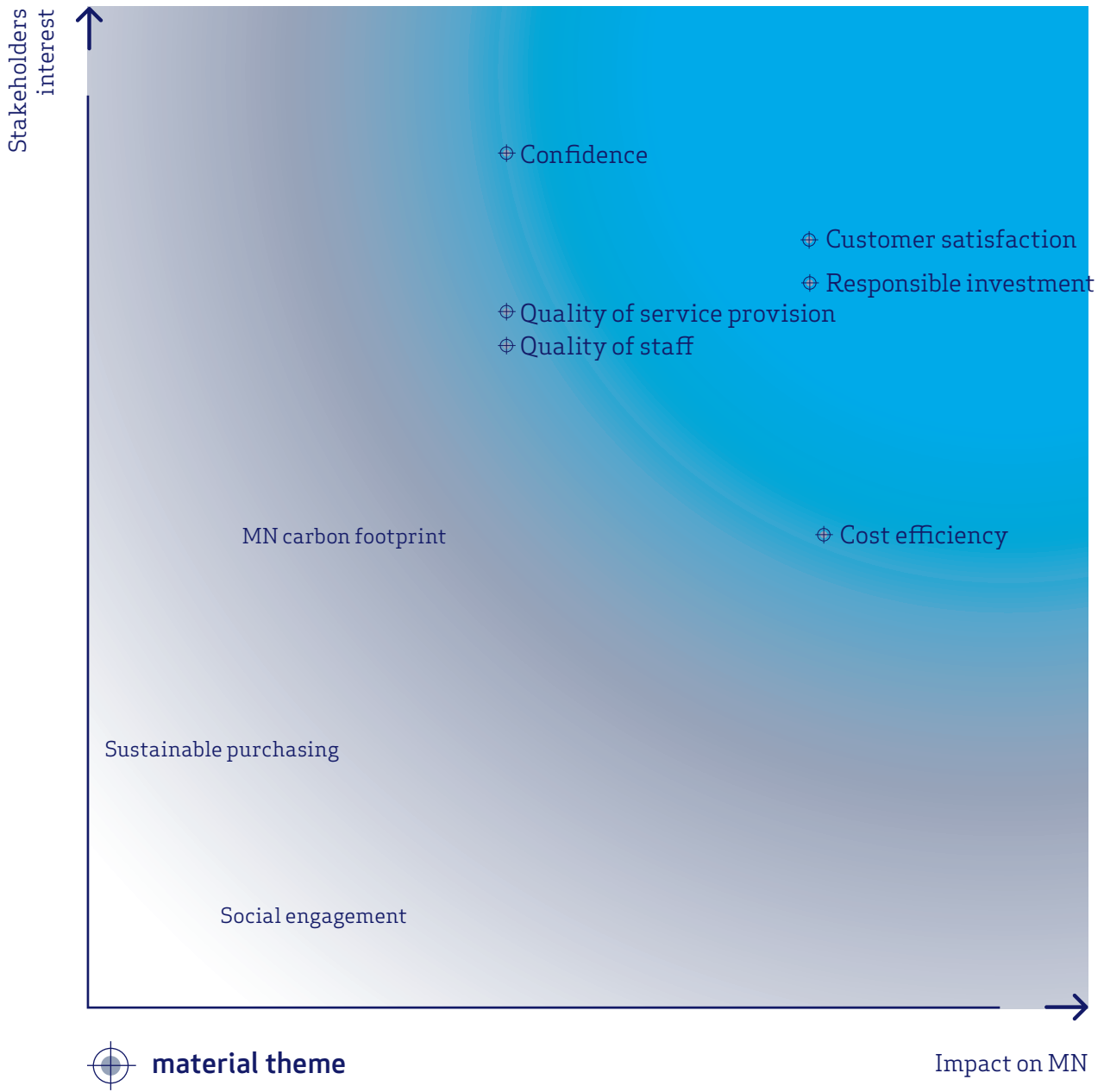
Together with our stakeholders, we have chosen the subjects that are important to society – the material themes. Following internal consultations and discussions with stakeholders, the CSR working group selected a short list from a long list of themes. Each year, we review the list of material themes and assess whether new themes should be added and/or whether the weighting of the material themes is still accurate. For 2015, we have taken the material themes adopted in 2014 as a starting point.

We consulted regularly in 2015 and in October, a working conference was held with our most important stakeholders. Confidence was a very important subject during this conference. The conference resulted in an update of the strategic starting points and acted as a prelude to a change plan for MN.

The topicality and the score of these subjects was also checked by analysing the long-term consultations that MN has with its most important stakeholders. In total, more than 400 consultations were held with our four largest clients, the shareholders, the supervisory directors, the social partners and the Works Council. An assessment was made of the attention given to the material themes in those consultations and whether issues were discussed that should be added to the list of material themes. This eventually resulted in the material themes listed below, which will be dealt with successively in the following sections.



MN materiality matrix



⊕ material theme

Impact on MN



Embedding of CSR


Formulating policy and holding policy consultations with stakeholders is one thing, implementing that policy and making progress with regard to material themes is another. We are convinced that the better the CSR policy is embedded in regular business operations, the easier it is to structure and monitor its implementation. And the more the strategic objectives of MN are in line with the material CSR themes, the easier it is to see to what extent social objectives are embedded in MN's DNA.

In this respect, important progress has been made in the past year. The core of MN's strategy is confidence, and confidence is also the most important theme in the materiality matrix. The strategic four-pronged approach (member involvement, the house of the manufacturing industry, more with less and socially responsible) is also closely linked to the CSR material themes such as quality of the service provision, customer satisfaction and cost efficiency. The contents of this annual report also show that we have made progress this year. We see that in the business units, the material themes have been converted (where possible and relevant) into strategic plans with corresponding key performance indicators (KPIs) and included in the planning and control cycle. They have been monitored throughout the year. This is detailed per element in the remainder of this report. The themes and the corresponding KPIs are dealt with in each section.

The embedding of CSR within MN is encouraged at policy level by the CSR committee, which is chaired by a member of the Executive Board. At tactical and operational level, the CSR working group contributes to driving new initiatives and monitoring the policy in the business units.

The CSR working group meets every two weeks and is made up of representatives of each of the business units. It is chaired by the CSR coordinator. The tasks and powers of the committee and the working group are described in the CSR policy plan.



Section	Material themes 	KPI	Definition
Responsible implementation of the schemes	Quality of service provision	Pension service provision SLA	The SLAs agreed with customers relating to the service provision were achieved
Responsible implementation of the schemes	Quality of service provision	Customer-Oriented Insurance Quality Mark	MN scored satisfactorily regarding all 13 parts of the Quality Mark
Responsible implementation of the schemes	Cost efficiency	CEM benchmark score for Pensions	MN achieved lower costs per member than last year
Responsible investment	Responsible investment	% ESG factors for assets under management	The percentage of assets under management where ESG factors are included as a selection criterion compared with the total assets under management
Responsible investment	Responsible investment	UN PRI score	MN score on the PRI survey
Responsible business operations	Quality of staff	Investment in training	Spending on training divided by the total salary sum of MN
Responsible business operations	Quality of staff	Staff satisfaction	Staff satisfaction similar to peers
Responsible business operations	Quality of staff	Sickness absence	Average sickness absence of staff (excluding maternity leave)



← Responsible implementation of the schemes

MN brings about the viable financial future that people deserve. We do so by handling the pension administration of almost two million people and just under 35 thousand employers. We also administer income protection insurance for occupational disability risks for various clients in the metal engineering industry.

Pensions

As pension administrator of PMT, PME and Bpf Koopvaardij, MN bears a huge responsibility. We collect the pension contributions via the employers, update pension entitlements and answer many information requests that we receive by post, telephone or online. Hundreds of thousands of members receive a pension benefit each month. MN's mission is to bring about the viable financial future that people deserve. As part of this mission, MN's staff work hard to offer members and employers a reliable and high-quality service at reasonable costs. MN focuses on effective and clear communication, customer satisfaction, developing employees and guaranteeing data quality and risk management. MN also assists its clients by providing expertise when policy choices have to be made.

New pension scheme

The pension sector has been undergoing change for some time and 2015 was no exception. An important development in 2014 was the decision to adopt a new joint pension scheme for our two largest clients PME and PMT. In 2015, MN worked closely with PME and PMT on the further coordination of the pension schemes of both funds. In 2015, the social partners took a number of decisions to simplify and bring the schemes even more closer together. In collaboration with the administrative bureaus of both clients, MN performed a great deal of preparatory work to facilitate the decision-making process. Bpf Koopvaardij's new pension scheme was introduced in 2015, in which the pension scheme rules have been made more accessible for members. The articles of Bpf Koopvaardij were also amended this year.



Pension insight and awareness

MN handles on behalf of its clients all pension communications to employers and members who are affiliated to the pension fund in question. The basic assumption is that the pension communication is timely, clear and accurate. MN aims to make pension information available digitally as far as possible via portals. MN also plays a role in enlarging pension insight by means of the national pension register. Finally, MN is playing a major part in creating a European pension register.

Pension Communication Act

On 19 May 2015, the Dutch Senate adopted the legislative proposal “amendment of the Dutch Pension Act (*Pensioenwet*) and the Dutch Occupational Pension Scheme (*Obligatory Membership*) Act (*Wet verplichte beroepspensioenregeling*) in connection with improvements in pension communication” (hereafter referred to as the Dutch Pension Communication Act (*Wet Pensioencommunicatie*)). From 1 July 2015, the legislative amendment will be introduced in phases. The aim of pension communication is to let members know how much pension they can expect so that they can assess whether that is sufficient and to inform them of the risks relating to pension benefits. Pension communication must also inform members of the options they have and the possibilities they have to act individually.

For MN, this legislative amendment means a large-scale adjustment to all communications. MN employees have worked hard to make the required adjustments to communications to members so that our clients PMT, PME and Bpf Koopvaardij comply with the new Pension Communication Act. The coordination of the communications of PMT and PME has also been assessed and a specific proposal for further coordination between the funds has been considered in order to increase the unambiguity of the communication.

Communication and understanding

The Pension Communication Act offers greater possibilities to view personal pension information digitally. The starting point is that this information must be easily accessible, irrespective of the time or place. Members like to have an understanding and overview of how much pension has been built up and, for instance, the status of a specific request. MN is therefore investing in the development of digital communication via portals, which will allow members access to personal pension information at any time they wish.

The members portals Mijn PME (My PME) and Mijn PMT (My PMT), which allow members to view their own pension data, were renewed in 2015 from both a content and a design point of view. Members can now see their pension data on the basis of retirement at 67 instead of 65 and an adjusted standard calculation has been introduced based on 67. Furthermore, the



pension options in the pension planner have been adjusted to the new pension scheme. Bpf Koopvaardij has also updated its member portal.

The Bpf Koopvaardij pension planner provides members with the opportunity to personally calculate the effects of pension options.

Another new feature is the Inzendportaal.nl. From 2015, this is the central location for online data supply by employers in the metal and engineering industry, metal and electrical engineering industry and merchant shipping sector. By introducing a single portal for supplying customer data, MN has achieved an important efficiency benefit. The new portal is quicker, it offers greater service and overview and its appearance is more attractive. Eighty percent of employers now submit their staff changes online to MN. The aim is to increase this percentage even further.

National pension register

The renewed member portals provide members with an understanding of their personal pension situation at PMT, PME or Bpf Koopvaardij. For a total overview of all built-up pension entitlements, including those at other pension funds, a national pension register exists in the Netherlands. By going to www.mijnpensioenoverzicht.nl, members can log on using their DigiD and request an overview of built-up pension entitlements. In 2015, the pension register was improved and several functionalities (e.g. showing pension entitlements in the case of dismissal and death) were added. In this way, members have an optimal understanding of their personal pension situation. MN ensures that data is made available and that changes to the systems are introduced.

European pension register

On the instructions of the European Commission, MN investigated with five other domestic and international pension administrators the structure and feasibility of a European pension tracer system. This system must enable Europeans to keep track of pension entitlements built up in various European countries in a transparent and accessible manner.

In March 2015, the consortium's final report was submitted to the European Commission. The most important conclusion is that a European pension register is feasible and can support many different target groups in Europe. However, creating such a European pension register will take time. It is vital that relevant stakeholders such as European umbrella organisations, participating pension funds and national pension tracer systems are included. Since May 2015, MN has been working with other national and international pension administrators in an extensive consortium on the next step to facilitate the creation of a working European pension register. The results are expected in June 2016.



As a result of this initiative, MN is contributing to achieving the aims of the European Commission to increase the sustainability of pensions and to curb pension-related poverty within Europe.

Member and employer satisfaction

Measuring customer satisfaction is an important yardstick and helps us to deliver and maintain services at the required level. The results of these measurements indicate where our services can be improved. By means of customer satisfaction surveys (CSSs), MN periodically measures how its activities are valued.

Ongoing CSSs

An important tool for assessing the quality of our work is the performance of ongoing CSSs. This involves an immediate assessment following contacts with customers. These investigations provide detailed information about how members rate our services. Members give MN staff high scores for (1) customer-friendliness, (2) empathy and expertise and (3) providing immediate answers to questions. It is vital to have an understanding of member satisfaction and the points where we can continue to develop our services. The results are recorded on an action list that is used by the management for the specific improvement of services.

PMT and PME customer satisfaction surveys

In 2014, PMT and PME carried out customer satisfaction surveys among employers and members. The results were released in 2015 and offer specific points of reference for increasing satisfaction. In general, employers, members and beneficiaries are satisfied with the services offered. The majority refer to the services of PMT and PME as 'basically good'. For both funds, the points for improvement relate mainly to communication and the processing of complaints. As a result of these surveys, MN has defined improvement actions, which will be discussed and initiated in consultation with PMT and PME.

Focus on Customer Experience

In addition to the periodic and ongoing customer satisfaction surveys, MN launched the 'Focus on Customer Experience' project in 2015 together with PMT and PME. As part of this project, targeted information is obtained in direct contact with customers, which does not surface adequately in other interactions. Interaction with members also means that the funds can explain various rules and processes, so that members have a better understanding of why we do things in a certain way. This project should contribute to increasing confidence in and appreciation for the funds. The initial results are expected in 2016.



Cost control

MN aims for high-quality service at an acceptable price. One of the ways of gaining an insight into how MN performs with regard to service level and cost control is the CEM benchmark, in which our clients PMT and PME participate. This annual benchmark analysis is performed by the independent Canadian benchmarking company CEM and provides the participating funds with an understanding of the cost and service level compared with peer funds. The CEM benchmark compares our clients PMT and PME with other similar Dutch pension funds. In addition to insight into the current cost and service level, points for improvements are also revealed.

In the CEM benchmark, PMT achieved a good score and PME achieved a score just below average. We see room for improvement at both funds. The costs per member of PMT and PME are € 86 and € 96, respectively, compared with the peer average of € 95. The calculation of the costs per member is based on the standard pension administration costs and occasional pension management costs are not included. This ensures the comparability of the costs per member over the years. In the 2014 financial year, the costs compared with the previous financial year rose slightly for both PMT and PME as a result of increased costs for communication and supporting activities. The service score of PMT increased, while the service score of PME remained at the same level.

On the basis of the results of the annual CEM benchmark, MN and its clients will continue to focus on raising the service level to members and employers, while controlling the costs per member. In the next few years, MN is aiming for a long-term reduction in the costs per member by means of, for instance, the MN 3.0 change programme.

KPI	CEM score
	MN achieves lower costs per member than in the previous year
Aim	< previous year (2014) PMT: 85 euros PME: 95 euros
Result	PMT: 86 euros PME: 96 euros (PMT 2013 financial year: 85 euros, PME 2013 financial year: 95 euros)
2016-2017 aim	< previous year



Quality of service provision

The quality of the staff is a decisive factor in aiming for a better service provision. In addition to attention to data quality, reviewing processes and ensuring a controlled pension administration, the focus is on developing employees within MN. They are the visiting cards of MN in the daily contacts with members and employers, a role that is just as important as processing requests and handling pension administration.

Development of staff within MN – focus on quality

Well-trained staff are vital when it comes to providing an excellent service to members and employers. In 2015, attention was again paid to the development of our employees. We want our staff to be demonstrably well trained. Pension specialists within MN follow a special development programme to effectively boost the professional growth of colleagues in daily practice. Attention was also given to increasing the knowledge of staff by having them following subject-specific training (e.g. the SPO Collective Pensions course). Finally, an extensive training programme was rolled out for all employees to encourage process-oriented working and thinking within the pension administration.

Agreements with clients

To inform our clients more effectively about the quality of our services, new service agreements were concluded with them in 2015. Periodic reports relating to service agreements deal not only with the usual quantitative aspects, but also provide more insight into the qualitative aspects. This allows us to be more transparent and to supply more details about the implementation. The service results are measured on a monthly basis and the outcome is shared with the clients. The aim is to achieve at least 95%. In 2015, the targets were achieved in an average of 95.9% of cases.

KPI	Pension service provision SLA
	The SLAs agreed with customers relating to the service provision were achieved
2015 aim	>95%
2015 result	95.9%
2016-2017 aim	>95%

Data quality

In 2015 too, MN devoted a lot of effort to improving data quality and data management. Within data management, detecting, solving and monitoring existing or possible errors in electronic data are central. In 2013 and 2014, the emphasis was on analysing data issues and on recognising in the systems that a problem had been detected. In 2015, this process was tightened and data issues were rapidly analysed and subsequently



identified and/or repaired. In late 2015, more focus was placed within data management on the importance of high-quality data in relation to the MN 3.0 change programme.

In addition to data management, the quality of the pension administration is assessed by means of data-oriented and plausibility checks. In the case of data-oriented checks, an assessment is made as to whether the change and benefit payments are being performed correctly. In the case of plausibility checks, an assessment is made at the moment of truth for a member as to whether the entitlements are plausible. If errors are identified, they are corrected in order to arrive at an accurate pension administration.

Controlled administration via ISAE 3402

Within MN, managing risks has a high priority in order to guarantee a reliable and predictable pension administration. Measures are constantly being introduced to limit risks as much as possible. For instance, a control framework for the most important operational processes is set up annually for the pension administration. The quality of the control is assessed periodically by the independent auditor. This results in an annual ISAE 3402 report. Furthermore, risk awareness is an important point for the development of staff. Relevant staff within the pension administration receive training that provides an insight into the risks run in processes and the control measures that can be applied. In close cooperation with the Compliance department, attention is being paid to preventing violations such as corruption, fraud and forgery. Every employee has to sign the MN Code of Conduct and various measures (four-eyes principle and logical access security) have been built into the systems.

Customer journeys and review of services

MN considers it important to evaluate and improve the most important processes within the administration on a regular basis. In what ways can we structure processes more efficiently and effectively? For this purpose, 'customer journeys' and 'review of services' take place within MN. In the 'customer journeys', processes are examined internally by relevant teams from the point of view and experience of customers themselves. Furthermore, interactive sessions, known as a 'review of services', are organised, with processes being experienced and optimised together with the client.

In 2015, various 'customer journeys' and 'reviews of services' took place. These focused on processes such as entering a new employer, entering a new member, the process in the case of death and, finally, managing money flows. Where applicable, the results of these sessions are included in the further tightening of the processes.




Looking ahead 2016 – Pensions

In 2016, the Pensions unit will be concentrating on improving services, increasing the data quality and reducing the administration costs. This should lead to greater customer satisfaction among clients, employers and members and an increase in confidence. Attention will be paid to the further digitisation of the services and the improvement of core processes for employers and members. In 2016, we will continue to improve and customise pension communication. A solid basis was already laid in 2015. Finally, we will continue to focus on well-trained staff in 2016 by offering various training sessions and courses. Our staff contribute significantly to high customer satisfaction.



Quality of service provision

“The quality of the service provision depends on effective procedures, but in the end it’s all about the business culture: how do you deal with customers and the pension fund members.” For Remko Kloos, Head of Crew Affairs at the Rotterdam shipping company Anthony Veder and candidate board member of Bpf Koopvaardij, respect for members always comes first. You have to put yourself in the member’s position. In the case of a crew, that is not always easy. They are sometimes foreigners who don’t speak Dutch and they do not always have a sufficient command of English. “They include Cape Verdeans, Portuguese, Latvians and other nationalities. There may be difficult cases among them that require a customised approach. They expect the fund to take responsibility for their needs, but in the past a question asked in English was answered only in Dutch. That may have been in the protocol, but this should ring a bell and make people aware that this is simply not feasible. That what I mean when I say ‘culture’: sensing what members expect of you and going beyond protocols.” These sort of problems hardly occur anymore because the board of Bpf Koopvaardij has the most important documents drawn up in English too and by engaging a native speaker who simply holds the discussions in English. Nevertheless, he understands that protocols are necessary. In the case of gas tanker vessels, which are used by Kloos’s shipping company, satisfactory procedures are vital to safety. He has now been looking after crew affairs for six years, a period in which a lot has been improved. Kloos praises the professionalism of the employees, their efforts and the satisfactory way in which they cooperate. He also acknowledges that improvement processes involve the risk of setbacks, which result in delays and higher costs. “These are major plans with objectives that must be achieved. MN must ensure that this is the case”. Kloos wishes to refute the often-heard claim that pensions, particularly in the case of young people, are a non-issue. “For students at the Netherlands Maritime University in Rotterdam, we created an information session on pensions and deliberately opted to have the presentation given by one of our younger colleagues, Rajesh Grobbe, from the administrative office. Contrary to expectations, the presentation was a success. The Maritime Institute in Terschelling has also asked us to come and give a presentation. If you know how to put it over properly, people are interested.”



Quality is ‘sensing what members expect of you and going beyond protocols’

Remko Kloos
candidate board member of Bpf Koopvaardij

Insurance

In addition to pension schemes, MN also administers income protection insurance or supplementary schemes for occupational disability risks for various clients in the metal engineering industry. On behalf of its clients, MN handles the insurance administration, provides policy advice and deals with communication and complaints. Clients receive income protection insurance, such as sick pay insurance, supplementary insurance for partial invalidity (*WIA-bodemverzekering*), WGA benefit shortfall insurance (*WGA-hiaatverzekering*) and WIA top-up insurance (*WIA-excedentverzekering*). Together with social partners in the metal engineering industry, possibilities are being explored for solutions to other income risks (e.g. unemployment). As a result of MN's in-house experience, knowledge and skills, we are able to support our clients in the development of these new products and the corresponding service provision.

Quality of service provision

Intensifying customer-focus is an important point of attention within Insurance. A new initiative is the 'Keep surprising the customer' (*Klant blijvend verrassen*) approach. It is a customer-driven rather than a process-driven approach, with the specific request of the customer being examined. The service is then adjusted to these requests. In the case of, for instance, a complaint or question, the customer is contacted by phone at an earlier stage. This offers more room for personal contact. Customers have informed us that they appreciate this approach. MN wishes to continue to guide its staff towards proactive customer service. It is vital that this change is also prompted by the employees themselves. Initiatives are welcome. For instance, an intervision working group has been set up. By exchanging experiences, improvements are initiated so that customers can be helped quicker and more effectively and their expectations can be managed in a better manner.

KPI	Customer-Oriented Insurance Quality Mark
	MN scored satisfactorily regarding all 13 parts of the Quality Mark
2015 aim	Keeping the quality mark
2015 result	Quality mark was extended
2016-2017 aim	Keeping the quality mark

Customer-Oriented Insurance Quality Mark

In 2015, MN extended the Customer-Oriented Insurance Quality Mark (*Keurmerk Klantgericht Verzekeren – KKV*) for its largest client – NV schade. This is a quality mark based on good communication and working and thinking in a customer-driven manner.



The standards and the quality of this mark are guaranteed by periodic assessments. In early 2015, the KKV assessment method was changed by the Insurer Assessment Foundation (*Stichting toetsing verzekeraars – Stv*). After completing the assessment in early 2015, MN has also been using this amended assessment method. This means that periodically, a part of the total number of standards (17) of the KKV (14 of which apply to Insurance) are assessed by the Stv. The first assessment in which Insurance participated was completed successfully. This periodic assessment will be continued in 2016 too. Once all standards have been assessed, the full certificate can be extended again (in 2017) for the KKV.

Digital platform for intermediaries

In 2015, MN started developing a digital platform for employers, employees, intermediaries and sector partners, which has resulted in digital reporting for intermediaries for NV schade. Furthermore, pilots have started relating to absenteeism and reintegration. For instance, the MENSmobiel pilot has been set up to deal with sickness absence together with sector partners. Following an evaluation, the social partners indicated that they greatly appreciated this initiative and it has therefore been decided to extend MENSmobiel.

Customer satisfaction

In consultation with our customers, the measurement of customer satisfaction was changed last year. We have switched from a single measurement by an external party to holding evaluation meetings per customer. This method of contact means that more matters can be discussed. During the meetings, we assess the collaboration and specific improvement arrangements are then made. Between these evaluation meetings, brief online customer satisfaction surveys are carried out that provide input for the evaluation. The first evaluation meetings in 2015 showed that customers are satisfied regarding the service provision. In 2015, we held one evaluation meeting per customer. Two meetings per customer will be held from 2016.

Cost efficiency

In 2015, efforts were concentrated on a more flexible organisation that can make adjustments to the system and processes more easily so that the service to the customer is greatly improved. The restructuring of the insurance administration is part of the policy plans. A new automated support system named BaNCS will result in far less manual work, so that the risk of errors will be greatly reduced. As part of the development of the new insurance administration system, the processes have again been assessed and adjusted where possible, so that work can be performed more efficiently. The new administration system also means a better response to the ever-changing market and it helps in the preparation of the digitisation of information exchange with the customer.



It was originally intended to introduce BaNCS in the course of 2015, but the introduction has been put back until 2016. During 2015, MN sent a timely notification to all those involved stating the reasons for the later introduction. MN expects this project to result in an increase in customer satisfaction.

Quality of staff

Almost all Insurance unit staff (98%) meet the professional competence requirement (Dutch Financial Supervision Act (Wft) compliant). The unit assesses its staff periodically. If an employee does not meet the requirements, this will have consequences for the level of his or her activities. In this way, the unit can maintain and monitor customer focus and satisfaction.

Looking ahead 2016 – Insurance

In 2016, we expect the implementation of the new insurance administration system to result in more effective processes, which will benefit cost efficiency. Attention will also be directed towards further digitisation, with employers being encouraged to use the employer portals for submitting changes. Customer communication will continue to be improved by a restructuring of activities and processes. Needless to say, attention will continue to be focused on the development and knowledge acquisition of staff. Retaining the KKV quality mark for NV schade in 2016 is an important goal.



← Responsible investment

MN manages more than € 114 billion for its clients and fund customers. This amount consists of pension contributions and insurance premiums paid by pension scheme members. In the chain extending from collecting contributions, managing assets, to paying out pensions and insurance benefits, MN creates added value for clients and members by means of responsible asset management. MN does so by ensuring that the contributed assets yield a financial and social return, geared to achieving the viable future that people deserve.

A satisfactory pension involves more than a proper financial benefit and touches upon the society of the future. Clients and fund customers wish to ensure that their members can 'enjoy' a satisfactory pension in a high-quality living environment. They can influence this living environment by taking the social effects into account in their investment policy, including environmental and social factors and responsible management. In practice, this is referred to as focusing on ESG (environmental, social and governance) factors as part of responsible asset management.

The framework and the principles: Principles for Responsible Investment

Since 2009, MN has been a signatory to the UN Principles for Responsible Investment (PRI). MN is therefore a member of a worldwide organisation of more than 1,200 institutional investors, banks and asset managers who have joined forces to develop responsible investment. MN has used the UN principles to define ten guiding principles for responsible asset management. These are based on various standards and conventions, including the four key standards of the International Labour Organisation, international treaties relating to weapons, UN Global Compact and the OECD Guidelines for Multinational Enterprises. It is MN's policy that all clients and fund customers apply these principles. In this way, responsible investment is part of MN's DNA. This policy has been detailed in specific objectives (see the 2016 summary of results and ambitions in the table).



The UN PRI performs an annual assessment among its members of progress regarding policy, implementation and results. In connection with this assessment, the UN PRI evaluates and scores the members. In 2015, MN intensified its SRI efforts with regard to the following four subjects: ESG integration, reviewing the engagement policy, climate and impact investing.

Developments in 2015

Responsible investment in a mature phase

In 2008, MN started developing policy for responsible investment by formulating an exclusion policy. Together with clients and fund customers, MN subsequently expanded this policy into four pillars. In addition to exclusion, these pillars related to ESG integration, active ownership and impact investment. Satisfactory progress has now been made within these pillars, particularly as regards exclusion and active ownership. ESG integration is continuing to expand and attention is shifting from preventing negative impact to ensuring a positive contribution. There are new issues, such as the portfolio's carbon footprint.

Responsible investment in the new strategic investment framework of clients and fund customers

In the case of investment policy, MN applies the following overarching vision with regard to its clients and fund customers. The financial objective is leading and constitutes the starting point when applying responsible investment. Responsible investment can contribute to achieving the return objective and can coincide in the long term with the return-driven approach. When assessing the extent to which a company is able to create value in the long term, the same factors will eventually be weighted based on the return-driven and the SRI approach. This cannot be fully proved and is therefore mainly a belief (principle). Clients and fund customers have embraced this notion in the investment principles that state: 'investments can be profitable only if the economy can develop responsibly' and 'the driving force of the long-term value creation of an investment class is underlying economic activity'. Examples such as Volkswagen (dieselgate) and BP (Deepwater Horizon) underline the risks of irresponsible business operations.

It has been agreed with clients and fund customers that in 2016, MN will assess the pros and cons of a more conscious equity selection. Clients and fund customers have started investing in equity by passively following a broad index. An increasing number of names have been deleted on the basis of exclusion and negative screening. Investigations have shown that members would like to exclude far more names or sectors. This raises the question of whether a more intentional selection of fewer companies would be a logical follow-up. A proper assessment of the pros and cons is required because making a conscious selection involves many pitfalls. These include the extent of diversification, risks, costs, governance and the implementation method.



Carbon footprint and climate policy

Climate policy was the focus of much attention in 2015. During the climate summit in Paris at the end of the year, decisions were taken to limit emissions of greenhouse gases. MN has drawn up policy for its clients and fund customers to manage climate risks. The policy will take effect in 2016. The main points are:

- measuring and publishing the footprint of the equity portfolios on an annual basis;
- entering into consultations with the top ten companies that are responsible for the largest CO₂ emissions in the equity portfolios;
- entering into consultations with authorities and other legislators regarding effective and efficient climate regulation;
- requesting external managers to make the CO₂ emissions of their portfolio as transparent and quantifiable as possible.

In 2015, MN made various efforts to manage climate risks by, for instance, signing the Montreal Pledge and by joining several initiatives.

Montreal Pledge

As a signatory to the Montreal Pledge, MN has undertaken to publish the carbon footprint of the equity portfolio on an annual basis. In 2015, MN mapped out the first carbon footprint of the equity portfolios. MN and its clients and fund customers are assuming a global transition to a low-carbon economy in line with the results of the climate summit in Paris. CO₂ emissions are expected to cost more in the future and will have to be reduced in absolute terms too in due course. This may have far-reaching consequences for companies with high emissions and for funds that invest in these businesses. To contribute to a solution, you must first be aware of the CO₂ consequences of the investments. For this reason, the equity portfolios of approximately 2,800 companies have been examined with regard to their CO₂ impact.

Institutional Investors Group on Climate Change

MN is part of the Institutional Investors Group on Climate Change (IIGCC). This organisation represents more than 110 institutional investors such as pension funds and insurers and manages assets of € 11 trillion. MN makes regular substantive contributions to the IIGCC. In September, this group published the report 'Climate Finance for Developing and Emerging Countries – Five recommendations to mobilise institutional investment'. In this report, the IIGCC makes five recommendations to ensure that capital can flow more easily to emerging economies, so that they can reduce their CO₂ emissions. MN's Responsible Investment & Governance unit was partly responsible for the production of this publication, which served as a discussion document in the lead up to the summit in Paris. MN was part of the IIGCC delegation during the climate summit.



In October, prior to the climate summit, MN organised a symposium for stakeholders relating to socially responsible investment: 'The road to Paris'. Guest speakers from the Dutch Ministry of Foreign Affairs and the Mercer consultancy presented their vision of measures to combat climate change. In addition, the head of the Responsible Investment & Governance unit at MN explained how MN weighs up the environmental factor when taking investment decisions.

Platform Carbon Accounting Financials

In 2015, MN joined a group of Dutch financial service providers who are jointly working towards the further development of methods to measure the climate impact of their investments and financing. ASN Bank is the initiator and coordinator. This is a pragmatic Dutch network that focuses on exchanging knowledge and jointly developing a method for the (Dutch) financial sector. This will contribute to improved transparency and comparability.

Portfolio Decarbonisation Coalition (PDC)

In late 2015, MN was the first Dutch pension administrator to join the Portfolio Decarbonisation Coalition (PDC). PDC is the private sector branch of the UN environmental programme. The participants are mainly institutional investors that exchange knowledge and experience in an international context regarding strategies for dealing with climate change and ways of measuring this. MN is a member because of the opportunities for collaborating in an international network and because the members are clear about their aims and results.

The Involved Investor

For clients and fund customers, MN has set up a new investment strategy within the European equity portfolio: 'The Involved Investor' (*De Betrokken Belegger*). This strategy involves a complete integration of ESG analyses. This product concerns a compact portfolio of approximately 30 positions and will consist of listed European equity characterised by a high level of financial solidity, strong ESG features and a great deal of involvement in the business operations. The aim of the portfolio is as follows: As an involved investor, we aim for a favourable return and a lower financial risk and are involved in corporate social responsibility activities, with the aim of contributing to a stable and sustainable society. The portfolio will have a buy-and-hold character. To meet the objectives, a long investment horizon (ten-year term) will be maintained. The question continuously being asked is: 'Which businesses will be invested in if the equity market is closed for the next ten years'.



Responsible investment is in MN's DNA

MN considers it vital to account to stakeholders such as clients and fund customers, employers and members. MN's responsible investment policy is explained on its website, which also features reports on exclusion, voting and engagement with companies in which clients and fund customers invest. Developments regarding socially responsible investment are published regularly on the OMNI-online knowledge sharing platform.

In collaboration with IIGCC and CDP, MN organised in September the 'Investor roundtable on the EU utilities sector'. The main issue at this meeting was: are European energy companies prepared for a low carbon future? One of the subjects for discussion was the recent report issued by the CDP (Carbon Disclosure Project): 'Flicking the switch: are electric utilities prepared for a low carbon future'. This report contains a ranking of European energy companies on the basis of carbon emissions and questions how vulnerable these businesses would be if legislators insist on substantial carbon reductions (40% in 2030 compared with 1990, 80% in 2050).

Implementing the SRI policy of clients and fund customers

The clients and fund customers determine the socially responsible asset management (SRI) policy. To support their decisions, MN advises them as part of its fiduciary role. Moreover, MN implements that policy. For this purpose, the clients and fund customers conclude agreements with MN. These are used as a basis by MN for detailing the implementation of the responsible asset management. MN's tasks are not confined to investing on behalf of clients and fund customers, it also selects, instructs, monitors and assesses external managers that implement the asset management for clients and fund customers. As the final part of the process, MN also helps clients and fund customers with the communication relating to the investment policy adopted by them by means of various types of reports to both the board and members. It is also important to obtain an insight into the SRI results.

The core of the SRI policy implementation relates to exclusion, ESG integration (taking account of the environment, social aspects and governance), active ownership and impact investing. The following paragraphs report on what MN does for its clients in those respects.





‘Responsible investment can achieve just as much or even more return than traditional investment’

Max Horster
partner South Pole Group

Responsible investment

“A real long-term investor must invest responsibly and take account of the environment, social circumstances and governance (ESG factors), otherwise that investor will run a serious risk. Take, for instance, working conditions. Suppose that new legislation is introduced in a country (whether or not under international pressure) and you have made huge investments in companies that cannot comply with it. That lowers the value of the investment.”

You don’t need to convince Max Horster, partner of the South Pole Group in Switzerland. His company advises companies worldwide when setting up sustainable initiatives. The South Pole Group mapped out the investment carbon footprint for MN.

“Responsible investment can achieve just as much or even more return than traditional investment, without any social or environmental impact. The more the ESG factors become important, the less the risks in your portfolio in the long term. By investing in companies that are more sustainable, you are also better protected against reputational damage and changing legislation.”

Shouldn’t a pension fund be concentrating in the first place on achieving a good return rather than focusing on climate change and the environment? “Not at all! Because a pension fund has the task of providing healthy and stable pensions. There are two aspects that play a role. Firstly, a fund must not only ensure that pensioners have a satisfactory and stable pension, it must also ensure that pensioners can enjoy their retirement in a world that’s worth living in. The consequences of climate change and social injustice may harm future generations: poverty, war, floods and draughts lead to higher food prices, unstable markets and refugees. Those consequences may impact the fund. Secondly, there is a risk consideration. Take greenhouse gases as an example. The agreements reached at the COP21 climate summit in Paris will result in an important turnaround for our economy. A prudent investor takes account of that when weighing-up an investment. Will my investment still be profitable if the aim is to limit global warming to two degrees? He has to take that into account and assess his exposure in sectors that depend on coal, oil and gas.”

Exclusion

Clients and fund customers pursue a policy of excluding countries and companies on the basis of violations of international treaties relating to ESG factors. In some cases, sector pension funds wish to exclude investments in businesses active in their own sector in order to avoid a conflict of interests. Another form of exclusion policy is not investing in certain sectors (such as companies producing anti-personnel mines).

MN embeds the exclusion policy in the investment process with the support of external research agencies. MN accounts on a quarterly basis regarding the exclusion of countries and companies. MN also publishes the exclusion list on its website. The exclusion policy is evaluated regularly.

ESG-integration

ESG integration means taking account of ESG criteria when investment decisions are actually taken. For instance, an active manager may decide to sell a certain share because the risk of involvement in human rights violations is too great. MN clients and fund customers also have many passive equity investments. In the case of these investments, a pre-determined benchmark is closely followed. No individual investment decisions are therefore taken. If a passive mandate uses a benchmark in which ESG criteria are incorporated, this also constitutes ESG integration.

KPI	ESG integration
	The percentage of assets under management where ESG factors are included as a selection criterion compared with the total assets under management.
2015 aim	70%
2015 result	64%
2016-2017 aim	75%

Because of the influencing possibilities, clients and fund customers ask MN to actively focus on ESG performance when developing new investment strategies. It is also possible to focus on ESG integration by means of the selection criteria for external asset managers chosen by MN for clients and fund customers. Since 2014, the external asset managers complete an annual ESG questionnaire for MN.

To calculate the extent to which ESG criteria are integrated in various ways in investments, MN uses the PRI framework. To be able to measure and report ESG integration accurately, MN worked in 2015 on including SRI data in its investment administration. This will be continued in 2016.

In 2015, MN implemented new strategies for equity in developed and



emerging markets. As a result of the negative screening that MN has developed for clients, account is taken of ESG factors in a larger part of the assets that MN manages. The introduction of negative screening has resulted in a rise of ESG integration from 50% to 64%.

Full ESG integration is not an aim in itself. MN will always assess which solutions contribute most to responsible asset management. For this purpose, MN worked hard in 2015 to extend data relating to responsible investment in the ICT systems. On the basis of these data, MN will continue to focus in 2016 on extending the measurement of ESG integration and trying to identify possible new solutions.

Selection and monitoring of external managers

MN has outsourced 54% of the assets under management to external managers. It is important that the SRI policy is applied in full. MN guarantees this by selecting, monitoring and evaluating the performance of external managers. By having them report on ESG annually, we gain a greater insight into the extent to which managers invest responsibly and how they integrate material ESG risks into their portfolio. Furthermore, MN – as a signatory to the PRI – encourages external managers to adopt the UN PRI guiding principles and formulate a responsible investment policy of their own. For instance, MN engaged in 2015 with external asset managers MacKay Shields, Oakhill and Conning regarding the further integration of ESG in the investment process. In March 2015, an MN delegation also visited external managers in the US to obtain a better understanding of their investment process.

KPI	UN PRI score
	MN score on the PRI survey
2015 aim	>75% of the questions are answered with A
2015 result	MN scored >75% of the maximum score, which is equal to category A.
2016-2017 aim	MN scores >75% of the maximum score, which is equal to category A.



MN aims for ESG integration by external managers by means of the following steps:

Aiming for ESG integration by external managers	Activities in 2015
Manager selection	When selecting a manager, MN assesses five Ps: Parent, Process, Performance, People, Planet. As part of Planet, MN performs an ESG analysis of new managers on the shortlist. MN uses a standard template that must be completed by all new external managers. The subjects are specifically tailored to the investment style (passive, active, quantitative strategies).
Monitoring	MN holds regular review meetings with external managers and discussions include the quality of the ESG performance
Manager evaluation	MN draws up an annual ESG questionnaire that must be completed by all external managers. The questions have been specifically tailored to the investment style (passive, active, quantitative strategies), with extra questions being formulated for investment fund managers.
Engagement	MN engages with managers having unsatisfactory ESG scores. In cases where MN identifies material ESG risks, we attempt to bring about improvements.

Private equity and International Real Estate (IRE)

In 2015, MN compiled an ESG due diligence questionnaire for its private equity fund managers and all IRE managers. This provides them with a better understanding of how they can integrate ESG in practice and how they can evaluate that policy. MN has also developed an ESG reporting template for both the private equity and IRE investment categories. MN uses this to assess each year whether a fund manager is working in accordance with agreements relating to ESG policy, performance and principles. MN also uses the template to assess whether a fund manager recognises ESG risks and opportunities in the investment portfolio and whether sufficient information is being supplied about ESG incidents.

Screening

Apart from exclusion, a decision may also be taken to exclude a certain percentage of the most poorly performing businesses (from whatever sector) from the universe by means of screening. These businesses are assessed according to ESG factors. Positive screening is involved if only the best performing companies of a benchmark are included in the investable universe. This is already happening in the case of government bond portfolios.



Active ownership

MN exploits the opportunity as an investor to exercise control and influence. This is possible in the case of various investment classes. For instance, MN ensures that voting takes place at most of the annual shareholders' meetings. MN also engages with companies in which clients and fund customers have significant positions and where material ESG risks may occur. If they suffer financial damage as a result of alleged fraudulent actions by a business in which investments have been made, legal proceedings may be initiated. MN reaches agreements with its clients and fund customers on voting policy. This policy is derived from, for instance, the International Corporate Governance Network (ICGN) and the Dutch Corporate Governance Code. An assessment is made per market or region as to whether the policy can be applied and how it affects the final voting decision.

Voting

The voting policy is evaluated annually and adjusted if necessary. In recent years, adjustments have been made to take account of several changes to the law, but also to respond to a growing focus on remuneration. In 2015, MN proposed bringing its voting policy into line with new EU legislation relating to auditor circulation. As regards remuneration, MN wishes to tighten the rules concerning the claw back arrangement. If bonuses are paid out on the basis of incorrect or inflated figures, a company must have the opportunity to claw back bonuses that should not have been paid to directors. The tightening relates to the fact that MN now wishes to apply this in all jurisdictions, irrespective of whether it is customary in a certain market.

The voting policy is implemented on the instructions of MN by ISS (Institutional Shareholder Services). Each year, MN assesses whether ISS is implementing the voting policy correctly and whether the policy still suffices. In 2015, MN voted on behalf of clients and fund customers at 3,190 meetings, which corresponds to 94.3% of all meeting at which MN was entitled to vote*.

** In some countries, voting in accordance with legislation is too time-consuming as a result of administrative obligations.*

Engagement

As part of active ownership, MN engages with companies on behalf of clients and fund customers. In doing so, MN focuses on changing risk culture and ethics, environmental, social and remuneration policy, corporate governance and transparency. In 2015, MN evaluated and revised this engagement policy. The new policy brings a stronger focus to certain themes and is implemented according to more precisely formulated objectives and timelines. On the basis of this new policy, MN selects companies for the purpose of engagement.



The first category consists of Global Compact Violators, in which our clients and fund customers have significant positions. These are companies violating UN international guidelines relating to workers' rights, social rights, the environment and anti-corruption. MN also consults with Dutch listed companies. In addition, MN selects a number of businesses in which our clients and fund customers have substantial positions and where material risks exist regarding themes that are priorities of our clients and fund customers.

Within the environmental theme: climate change. The oil & gas, mining and utilities sectors make up approximately 20% of the equity portfolio. MN has been engaging for years with businesses in these sectors regarding these issues and has consequently acquired a great deal of sector know-how and a strong network.

Within the social theme: people and rights. Guaranteeing proper working conditions and trade union rights. This subjects touches on the protection of universal human rights. Any violations may pose a risk to a company's licence to operate and may result in huge reputational risks. A suggestion has been put forward to assess the situation in the mining industry. Mining is a downstream sector to the metal and engineering industry and therefore connects to the membership of the funds.

Within the governance theme: remuneration policy. MN will include this theme within various sectors in the meetings that will be held. The assessments will include companies where the ratio of the lowest paid employee to the highest paid director exceeds a certain limit. Remuneration is also an important point of attention in the selection and monitoring of external managers and in the current broker policy.

The following table provides an overview of the new themes:

Engagement categories

1. Global Compact Violators in which our clients and fund customers have significant positions.
2. Dutch-based listed companies.
3. Thematic focus within ESG
 - Environmental: climate change
 - Social: people and rights
 - Governance: remuneration policy



In 2015, MN had contact with 42 companies in the context of the engagement programme. There were fewer contacts than last year as the emphasis was on reviewing policy. In 2016, the new engagement programme will be implemented and we expect to be able to hold dialogue more frequently again.

MN engages not only with the companies in which investments are made, but also with regulators, stock exchanges and legislators. These engagements give MN the opportunity to exercise influence on sectors and countries at macro level. The active contribution during the climate summit in Paris, where MN lobbied for an ambitious summit result on behalf of its client and fund customers, is a good example.

MN believes that collaboration with other investors contributes to successful engagement. Collaboration means that greater influence can be exerted and tasks can be shared effectively, so that more companies can be approached than when MN operates alone. For instance, MN is engaging on behalf of a group of investors with mining company BHP Billiton about fracking: a method of extracting shale gas by creating fractures in the rock in which the gas is trapped. BHP reported on 32 indicators instead of 18 as was originally the case, including strategy, policy and objectives. What is still lacking is openness about, for instance, methane gas emissions and water management.

MN is also demanding that the clothing industry works in a socially responsible manner. MN's head of Responsible Investment & Governance visited Bangladesh in March 2015. As a member of a broadly-based delegation (textile companies, trade unions, NGOs and asset managers) and under the direction of Lilianne Ploumen, the Dutch Minister for Foreign Trade and Development Cooperation, she visited clothing workshops. She took part in the mission on behalf of MN's clients and fund customers.

The following table provides a summary of the results of the activities performed by MN on behalf of clients and fund customers relating to exclusions, ESG integration and active ownership, for various investment classes.



Asset class	Internal/ External	Exclusion	ESG integration	Active ownership		
				Engagement	Voting	Legal procedures programme
Equity	Internal	Yes	A benchmark was created for developed countries in which the 10% worst ESG performers are not eligible for investment.	Yes	Yes	Yes
	External	Yes	ESG factors are an integral part of both the external manager selection and monitoring process and the investing and reporting process of the external manager. For both emerging and developed markets, the external assets under management are not invested in the worst performers when it comes to ESG factors.	Yes	Yes	Yes
Corporate bonds	Internal	Yes	A number of relevant ESG factors are assessed per sector/company, included in the analysis and recorded.	No	N/A	Yes
	External	Yes	ESG factors are an integral part of both the external manager selection and monitoring process and the investing and reporting process of the external manager.	No	N/A	Yes
Government bonds	Internal		A number of World Bank governance indicators are assessed that relate mainly to "willingness to pay". Only the best 25% of countries are eligible for investment.	No	N/A	N/A
Hedge Funds	External	Yes	Negative screening of certain investment strategies, no aggressive activism strategies, no physical exposure to commodities, ESG criteria in hedge fund selection and active monitoring, also regarding ESG issues.	No	N/A	No
Private Equity	External	Yes	ESG factors are taken into account during the investment analysis. Negative screening of certain investment strategies, ESG reporting obligation and focus on adjustment of the fee structure, a better social interest and an improvement of the governance of the limited partner/general partner relationship. Member of ILPA (an interest group of private-equity investors or institutes) and signatory to UN PRI PE Guidance.	Yes	If possible, MN participates on advisory committees in order to exercise influence	No

Asset class	Internal/ External	Exclusion	ESG integration	Active ownership		
				Engagement	Voting	Legal procedures programme
Infrastructure	Internal	Yes	As yet no separate ESG approach. Same policy as for Private Equity.	Yes	If possible, MN participates on advisory committees in order to exercise influence	No
Special investments	External	N/A	ESG assessment specifically for investment, embedding via mandate, instrument and approval processes.	N/A	No	No
Listed real estate	Internal	Yes	ESG factors are taken into account during the investment analysis.	Yes	Yes	Yes
Non-listed real estate	Internal	Yes		Yes	N/A	No
	External		If possible, MN participates on advisory committees in order to exercise influence.	Yes	If possible, MN participates on advisory committees in order to exercise influence.	No
Commodities	Internal	Yes	No investment in physical commodities and small-scale commodities markets.	N/A	N/A	No
Cash	Internal	Yes	Banks and brokers who score too low in six-monthly sustainability assessments are not eligible for transactions.	Yes	No	No

Positive impact

MN's results in 2015 with regard to positive impact are:

- The starting points for a framework have been drawn up for clients and fund customers, including a working definition of positive impact that is in line with the definition of the Global Impact Investing Network (GIIN);
- Provision of a market exploration of appropriate positive impact investments. In the first instance, opportunities were assessed within the private equity asset class.

In 2016, MN will convert the results of consultations with clients and fund customers into policy that supports the inclusion of positive impact investment within the portfolio. Specific investment proposals will also be made. In 2015, MN started engaging with other impact investors to assess how they can collaborate closely in this area in the long term.

Impact investing engagement

In 2015, MN started engaging with other impact investors to assess how they can collaborate closely in the long term with regard to impact investing. Initial consultations were held between MN, APG, PGGM, Kempen and Actiam to assess the obstacles that these investors encounter in the case of impact investing and to explore the possibilities for further collaboration and knowledge sharing.



Summary of results and ambitions in 2015

Objectives in 2015	Results in 2015
<p>MN scores 75% on the PRI survey.</p>	<p>Yes</p>
<p>MN develops detailed policy advice on tax avoidance and encourages clients and fund customers to implement this policy (whether or not in amended form)</p>	<p>Yes. A proposal for clients and fund customers has been drawn up. Adoption and implementation will follow in 2016</p>
<p>Further integration of SRI data in existing reports</p>	<p>This is an ongoing process. The process was started in 2015. Further implementation will follow in 2016</p>
<p>Implement client and fund customer mandates, develop methods to measure ESG integration and improve the monitoring and reporting of ESG integration</p>	<p>Yes. Implementing client and fund customer mandates is also an ongoing process that depends on when a mandate is reviewed on the instructions of a client or when a new mandate is drawn up. The monitoring and reporting of ESG integration have been improved. New ESG integration methods have been developed for private equity and international real estate. An ESG integration template has also been used in the selection of external managers</p>
<p>Tighten ESG criteria for external managers with regard to signing the UN PRI.</p>	<p>Yes. The criteria have been tightened for new capital market managers and as regards existing managers with inadequate ESG scores, engagement has started to improve the ESG integration level. In the autumn of 2016, the progress of the managers in question will be reassessed</p>
<p>Evaluate policy for conducting engagement on the basis of the following objectives: what result is intended within what period? If the intended result is not achieved within the set period, the client will receive a substantiated proposal from MN for a follow-up approach based on initiating divestment as a result of unsuccessful engagement ('engagement lead divestment')</p>	<p>Yes. MN has evaluated the engagement policy and defined new priorities. Full policy implementation is still in full swing.</p>
<p>Map out the important trends within the theme of energy and climate. As a result, MN wishes to be able to calculate the carbon footprint of its clients and fund customers.</p>	<p>Yes. The carbon footprint of the equity portfolios has been mapped out and published this year. MN is active in various climate-related investment networks. MN actively contributed, also on behalf of clients and fund customers, to the climate summit in Paris.</p>



Objectives in 2015

Results in 2015

<p>MN will create a vision on positive impact that can serve as a basis for implementation in existing or new mandates.</p>	<p>Yes. This vision has been created for clients and fund customers. Further detailing and implementation will follow in 2016</p>
<p>Reinforce communication relating to SRI via, for instance, the MN website and engagement with clients and fund customers regarding SRI communication by pension funds</p>	<p>Yes. Proactive responsible investment communication has been effected via the MN website and platforms such as OMNI online</p>

Objectives in 2016	CSR strategic objectives	KPI	2016-2018 target
Responsible investment	Achieving a sustainable return	The percentage of assets under management where ESG factors are included as a selection criterion compared with the total assets under management	2016: 75%
	Progress in the implementation of the Principles of Responsible Investment	MN UN PRI score	MN scores >75% of the maximum score, which is equal to category A



← Responsible business operations

MN conducts its business in a socially responsible manner. Where possible, we limit our environmental influence, we have a transparent governance, and we conduct a social staff policy. The demands that we make on others relating to, for instance, investment policy, we also apply to ourselves.

Quality of staff

In a service organisation like MN, the quality of the staff is crucial. The staff create value for our stakeholders. They are the intellectual capital, they provide the executive power for achieving the objectives and play a pivotal role in realising the aims relating to customer satisfaction. MN attaches great value to the ongoing development of its staff. MN provides its staff with possibilities to progress, to grow and to develop in a dynamic environment.

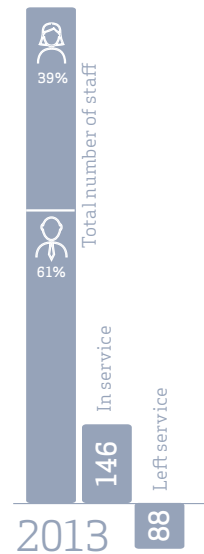
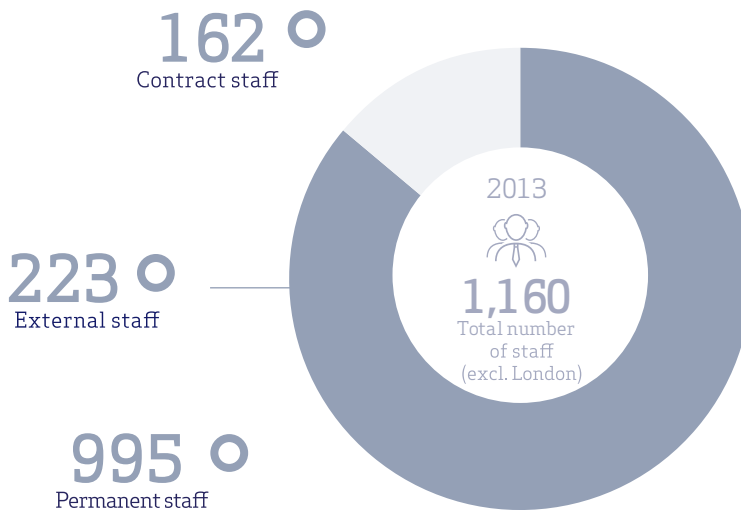
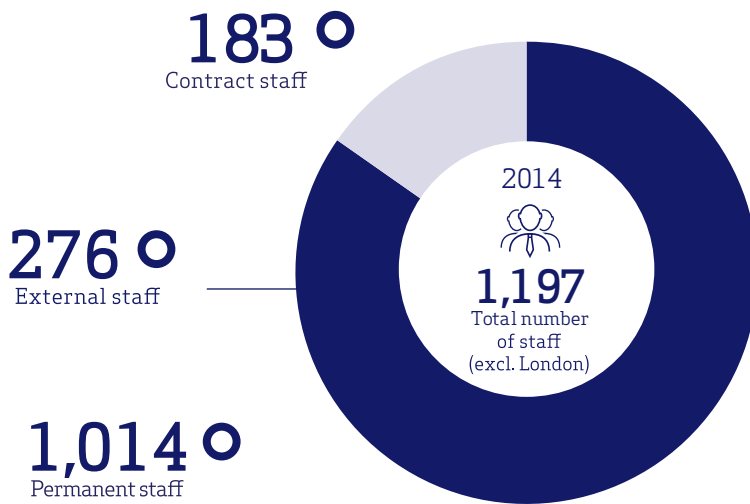
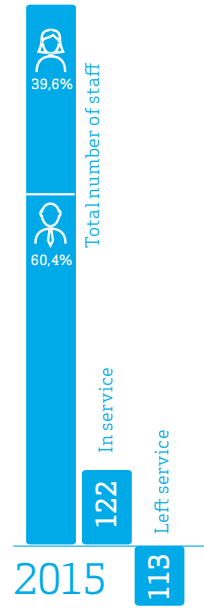
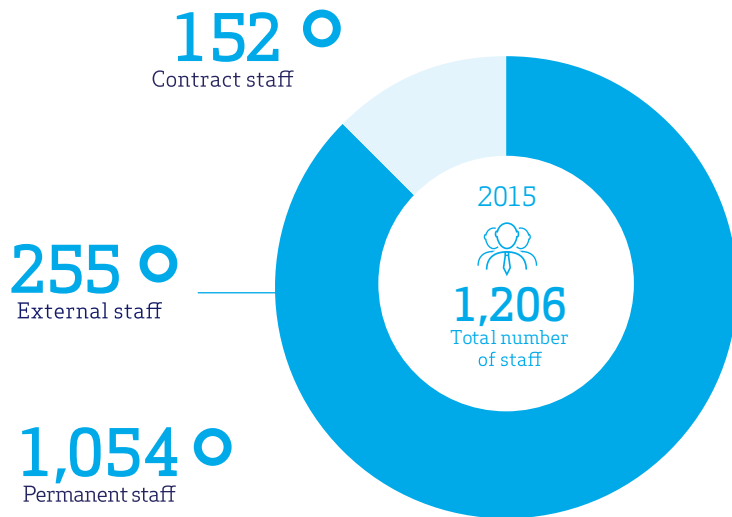
Staff policy

MN requires staff to continuously acquire new knowledge, to adapt easily and to perform as agreed. The pension sector is undergoing rapid change and our staff policy is geared to supporting managers and employees so that they can perform their changing work effectively. That is why the following strategic priorities have been defined for the period 2014-2016:

- helping MN to transform: by means of a specific approach, we focus on increasing adaptability;
- reinforcing the management: the management has an essential role to play in achieving MN's goals;
- boosting the desired performance: in an organisation that has to adapt under pressure from developments, good performance by staff is vital. MN provides systems, processes and skills to achieve this as far as possible.



MN staff



Transformation

In 2015, preparations were made for a better structuring of the organisation in order to respond more effectively to changing demands. We agreed a new social plan with the trade unions and MN is now focusing increasingly on development, training and mobility.

Social plan

In June 2015, MN and the trade unions agreed a social plan for the period up to and including 2019. Managers have been informed about this social plan and the reorganisation measures by means of presentations.

Development and training

MN uses development and training to ensure that employees maintain standards in their daily work and continue to comply with changing customer wishes with regard to both knowledge and skills. We facilitate staff to the full regarding development activities by means of, for instance, the MN Academy. The training sessions taking place within MN are included in the training calendar.

KPI	Investments in training
	Spending on training divided by the total salary sum of MN
2015 aim	3.5%
2015 result	4.1%
2016-2017 aim	3.5%

MN also offers a number of specific programmes.

Programme	Details
Trainee	In September 2015, ten trainees were introduced at MN. They are following a personal development programme and completing a six-month assignment at two locations within MN
Mentor pool	Staff can register as a mentor or mentee
Personal growth expedition	A development programme for staff with at least a good performance and growth possibilities. This programme is geared to identifying personal strengths and development points, result-driven cooperation and effective operation in the complex MN environment
MN development programme	A learning process that challenges specialists/managers in their personal development and the way in which they contribute to the professionalisation of the organisation. Themes are: personal leadership, strategy and customer



In recent times, the focus within MN on demonstrably well-trained staff has increased. This includes competence development and diversity within teams, and involves recognising the behavioural preferences of staff within a team and exploiting the specific skills of employees. For this purpose, staff use Insights Discovery, which allows them to obtain better personal insights into their own specific capacities. The use of all these methods is reflected in the increase in the percentage of the wage bill that is spent on training and development.

Amount spent on training as a % of the wage bill

	2015	2014	2013
Amount	€ 3,516,192	€ 2,939,459	€ 2,501,734
% of the wage bill	4.1%	3.5%	3.2%

Mobility

Mobility within the working environment is an important condition for improving competences and retaining work. Since 2015, an individual development budget and an employability scan have been available to staff. The aim of the individual development budget is to contribute to improving the labour market position of MN staff on top of the standard development possibilities. The aim of the employability scan is to give employees of either gender the possibility to consider their career and to assess who they are, what they want and what they can do. In 2015, 44 applications for the individual development budget were approved and 57 employability scans were requested.

Manager reinforcement

In creating the new MN organisation, the role of managers is vital. A leadership programme was scheduled for 2015. In view of the expected reorganisations, it was decided not to start this programme in 2015 and to postpone it until 2016.

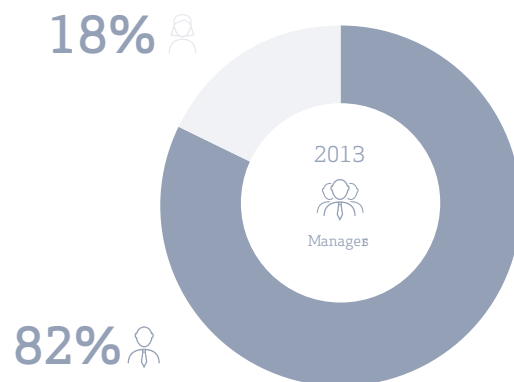
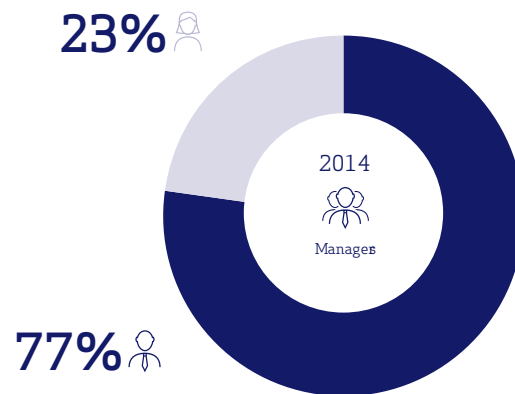
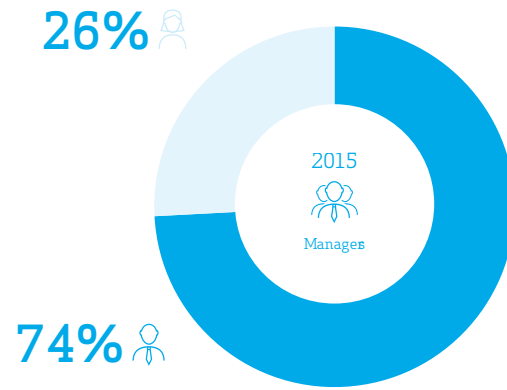
Diversity and equal opportunities

MN wishes to have a workforce consisting of men and women of diverse age groups and level. MN believes that such diversity leads to mutual respect, successful teamwork and promotes creativity, productivity and a positive environment. We continued the 'MN in Balance' programme (launched in 2013), which was set up to allow more women to advance to senior management positions. The aim of this project was to establish a better ratio between the number of men and women in management positions. For this purpose, HR has mobilised MN female staff with management potential and is boosting awareness at strategic management level. The gender diversity policy is based on three elements: acknowledge, recognise and embed.



The number of women in senior positions has risen from 20 in 2013 to 27 in 2015. In percentage terms, women in senior positions rose from 18.3% in 2013 to 26.2% in 2015.

Man-woman ratio in senior positions



Boosting the desired performances

A result-oriented approach and customer focus are indispensable in our organisation and demand the proper coordination of culture, organisation, systems and processes. MN must facilitate the flexible, reliable and affordable provision of new products and services at an acceptable time-to-market in order to satisfy pension funds and members.

Workforce planning

In the summer of 2015, MN started the practical setting up of workforce planning. In 2014, a new job category system was introduced that laid the basis for workforce management. Workforce planning enables MN to arrive at optimal staffing in the light of business objectives and is also a supplement to budget control.

Remuneration policy

An important element of the remuneration policy is MN's desire to attract and retain staff by emphasising the social relevance of the work and the development possibilities offered by MN. MN wishes to keep in line with the financial services market (and a particular segment within this market where necessary). The remuneration policy focuses on the median of positions of a comparable weight and is therefore moderate.

On the basis of its position in society, MN has opted to maximise variable pay at 20%. Variable remuneration is awarded in accordance with a number of fixed steps based on two individual targets. One of the two targets is quantitative. In 2015, MN employed 58 staff who were entitled to variable remuneration as part of their total pay. These persons have a position designated as front office asset management. Variable remuneration has been proposed for 54 staff. The average percentage of the proposed variable pay is 12.61%. The Executive Board has decided to apply a correction factor of 0.9%. This is due to the fact that MN's negative result in 2015 was not only the consequence of the intended investments in MN 3.0.

Furthermore, the target group that can claim variable pay is limited. In 2014, the Executive Board and senior management were given the option of waiving their variable remuneration in exchange for fixed remuneration. This target group, including the members of the Executive Board, opted to waive their variable remuneration.

The Remuneration & Appointments Committee prepares Supervisory Board decisions. In connection with its supervision of the MN remuneration policy, the Supervisory Board receives an annual report from Internal Audit on the application of parts of the policy.

Onboarding

In January 2015, MN introduced an onboarding programme 'Explore MN' (*Verken MN*) to enable new staff to make a good start at MN. This programme familiarises them quickly with MN and they acquire basic

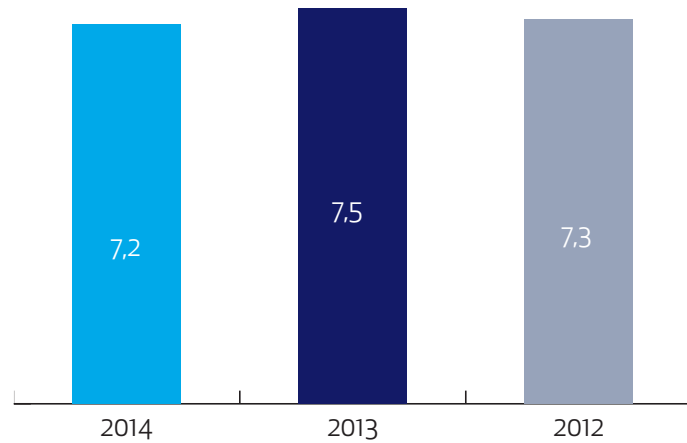


knowledge of MN's processes, its operating environment and its customers. The evaluations show that this programme is greatly appreciated and new staff award it an average score of 8.3 on a scale of one to ten.

Staff satisfaction

One of the ways of measuring the extent to which MN is a good employer is the staff satisfaction survey (SSS). This survey is carried out every 18 months. The last survey in October 2014 produced a mixed picture. The survey revealed a clear increase in commitment and professionalism within the teams and less satisfaction regarding communication and collaboration between the teams. These last two aspects resulted in a lower general satisfaction score in 2014. In recent years, the general satisfaction score has developed as follows:

General satisfaction figure



KPI	Staff satisfaction
	Staff satisfaction is similar to peers
2015 aim	Score comparable with peers
2015 result *	Score 2014: 7.2. Score peers 2014: 7.5
2016-2017 aim	Score comparable with peers

* The SSS is performed once every 1.5 years. The 2014 result also applies to 2015

Improvements relating to the lower satisfaction when it comes to communication and collaboration between the teams have been included in the Next Blu programme. The next staff satisfaction survey will be held in 2016.

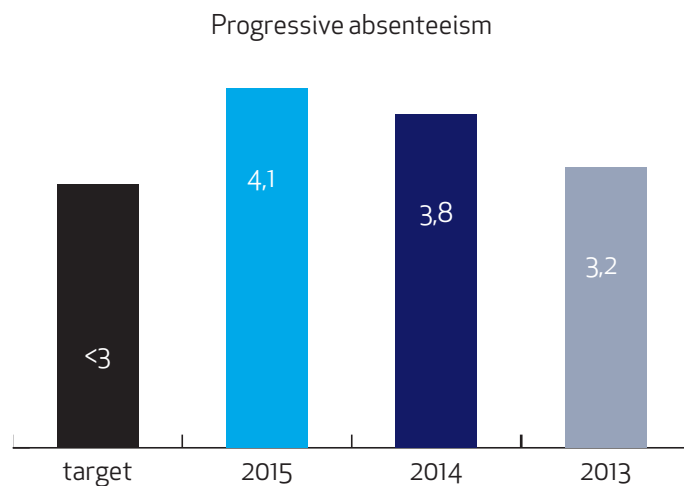


Vitality

MN believes that energetic people generally feel better, are more high-spirited and often enjoy good health. Moreover, MN is of the opinion that energetic staff are more productive and efficient. That is why MN is focusing on the vitality of its staff.

Absenteeism

Absenteeism is an important aspect of vitality. The new health and safety service with which we have been working since 2014 uses the evidence-based approach of the Work Ability Index. When determining the working capacity of staff, this index examines the relationship between working conditions, the content and the demands of the work, the organisation, management and leadership.



KPI	Sickness absence
	Average sickness absence of staff (excluding maternity leave)
2015 aim	<3%
2015 result	4.1%
2016-2017 aim	<3%

In 2015, there was a rise in the absenteeism percentage at MN. This was caused mainly by long-term absenteeism, which included staff with serious disorders on which MN has no influence.

There are also employees with stress complaints. They are increasingly turning to the haptonomist and the internal physiotherapist and using coaching procedures. Short-term absenteeism is low. This is positive because short-term absenteeism is often related to behaviour.



MnU

In 2015, MN launched an initiative called MnU in which the health and safety coordinator, the health and safety service, the haptonomist, the physiotherapists and High Five combine forces and are advocating vitality. This is intended to inspire and facilitate staff to increase their own vitality. In addition to these services, MN has offered a health check to all staff. MN will also be offering its staff the flu vaccination to restrict absenteeism as far as possible. MN's internal fitness studio is well-attended (an average of 919 visits a month). Staff working in Amsterdam are increasingly using the possibility of obtaining an allowance for participating in fitness programmes and/or attending a fitness centre.




Quality of staff

As far as Jessica Verboven-Jonkers was concerned, the three-day onboarding programme that MN regularly uses to introduce new staff to the organisation, was a bit too much of a good thing. "I asked myself what we were supposed to do in the time available." With hindsight, she concedes that it was well worthwhile. "It was a varied programme, a good introduction to MN. Practical aspects were dealt with, you learnt to find your way within the organisation, there were speed dates with employees who had been in service for some time and you got to know who was who in the senior management. You felt really welcome. It was enjoyable to be guided through the organisation with other starters."

Jessica transferred from a small-scale accountants firm that works for SMEs to the financial department of MN that handles its own administration and reporting. This was a major change. At her previous employer, there was a great emphasis on working chargeable production hours. "MN also involves working hard, but there is also time for discussions with colleagues and consultations. The colleagues are genuinely interested in one another, and there is time for informal contact and light-heartedness. Staff meetings are held from time to time, which creates a feeling of unity. That results in a totally different atmosphere."

A friend drew her attention to the vacancy at MN. In her new job, Jessica – who trained as an accountant and business administrator – is hoping to learn the finer points of the job. Instead of the varied customer base at her previous employer, she can now jump in at the deep end at a large company. Despite the brief period that she has been in service, she has already drawn several conclusions. "The units must know more about one another. It seems as if we are on an island, involved in our own activities. As part of our role, we must ensure the units remain interconnected." At MN, Jessica expects to increase her professional expertise in the directions that interests her: reporting in large-scale organisations. "I want to get to know MN even better and continue to focus on information flows and processes. As far as I am concerned, the issue of how can we strengthen one another is a priority."

A portrait of Jessica Verboven-Jonkers, a woman with blonde hair, wearing a blue knitted scarf and a light blue jacket over a dark top. She is looking directly at the camera with a slight smile. The background is a bright, out-of-focus indoor setting.

'As far as I am concerned, the issue of how can we strengthen one another is a priority'

Jessica Verboven-Jonkers
Reporting employee

MN's carbon footprint and purchasing

We believe it is important to be transparent about our own business operations, even though this is not a material consideration for our stakeholders. We aim for the lowest possible carbon footprint and a sustainable purchasing policy.

MN's carbon footprint

We reveal the impact of the MN's business operations by means of the carbon footprint. Each year, we calculate how much CO₂ MN causes as a result of consuming electricity, heating, commuting and business travel, the waste we produce and cooling the buildings.

We can directly influence the footprint by using energy-efficient lighting, green power and by producing as little waste as possible. The amount of heating and cooling is partly determined by the weather, so our influence in that case is limited.

Carbon footprint result 2015

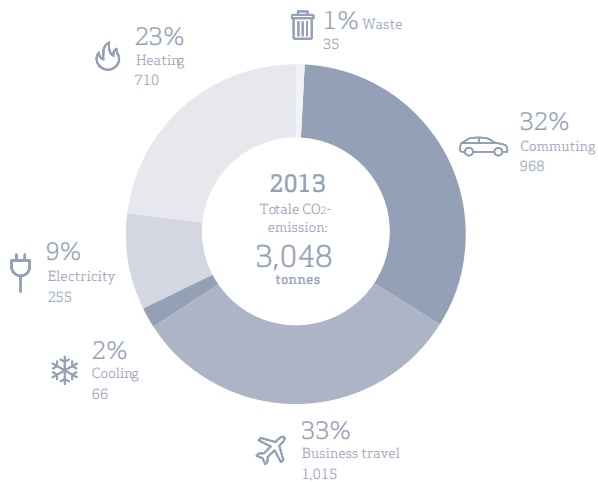
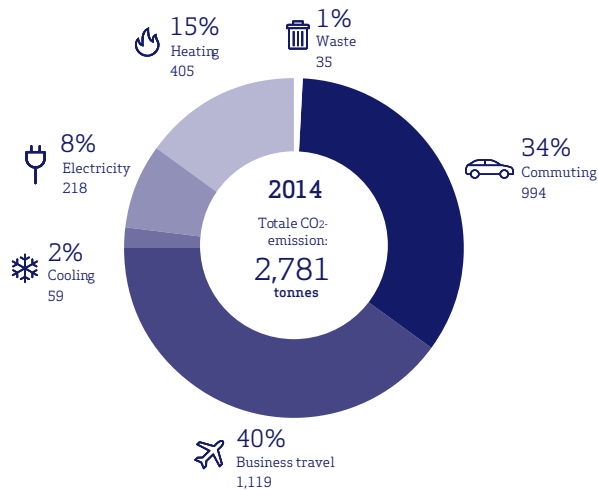
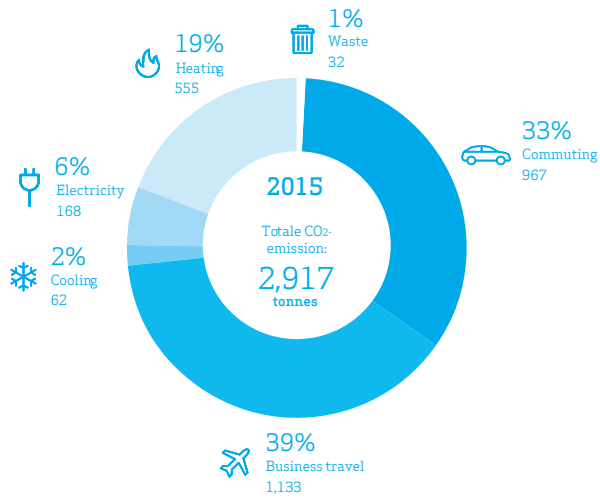
Unfortunately, the carbon footprint increased by almost 5% from 2,781 tonnes CO₂ in 2014 to 2,917 tonnes CO₂ in 2015. The increase was caused by a growth in the consumption of district heating caused by a colder winter. Commuting also increased. This was the result of a higher staffing level, i.e. more people commuting from home to work. Electricity consumption was lower in 2015. We continue to look for possibilities to reduce CO₂ emissions.

We introduce annual measures to reduce emissions.

In 2015, these measures included:

- creating 12 charging points in the car park;
- introducing larger waste bins with better possibilities to separate waste;
- reducing air travel, partly from a cost point of view and partly to lower emissions and partly as a result of the sale of MN UK;
- consuming less electricity as a result of various measures.

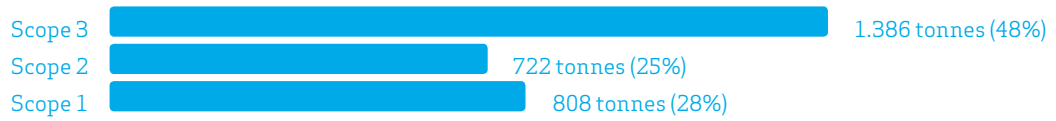
Carbon footprint



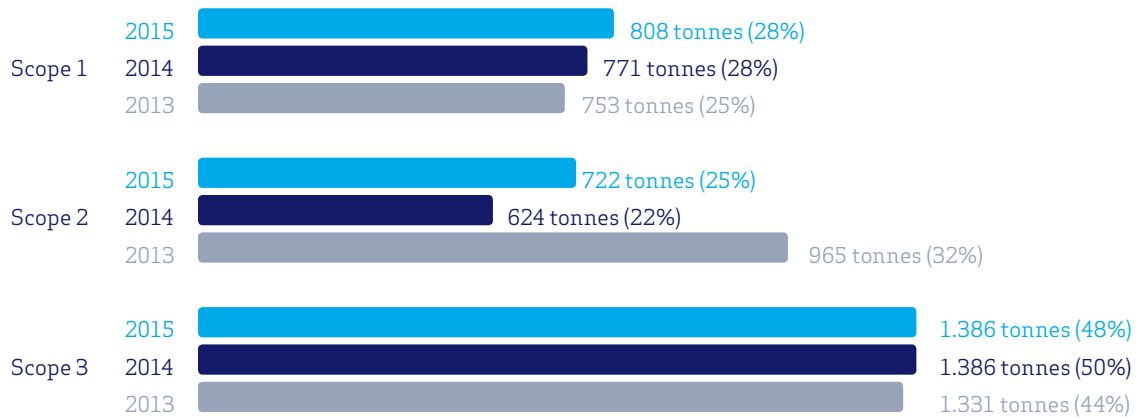
The carbon footprint is calculated on the basis of the most recent set of emission factors published at CO₂emissiefactoren.nl. The 2013 and 2014 emissions have been recalculated on the basis of the latest set of factors and consequently deviate from the emissions stated in previous reports.

Division per scope 2015

Scope 1 emissions are direct emissions, whereas scope 2 and 3 are indirect emissions.



Division per scope 2015/2014/2013



Scope 1: direct emission, e.g. from cars and equipment.

Scope 2: indirect emission as a result of energy consumption.

Scope 3: indirect emission from other causes, e.g. business kilometres.

Sustainable purchasing

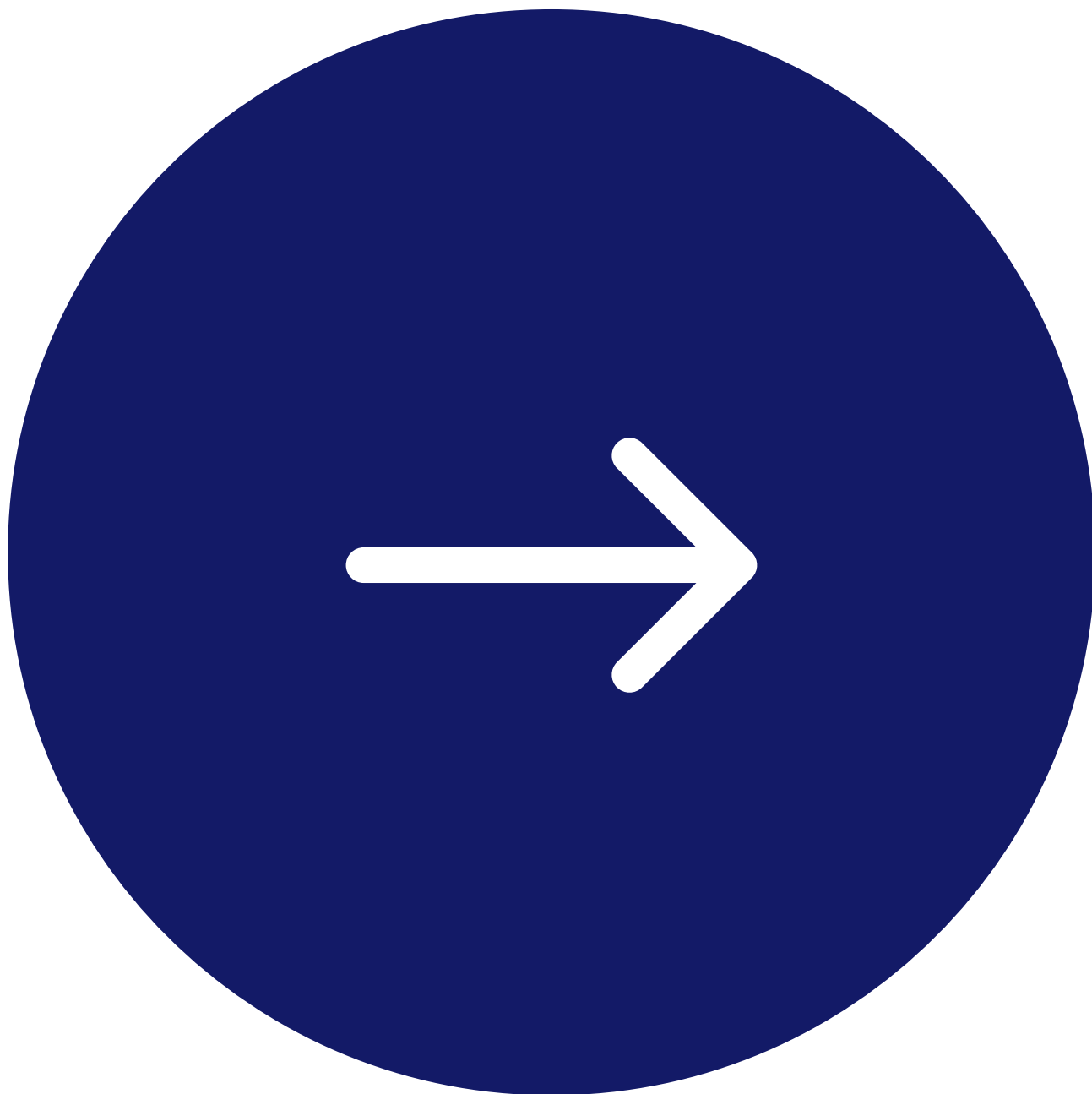
Our purchasing policy is an instrument contributing to the substantiation of MN's responsible business operations policy. MN expects its suppliers to take their social responsibility and they have been required for a number of years to sign the MN Code of Conduct. The Code of Conduct includes conditions relating to human rights, basic employee rights, health and safety of staff, privacy, consumer protection, the environment and ethical behaviour. Before entering into a relationship with suppliers, MN performs a 'know your relations check' to be sure of the relation's integrity. This assessment of new suppliers was extended in 2015. In contrast to the past, where a screening mainly involved parties with whom we were entering into ongoing financial obligations, parties providing a one-off delivery or service are now subject to an assessment too. In 2015, new CSR selection criteria were drawn up and are applied in the case of every major selection process. The new criteria are now being used in 80% of the selection processes. The criteria focus on three main aspects (people, the environment and business operations) by examining as many objective and verifiable subjects as possible, e.g. having a CSR policy, employee turnover, certification, environmental policy.

When purchasing products that are vital to MN, such as paper and energy, MN opts for certified products. MN purchases green power and uses Forest Stewardship Council (FSC) certified paper from suppliers of paper and printing offices with an ISO 14001 certificate. We have included critical performance indicators in the service agreements of 80% of our largest facility services suppliers, which are monitored and discussed on a regular basis.

Actions in 2016

In 2016, the emphasis will be on engaging with all stakeholders regarding the importance of collaboration and awareness when formulating sustainable purchasing policy. The selection criteria as drawn up in 2015 will serve as a guideline in the engagement with suppliers. Supplier screening and taking into account CSR criteria in major selection procedures must be increased to 100% in 2016. The service agreements with the remaining 20% of large-scale facility services suppliers will also be extended to include critical indicators for CSR performances.

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← Key figures

	2015 x €1,000	2014 x €1,000	2013 x €1,000	2012 x €1,000
Net turnover	200,016 (98%)	205,279 (99%)	203,361 (99%)	192,857 (98%)
Change to work in progress	708 (0%)	-	-	-
Other income	3,132 (2%)	2,080 (1%)	1,160 (1%)	4,334 (2%)
Total operating income	203,856 (100%)	207,359 (100%)	204,521 (100%)	197,191 (100%)
Employee costs	119,071 (55%)	114,814 (56%)	111,008 (56%)	103,445 (55%)
Third-party activities	41,229 (19%)	40,591 (20%)	38,523 (19%)	38,538 (20%)
	160,300 (74%)	155,405 (76%)	149,531 (75%)	141,983 (75%)
Depreciation and other impairments	10,198 (5%)	8,708 (4%)	9,017 (5%)	12,252 (6%)
Other operating expenses	46,489 (21%)	40,385 (20%)	40,903 (20%)	36,277 (19%)
	56,687 (26%)	49,093 (24%)	49,920 (25%)	48,529 (25%)
Total operating expenses	216,987 (100%)	204,498 (100%)	199,451 (100%)	190,512 (100%)
Results				
Result from ordinary activities before taxation	-13,854	2,340	4,667	6,232
Result before taxation	-11,968	3,733	5,857	6,359
Group equity (before appropriation of result)	15,251	28,860	30,753	26,102
Balance sheet total	175,969	157,041	172,613	118,157
Staff*				
Number of staff as at 31 December	1,206	1,218	1,175	1,095
Number of staff as at 31 December (in FTEs and exclusive of staff receiving incapacity benefit)	1,218	1,228	1,183	1,098
Client related**				
Invoiced premium income x €1 mln	3,519	3,533	3,445	3,438
Assets invested at end of year x €1 mln	114,288	110,914	92,226	90,194
Number of payments x1,000	4,887	4,843	4,710	4,516

* An employee with a 36-hour contract counts as 1 FTE.

** The client-related key figures refer to the premiums invoiced for clients or the number of payments relating to pensions and insurance. Furthermore, the assets invested for clients relating to asset management are stated.



Consolidated balance sheet as at 31 December 2015

before appropriation of result

Assets	31 December 2015 x € 1,000	31 December 2014 x € 1,000
Fixed assets		
Intangible fixed assets 1)		
Software	27,072	15,292
Tangible fixed assets 2)		
Equipment	8,755	10,297
Other fixed assets	1,687	4,611
	10,442	14,908
Financial fixed assets 3)		
Other associates 4)	4,292	4,720
Other receivables 5)	2,085	684
	6,377	5,404
Total fixed assets	43,891	35,604
Work in progress		
Work in progress 6)	708	-
Receivables		
Clients 7)	12,277	13,394
Receivables from MN investment funds	3,793	2,923
Tax and social security contributions 8)	1,875	3,608
Other receivables and prepayments 9)	3,754	5,694
	21,699	25,619
Cash and cash equivalents 10)		
Cash balances	64,032	53,784
Cash from third parties	45,639	42,034
	109,671	95,818
Total Current assets	132,078	121,437
Total	175,969	157,041

Numbers stated in the items refer to the notes to the balance sheet.



Equity and liabilities	31 December 2015 x € 1,000	31 December 2014 x € 1,000
Group equity 11)	15,251	28,860
Provisions 12)		
Other provisions	10,751	4,104
Long-term liabilities		
Subordinated loans from participants 13)	9,000	9,000
Other long-term liabilities 14)	9,942	10,207
	18,942	19,207
Current liabilities		
Payables to banks 15)	16,199	15,937
Trade payables	2,962	4,926
Tax and social securities payable 16)	2,834	3,124
Pension liabilities	36	362
Other payables and accrued expenses 17)	63,355	38,487
Cash from third parties to be paid 18)	45,639	42,034
	131,025	104,870
Total	175,969	157,041



Consolidated profit and loss account

for 2015

	2015 x € 1,000	2014 x € 1,000
Net turnover 19)	200,016	205,279
Change to work in progress	708	-
Total income	200,724	205,279
Other income 20)	3,132	2,080
Total operating income	203,856	207,359
Cost of subcontracted work 21)	41,229	40,591
Employee costs 22)	119,071	114,814
Depreciation	8,257	8,708
Impairments 23)	1,941	-
Other operating expenses 24)	46,489	40,385
Total operating expenses	216,987	204,498
Operating result	-13,131	2,861
Interest income and similar income	66	126
Interest expenses and similar charges 25)	-789	-647
Financial income and expense	-723	-521
Result from ordinary activities before taxation	-13,854	2,340
Tax on result of ordinary activities 26)	1,115	-976
	-12,739	1,364
Share in the result of non-consolidated associates 27)	1,886	1,393
Result after taxation	-10,853	2,757

Numbers stated in the items refer to the notes to the profit and loss account.



Consolidated cash flow statement

for 2015

	2015 x € 1,000	2014 x € 1,000
Cash flow from operating activities		
Operational result	-13,131	2,861
Adjustments for		
Depreciations 1) 2)	8,257	8,708
Impairments 23)	1,941	-
Changes in provisions 12)	6,647	920
	16,845	9,628
Changes in working capital		
Changes to work in progress 6)	-708	-
Receivables from clients 7)	1,117	5,670
Other receivables and prepayments 9)	918	-9,529
Other payables and accrued expenses 17)	21,541	19,852
	22,868	15,993
Cash flow from business activities	26,582	28,482
Interest received	48	126
Dividend from participations 3)	2,314	1,191
Interest paid 25)	-616	-647
Taxes	1,617	-2,703
	3,363	-2,033
Cash flow from operating activities	29,945	26,449
Cash flow from investment activities		
Investments in intangible fixed assets 1)	-17,180	-13,435
Investments in tangible fixed assets 2)	-2,698	-3,866
Disposals of intangible fixed assets 1)	-	159
Disposals of tangible fixed assets 2)	2,676	568
Cash flow from investment activities	-17,202	-16,574

Numbers stated in the items refer to the notes to the balance sheet.



	2015 x € 1.000	2014 x € 1.000
Cash flow from financing activities		
Proceeds from issuance of loan	-	-100
Redemption of long-term liabilities	-	-77
Payables to credit institutions	-	-86
Dividends payment	-2,757	-4,651
Cash flow from financing activities	-2,757	-4,914
Movements in cash	9,986	4,961
The movements in cash can be broken down as follows:		
Cash balance as at 1 January	37,847	32,886
Movements during the financial year	9,986	4,961
Cash balance as at 31 December	47,833	37,847



Consolidated accounting principles

Operating activities

The activities of Mn Services N.V., acting under the name of MN, having its registered office in The Hague and place of business at Prinses Beatrixlaan 15 in The Hague, consist mainly of asset management and pension scheme administration.

Continuity

MN's result for the period ending as at 31 December 2015 is € 10.9 million negative. The loss was caused by an increase in operational costs relating to the implementation of the MN 3.0 programme. MN 3.0 is the long-term change programme introduced by MN to gradually make the organisation more customer-driven, efficient and decisive at lower costs. MN is using this programme to respond to current and future developments in the pension sector and changing customer requirements.

MN cannot finance the required investments for the MN 3.0 change programme entirely from its own resources. For this purpose, financing agreements have been reached with clients in the context of MN 3.0 for the period 2016 up to and including 2018. Clients are willing to contribute in the form of project turnover to the financing of the MN 3.0 change programme.

In the event of short-term liquidity shortages, MN can also use two credit facilities that have been made available by the depositary receipt holders. The credit facilities have a joint volume of € 45 million. The first facility of € 21 million was made available by PMT and PME. The second facility of € 24 million was made available by Bpf Koopvaardij, PMT and PME. If used, this facility will be a subordinated loan. This latter facility can be converted into shareholders' equity, subject to certain conditions. As of 31 December 2015, MN has not used these facilities.

As a result of the measures taken, there is no uncertainty regarding the continuation of MN's entire activities.

Principles for consolidation

The consolidated financial statements of MN include the financial data of companies belonging to the group and other legal entities over which



control can predominantly be exercised or which are subject to central management. The financial statements of the entities included in the consolidated financial statements have been drawn up subject to the accounting principles for valuation and profit determination of MN.

The consolidated financial statements of MN include the financial data of:

- Mn Services Vermogensbeheer B.V., acting under the name MN Vermogensbeheer, having its registered office and actual place of business in The Hague (100%).
- Mn Services Fondsenbeheer B.V., acting under the name MN Fondsenbeheer, having its registered office and actual place of business in The Hague (100%).

The financial data of the consolidated companies and other legal entities and companies involved in the consolidation have been included in full, subject to the elimination of intercompany relationships and transactions.

Other associates

The result of other associates is shown separately in the result of the consolidated financial statements. The result is accounted for as the amount by which the associate's book value has changed since the previous financial statements as a consequence of the result achieved by the associate.

MN has an interest in the following companies that are not included in the consolidation:

- Combinatie Bovemij Mn Services B.V., having its registered office in Rijswijk (50%)
- UNETO-VNI Verzekerings Service B.V., having its registered office in Zoetermeer (49.44%)
- Stichting Juridisch Eigendom Mn Services Levensloop Fonds, having its registered office in The Hague.

No policy-determining control may be imposed on these legal entities by MN.

Related parties

Related parties are considered to be all legal entities over which dominant control or significant influence can be exercised. Legal entities that can exercise predominant control are also designated as related parties. Management Board members, other key company officers in the MN management and close affiliates are also related parties. There are no significant transactions with related parties that have not been entered into under normal market conditions.



General principles for preparing the consolidated financial statements

The consolidated financial statements are prepared in accordance with the statutory provisions of Part 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board. Unless stated otherwise, these financial statements are presented in thousands of euros. Valuation of assets and liabilities takes place under the acquisition cost or production cost conventions. Unless presented otherwise, the assets and liabilities are valued according to the fair value, usually the nominal value. In the balance sheet and in the profit and loss account and the cash flow statement, references are included. These are references to the notes.

Financial instruments

Financial instruments include both primary financial instruments, such as receivables and payables, and financial derivatives. The notes to the specific items of the balance sheet disclose the fair value of the related instrument if this deviates from the book value. If the financial instrument is not recorded in the balance sheet, the information on the fair value is disclosed in the notes to the 'Contingent rights and obligations'. For the principles of primary financial instruments, reference is made to the notes to the relevant financial statement item.

Estimates

In applying the principles for preparing the financial statements, the Executive Board of MN makes different estimates and judgments that may be essential to the amounts disclosed in the financial statements. The following items include estimates:

- Turnover;
- Asset management costs;
- Impairments;
- Provisions;
- Deferred corporation tax.

If it is necessary in order to provide the transparency required under Book 2, Section 362, subsection 1 of the Dutch Civil Code, the nature of these judgements and estimates, including related assumptions, is disclosed in the notes to the relevant financial statement item.

Foreign currency

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing as at balance sheet date. Transactions in foreign currency during the financial year are recognised in the financial statements at the exchange rates prevailing as at transaction date.

The exchange differences resulting from the translation as of balance sheet date, are recorded in the profit and loss account. Non-monetary



assets valued at acquisition cost and denominated in foreign currency are translated at the exchange rates at the time that the current value is determined.

Functional currency

The consolidated financial statements have been prepared in euros, which is both the functional and presentation currency of MN.

Operational leasing

The company has lease contracts, which means that a lot of the advantages and disadvantages associated with the ownership do not apply to the company. These lease contracts are entered as operational leasing. Lease payments are entered on a straight-line basis in the profit and loss account over the term of the contract.

Changes from previous year

The accounting principles for valuation and the determination of the result are unchanged compared with the previous year.

Accounting principles for the valuation of assets and liabilities

Intangible fixed assets

The intangible fixed assets are valued at historical cost consisting of the acquisition price or manufacturing price and other costs, less straight-line depreciation based on the expected economic life, and if applicable, impairments (see 'impairments' paragraph). Depreciation starts from the date that an asset is put into use.

Expenditure on development projects is capitalised as part of the manufacturing price if it is likely that the project will be successful and the cost can be determined reliably. Research costs are recognised in the income statement.

A legal reserve is created in relation to the book value of in-house developed intangible fixed assets

Tangible fixed assets

The tangible fixed assets are valued at historical cost, consisting of the acquisition price or manufacturing price and other costs, less straight-line depreciation based on the expected economic life, and if applicable, impairments (see 'impairments' paragraph).

The depreciations are calculated on a straight-line basis as a percentage of the acquisition cost, based on the expected economic life. Depreciation commences is provided from the date that an asset is put into use.



Impairments

MN assesses on every balance sheet date whether there are indications that a fixed asset may be subject to an impairment. If such indications are present, the realisable value of the asset is determined. An impairment exists if the book value of an asset is higher than the realisable value; the realisable value is the highest of the disposal value and the value in use. To determine the value in use, an estimate is made of the future net cash flow in the case of continued use. The cash flows are subsequently discounted to present value, with a discount rate being applied that is equal to the WACC (8,5%).

Financial fixed assets

The other associates in which significant influence is exercised on the business and financial policy, are presented at net asset value. A significant influence is assumed if 20% or more of the voting rights can be exercised. The net asset value is calculated by valuing the assets, provisions and liabilities and calculating the result on the basis of the principles that apply to these financial statements. The result is accounted for as the amount by which the participating interest's book value has changed since the previous financial statements as a consequence of the result achieved by the participating interest.

A legal reserve is created for retained profits of participating interests valued at net asset value, which are not freely disposable by the company.

Participating interests with a negative net asset value are valued at nil. If the company guarantees all or part of the debts of the participating interest in question, or has an actual obligation to enable the participating interest to pay its debts (for its share), a provision is created. In determining the size of this provision, account is taken of provisions already deducted from claims against the participating interest for bad and doubtful debts.

Participating interests on which no significant influence can be exercised on the business and financial policy, are valued at acquisition price and, if applicable, after deduction of impairments. The result will be considered the associate's dividend declared in the reporting year, with non-cash dividends being valued at fair value.

Deferred tax assets in connection with recoverable losses are included if and in so far as it is probable that the tax claim can be effected in the course of time. The deferred assets are valued at nominal value.

Work in progress

The work in progress relates to projects commissioned by third parties that were still in progress as at the balance sheet date. The balance as at the balance sheet date amounts to the project costs, of which it is highly probable that these can be charged to the client.



Current assets

The current assets include deferred tax assets resulting from differences in commercial and tax-related valuation, if and in so far that it is probable that the tax claim can be realized in due course. These deferred assets are valued at nominal value.

Receivables and prepayments

Receivables are stated initially at fair value and subsequently at amortised cost. Provisions for uncollectable amounts are deducted from the book value of the receivable. These provisions are determined on the basis of individual assessments of the receivables.

Cash and cash equivalents

The cash and equivalents are valued at nominal value and are at the company's free disposal, in so far as not stated otherwise.

The cash and cash equivalents include an amount for "cash from third parties", for which an equal amount is included under current liabilities for "cash from third parties to be paid". These funds are not readily available. If the bank balance is negative, this is entered under current liabilities.

Group equity

The shareholders' equity is explained in more detail in the notes to the company financial statements.

Provisions

Provisions are made for concrete or specific risks and liabilities that exist on the balance sheet date, the size of which is uncertain, but for which a reasonable estimate can nevertheless be made. The risks and liabilities are legally enforceable or concern a constructive obligation, the size of which can be estimated in a reasonably reliable manner, and with the outflow of cash and equivalents being required.

The other provisions are valued at the nominal value of the expenditure expected to be required to settle the liabilities, unless stated otherwise.

Non-current liabilities

Non-current liabilities include liabilities and amounts received in advance that have a remaining duration of more than one year. These are stated initially at fair value. Transaction costs that are directly attributable to the acquisition of liabilities are included in the initial accounting. After the initial accounting, liabilities are valued at amortised cost, being the amount received, taking into account the premium or discount, and with transaction costs being deducted.

The difference between the specified book value and the final repayment value of the long-term liabilities is recognised as interest expense on the basis of the effective interest rate during the estimated term of the liabilities in the profit and loss account.



Current liabilities

Current liabilities have an expected duration of no more than one year. Liabilities are valued initially at fair value. This is usually the nominal value.

Transaction costs that are directly attributable to the acquisition of liabilities are included in the initial accounting. After the initial accounting, liabilities are valued at amortised cost, being the amount received, taking into account the premium or discount, less transaction costs.

Accounting principles for determining the result

General guidelines

The result is determined as the difference between the net turnover and all related costs that can be attributed to the reporting year. The costs are determined with due observance of the valuation principles referred to above. Revenues are accounted for in the year in which the turnover was achieved. Losses are accounted for in the year in which they are anticipated. The remaining income and expenditure are attributed to the reporting period to which these relate.

Net turnover

Net turnover represents the amounts invoiced or to be invoiced to third parties relating to financial and business service provision, excluding value added tax. These services are accounted for in proportion to the performance.

The turnover was achieved almost entirely in the Netherlands. A small part of the turnover was achieved in the UK.

The UK activities were sold to a third party as at 1 October 2015.

Change to work in progress

For projects still in progress as at the balance sheet date, a 'change to current projects' item has been accounted for. This item is equal to the capitalised project costs movement, as explained under the accounting principles for the valuation of assets and liabilities.



Other income

Other income includes income that is accounted for in connection with occasional operating activities.

Cost of subcontracted work

The cost of subcontracted work includes all costs that relate to subcontracting by third parties that are chargeable to the year.

Depreciation of intangible fixed assets

Intangible fixed assets are depreciated from the time of putting into use over the expected future use duration of the asset. The depreciation is calculated on the basis of a fixed percentage of the acquisition price.

Depreciation of tangible fixed assets

The depreciations are based on the estimated economic life and are calculated on the basis of a fixed percentage of the acquisition price, taking into account any residual value. Depreciation starts from the date that an asset is put into use.

Book profits and losses from the sale of tangible fixed assets are recognised as depreciations.

Wages, salaries and social security deductions

Wages, salaries and social security deductions are accounted for in the profit and loss account on the basis of the employment conditions in so far as they are owed to employees or the tax authorities.

Pensions

MN has made pension promises to its staff, which have been placed with Pensioenfonds MN. This involves a CDC (Collective Defined Contribution) scheme. The pension scheme is administered in accordance with the liabilities approach. On the basis of the content of the financing agreement concluded with the pension fund and the content of the pension scheme rules, MN will not be obliged to pay additional amounts in the event of a shortfall at the pension fund nor will it be entitled to a contribution discount in the event of a surplus. The pension liabilities are the liabilities resulting from the implementation agreement between MN and the pension fund.

Liabilities with respect to contributions to the pension scheme are entered as charges in the profit and loss account in the period to which they relate. In so far as the contributions have not been paid as of the balance sheet date, a reserve has been included for this purpose.



Financial income and expense

The interest income and expense to be attributed to the reporting year on a time-proportional basis are included as financial income and expense.

Taxes

Corporation tax income is calculated at the applicable rate on the result of the financial year before tax, taking into account permanent and temporary differences between the profit calculation in accordance with the financial statements and the profit calculation for tax purposes, and with deferred tax assets (if applicable) being valued only in so far as their realisation is likely. These differences occur as a result of deviations from depreciation periods permitted under the tax rules and as a result of the difference between the commercial and tax-related allocation of the costs in connection with a return guarantee issued by one of the life-course funds.

Result of non-consolidated associated companies

The result regarding associated companies refers to the share of the company in the result of the associates valued at net asset value, as well as the dividend declared in the reporting year of the associates valued at the acquisition price.

Risk management

Introduction

MN's risk management is based on the COSO Enterprise Risk Management (COSO) method, which is an international standard. The application of COSO ensures that all risks within MN are managed as unambiguously and efficiently as possible.

The quality of the internal control environment is, moreover, guaranteed by the application of the three lines of defence model. In this model, line management (1st line), risk, control and compliance (2nd line), and Internal Audit (3rd line) each have their own responsibility.

Financial risks

Credit risk

Credit risk is defined as the risk that counterparties cannot fulfil their contractual obligations. This risk is considered slight by MN, given the quality of the debtors (the debtors are mainly pension funds and insurers with a low default or bankruptcy risk) and the adjustment of the advance payments that MN charges to its clients if there is reason to do so. The cash and equivalents are held at banks with an investment grade rating. The associated credit risk is considered to be low.



The Moody's ratings of the banks are as follows:

Bank	Rating
ING	A2
RABO	AA3
HSBC	AAA (Money Market Fund)
Goldman Sachs	A3 (Money Market Fund)

As at the balance sheet date, 87% of the cash and equivalents are held at ING, 4% at the RABO, 3% at HSBC and 6% at Goldman Sachs.

Liquidity risk

Liquidity risk is the risk that the volume and the timing of the cash flows are not properly matched within approximately one year, in which context a shortage of cash and equivalents cannot easily be compensated. MN has a minimum liquidity buffer of € 16 million to mitigate this risk. The current level of liquidities is above this buffer established by MN. MN also has a forecast model to monitor the outflow.

Furthermore, MN has credit facilities totalling € 45 million. The first facility, amounting to € 21 million, was provided by PMT and PME. The second facility of € 24 million was provided by Bpf Koopvaardij, PMT and PME. If used, this credit facility will be a subordinated loan. The latter facility can be converted into shareholders' equity, subject to certain conditions. As of late December 2015, MN has not needed to make use of either facility. For a further explanation, see the continuity and the contingent rights and obligations sections.

Interest rate risk

Interest rate risk occurs when assets and liabilities of MN (including off-balance sheet items) are not properly aligned as regards interest rate periods and rates. The interest rate risk in that case concerns the undesirable effects of such on the balance sheet and result.

With regard to the fixed-interest long-term loan of its shareholders, MN runs a risk on the fair value as a result of changes to the current market rate. This risk is not hedged.

Currency risk

This risk results from a lack of proper alignment of assets and liabilities, or income and expenditure relating to foreign currency. MN operates only within the Netherlands. MN's activities in the UK were transferred to an



external party as at 1 October 2015. The currency risk relates mainly to some of the amounts to be paid to external asset managers. These amounts are primarily in dollars, the settlement of which results in exchange rate differences are recognised in the profit and loss account. This risk is not hedged. At year end, a position in dollars is owed of approximately 2.5 million.

Market risk

Market risk is the risk resulting from exposure to fluctuations in market prices of tradable financial instruments within a trading portfolio. The market risk for MN is low because MN performs investment transactions only at the expense and risk of professional investors. MN does not perform investment transactions for its own account and the investment transactions of clients are not conducted via MN's financial administration. However, fluctuations in market prices may have a limited effect on the position of the assets under management as a basis for the turnover calculations for the asset management services of MN.

Concentration risk

The risk that as a result of inadequate diversification within the activities of MN, a certain development or event may have an above-average effect on the value of MN. MN runs the inherent risk of losing a large part of its turnover, given the relatively large turnover at a limited number of clients. The three largest clients account for 80% of MN's turnover. The risk is considered limited, given that MN has a strategic partnership with these clients and that these partners are also direct or indirect shareholders of MN.

Cash flow statement principles

The cash flow statement has been prepared according to the indirect method. The resources in the cash flow statement consist of cash, bank account credits and liabilities to banks. Dividends paid are included in the cash flow resulting from financing activities. Interest received and paid, any dividends received and income taxes are included in the cash flow resulting from operational activities.





Notes to the consolidated balance sheet

as at 31 December 2015

Assets

Fixed assets

1 Intangible fixed assets

The intangible fixed assets concern the costs of software and development, including hours worked internally that can be attributed to the asset. For capitalisation, criteria have been imposed in accordance with RJ 210 (Dutch Guidelines for Annual Reporting). Research costs are entered in the profit and loss account

Movements in intangible fixed assets are indicated as follows:

				2015	2014
				x € 1,000	x € 1,000
	Software packages	In-house developed software	Software under development	Total	Total
Balance as at 1 January					
Acquisition cost	31,985	16,488	5,278	53,751	40,700
Accumulated depreciation	-25,355	-13,104	-	-38,459	-35,444
Balance as at 1 January	6,630	3,384	5,278	15,292	5,256
Movements					
Investments	1,428	688	15,065	17,181	13,435
Finished	2,700	-	-2,700	-	-
Depreciations	-3,385	-75	-	-3,460	-3,239
Impairments	-	-523	-1,418	-1,941	-
Cost of disposals	-1,107	-	-	-1,107	-384
Accumulated depreciation of disposals	1,107	-	-	1,107	224
Balance sheet movements	743	90	10,947	11,780	10,036
Balance as at 31 December					
Acquisition cost	35,006	17,176	17,643	69,825	53,751
Accumulated impairments	-	-523	-1,418	-1,941	-
Accumulated depreciation	-27,633	-13,179	-	-40,812	-38,459
Balance as at 31 December	7,373	3,474	16,225	27,072	15,292



The book value of the intangible fixed assets has risen from € 15.3 million in 2014 to € 27 million at year-end 2015. This increase relates to the replacement and development investments in the context of the MN 3.0 change programme.

Depreciation percentages:

software developed in-house	25%
investments in the MN 3.0 programme	20%
other software	33 1/3%

Depreciation method: straight line

The economic life of the investments in the context of MN 3.0 has been set at five years. This is higher than the period used until now for software developed in-house and other software. The longer life relates to the flexibility in this software to adjust variables in the event of changed circumstances, so there is less risk of obsolescence.

The impairments total amounts to € 1.9 million. Firstly, this concerns an impairment of the new insurance package 1,418 (x € 1,000). The impairment is the result of the fact that the capitalised costs of implementation have risen disproportionately. Consequently, the book value of this investment became higher than the realisable value, which is calculated by discounting future cash flow to present value, which is expected to be achieved when this insurance package is used. The assumptions in this case are:

- continuation of the service to external clients;
- discount rate equal to the WACC (being 8.5%);
- calculation period is five years.

Furthermore, an impairment has been applied to capitalised costs relating to adjustments to a pension application. The impairment is the result of a restructuring within the project, so that the components already developed have become unusable to some extent. The impairment amounts to 523 (x € 1,000).



2 Tangible fixed assets

Movements in tangible fixed assets are indicated as follows:

			2015 x € 1,000	2014 x € 1,000
	Equipment	Other fixed assets	Total	Total
Balance as at 1 January				
Acquisition cost	18,260	22,686	40,946	38,447
Accumulated depreciation	-7,963	-18,075	-26,038	-21,344
Balance as at 1 January	10,297	4,611	14,908	17,103
Movements				
Investments	1,093	1,914	3,007	3,842
Depreciations	-2,635	-2,162	-4,797	-5,469
Disposals				
- Cost	-2	-14,121	-14,123	-1,343
- Accumulated depreciation	2	11,445	11,447	775
Balance sheet movements	-1,542	-2,924	-4,466	-2,195
Balance as at 31 December				
Acquisition cost	19,351	10,479	29,830	40,946
Accumulated depreciation	-10,596	-8,792	-19,388	-26,038
Balance as at 31 December	8,755	1,687	10,442	14,908

	Investments	Depreciations	Depreciation percentages
Equipment			
Equipment	350	847	20%
Building furnishing	743	1,400	20%
Construction "Zilveren Toren"	-	388	6 2/3%
Total	1,093	2,635	
Other fixed assets			
Networks	62	21	20%
Hardware	1,052	1,280	33 1/3%
Cars	800	861	25%
Total	1,914	2,162	



Depreciation method: straight line

Payments relating to the capitalisation of the 'Zilveren Toren' renovation were deducted from the capitalised costs.

In 2015, a total of € 14.1 million (acquisition cost) was disposed of. Accumulated depreciations up to and including year-end 2015 amounted to € 11.4 million.

The disposals concern the sale of the vehicle fleet and disposals resulting from the outsourcing of the IT infrastructure.

As at 1 September 2015, almost the entire vehicle fleet was sold. This sale is part of a sale and leaseback transaction.

The sales revenues amount to € 2.3 million. The book value of the vehicle fleet amounts to € 2.3 million, consisting of the acquisition costs of € 4.3 million and accumulated depreciations of € 2.0 million. This transaction involved a capital loss of 14 (x € 1,000). The capital loss is recognised under depreciations in the profit and loss account. The realisable value of the transaction is approximately the fair market value. For the operational lease contracts reference is made to the section contingent assets and liabilities.

Furthermore, an important part of the tangible fixed assets was disposed of as a result of the outsourcing of part of the IT infrastructure to a third party. The acquisition cost of this disposal amounts to € 8.2 million, the accumulated depreciations amount to € 8.2 million. The retirement of these assets realised a capital loss of 4 (x € 1,000).

3 Financial fixed assets

			2015	2014
			x € 1,000	x € 1,000
	Other	Other	Total	Total
	associates	receivables		
Book value as at 1 January	4,720	684	5,404	4,518
Interest credited	-	8	8	-
Share in results	1,886	-	1,886	1,393
Provided loan	-	-	-	100
Increase in investment result receivable	-	287	287	778
Dividend received from participating interests	-2,314	-	-2,314	-1,191
Creation of deferred tax assets	-	1,231	1,231	-
Impairments and value adjustments	-	-125	-125	-194
Book value as at 31 December	4,292	2,085	6,377	5,404

4 Other associates

Other associates are:

* Combinatie Bovemij Mn Services B.V., having its registered office in Rijswijk (50%)

* UNETO-VNI Verzekerings Service B.V., having its registered office in Zoetermeer (49.44%)

* Stichting Juridisch Eigendom Mn Services Levensloop Fonds, having its registered office in The Hague.



These can be specified as follows:

	31-12-2015 x € 1,000	31-12-2014 x € 1,000
Combinatie Bovemij Mn Services b.v.	3,589	4,036
UNETO-VNI Verzekeringsservice b.v.	590	571
St. Juridisch eigendom Mn Services Levensloop Fonds	113	113
	4,292	4,720

5 Other receivables

These can be specified as follows:

	31-12-2015 x € 1,000	31-12-2014 x € 1,000
Deferred tax assets	1,231	-
Receivables in accordance with the joint venture Bovemij	746	584
Loans	108	100
	2,085	684

The deferred tax assets item has been created in connection with the deferred corporation tax income asset as a consequence of the negative result in 2015. MN values deferred tax assets at nominal value. An estimate was subsequently made of the probability that losses could be settled within the carry-forward period. The valuation of this deferred item is derived from the forecast of the recoverable earnings performance in future financial years. It is expected that € nil can be capitalised next year. The probability will be reassessed annually.

The movements in recoverable losses for tax purposes are indicated below:

x € 1,000	Value as at 1 January	Result for tax purpose realised in the financial year	Settled previous year	Still to be settled as at 31 December
2015	0	-14,332	262	-14,070
Recoverable losses total	0	-14,332	262	-14,070



The receivables in accordance with the Bovemij collaborative venture relate to investment results pursuant to the asset management agreement between Bovemij and MN. Each year, MN accounts for 50% of the net investment results (unrealised and realised). The payment of Bovemij to MN is finally determined at the end of a five-year period, calculated on the accumulated balance of the investment result for that period.

There is a risk that the accumulated result during the five-year period, the first of which ends in 2018, will decrease or be negative. Because of this risk, a provision has been made amounting to 30% (2014: 25%) of the accumulated investment result (1,065 (x € 1,000)). This percentage has been calculated as the ratio between the value at risk on this portfolio and the nominal value of the investments.

The provision has been deducted from the book value of the receivable. No interest is calculated on this receivable.

The other receivables include a loan to the Dutch National Investment Institute (NLII) totalling a principal amount of 100 (x € 1,000), at an interest rate of 6.5%. The loan will mature on 30 September 2019 or on a subsequent date to be agreed in writing at some point. The repayment of the loan and the payment of interest will be owed when the loan matures. For 2015, 8 (x € 1,000) has been credited as interest.

Current assets

6 Work in progress

	31-12-2015 x € 1,000	31-12-2014 x € 1,000
Capitalised costs of work in progress	708	-

This item consists of capitalised project costs on a number of projects being carried out on the instructions of clients. These projects were still in progress as at the balance sheet date.

Receivables

7 Clients

	31-12-2015 x € 1,000	31-12-2014 x € 1,000
Client receivables	12,277	14,044
Less: provision	-	650
	12,277	13,394



The receivables consist of amounts invoiced or to be invoiced to customers for asset management, pension administration and other related activities. The receivables from clients, who are also shareholders, amount to 8,279 (x € 1,000). The receivables have a period of less than one year.

8 Taxes and other social security contributions

	31-12-2015 x € 1,000	31-12-2014 x € 1,000
Value added tax	295	1,152
Corporate income tax	1,454	1,537
Dividend tax	-	669
Deferred tax assets	126	248
	1,875	3,606

The value added tax includes the returns of November of 14 (x € 1,000) to be received and December of 195 (x € 1,000) to be received.

The corporate income tax includes a receivable of 1,454 (x € 1,000). This concerns the paid provisional assessment of 2014 of 1,447 (x € 1,000) and 56 (x € 1,000) carry back 2014. In 2014, the receivable was 1,537 (x € 1,000).

The deferred tax assets of 126 (x € 1,000) consist of two components. Firstly, this concerns a deferred asset resulting from differences between the commercial and tax-related valuation of fixed assets. This is caused by a difference in depreciation periods.

Secondly, a deferred asset has been included that concerns the difference in valuation of the funds relating to a return guarantee issued by several life-course funds. This is caused by a difference in the allocation of costs relating to a return guarantee issued by one of the life-course funds.

MN values deferred tax assets and liabilities at nominal value. MN balances deferred tax assets and liabilities only if MN has a statutory entitlement to settle non-deferred tax assets and liabilities that relate to taxes levied by one and the same government body.

9 Other receivables and prepayments

In the other receivables and prepayments item, the amounts paid in advance are accounted for. These include advance payments relating to the next financial year amounting to 2,322 (x € 1,000) (2014: 5,249 (x € 1,000)). All receivables have a period of less than one year. The fair value is approximately the book value.



10 Cash and equivalents

The cash from third parties included under cash and equivalents relates mainly to the combined premiums (which has existed since 1996) for the benefit of clients. The appropriate funds were received at the end of 2015 and paid to clients at the beginning of 2016. The interest paid or received is settled with the clients. The balances are not at the free disposal of the group. On the liability side of the balance sheet, these funds are included under cash from third parties to be paid.

The cash and cash equivalents include an amount of € 10.7 million that is not at the free disposal of the group. This amount should be held in accordance with the Dutch Financial Supervision Act (Wft) in connection with the capital requirements in Mn Services Vermogensbeheer B.V. and Mn Services Fondsenbeheer B.V. There is also an amount of € 1.4 million that is not freely disposable in connection with bank guarantees issued.

Because of the lack of a reliable legal instrument to settle the asset and the borrowed capital item simultaneously and on a net basis, the positive and negative balances are not presented on a net basis.



Liabilities

11 Group equity

For an explanation of the group equity, reference is made to the explanation of the shareholders' equity in the company financial statements.

Total result

The total result of the group is equal to the consolidated result after taxation of MN Services N.V.

12 Provisions

Other provisions	31-12-2015 x € 1,000	31-12-2014 x € 1,000
Provision VAT exemption	6,534	-
Another provisions	4,217	4,104
	10,751	4,104

As a result of the statutory abolition of the VAT exemption as of 1 January 2015, a provision for the potential payment of VAT has been included. MN has agreed with the Dutch tax authorities that no VAT will be calculated until the authorities have communicated a position about the scope of pension administration. Part of the services are still expected to be subject to VAT.

Taking this into account, the receivables and liabilities in accordance with VAT on the turnover invoiced in 2015 relating to pension services to clients (under the VAT exemption) amounting to € 6.5 million have been entered in the annual financial statements. With regard to asset management services (fiduciary and discretionary), MN is of the opinion that these services are still covered by the exemption.

Furthermore, the abolition of the exemption results in a higher pro rata for the deduction of advanced levy. This effect has not been accounted for in the annual financial statements, because when the financial statements were drawn up, it was not clear whether and to what extent the advantage of the increased VAT reclaim will apply to MN.



Another provisions	2015 x € 1,000	2014 x € 1,000
Balance as at 1 January	4,104	3,184
Allocation at the expense of the result	1,775	1,879
Release	-448	-250
	5,431	4,813
Withdrawals	-1,214	-709
Balance as at 31 December	4,217	4,104

The provisions balance relates to:

- a provision relating to data transport;
- a provision relating to claims resulting from disputes with third parties;
- a provision relating to the issued return guarantee of one of the life-course funds;
- a person-specific training provision for staff members;
- a reorganisation provision.

A provision was created for the contractual obligations in accordance with a contract relating to data transport, also in connection with the premature termination of the contract. The provision relating to data transport, which has a remaining period of one year and two months, has a book value of 309 (x € 1,000) at the end of the financial year, of which 43 (x € 1,000) has a remaining period of more than one year. This is valued at the present value on the basis of the remaining instalments, discounted to present value at the market interest rate of a high-quality corporate bond being 4.375% (2014: 4.375%). The credit rating is AA-.

The calculation of the provisions relating to claims of 2,644 (x € 1,000) is based on an estimate of the management in consultation with the legal affairs department. Valuation takes place at nominal value.

The provision relating to the return guarantee issued to members in one of the life-course funds amounting to 492 (x € 1,000) concerns the expected costs for the next two years. The calculation of the provision is based on the net present value of the expected returns on investments and the present value of the expected payments to members of the life-course scheme. The discount rate used is derived from the market interest rate on a high-quality corporate bond being 4.375%.

A provision has been created for person-specific training for employees who have been in service for one year or longer. Subject to this condition, every staff member receives a training budget of € 400 a year, which can be built up to a maximum of € 1,200 over a period of three years. The budget



can be used for as long as the employee is in the service of MN. Valuation takes place at nominal value. At the end of the financial year, the provision amounts to 430 (x 1,000).

The reorganisation provision coincides with the decision to restructure the customer organisation within MN, with the direct consequence that the current Customer Relationship Management department will be disbanded. The reorganisation provision relates to liabilities in accordance with the social plan, which will apply to some of the staff of the Customer Relationship Management department. The amount has been set at 341 (x € 1,000).

Long-term liabilities

13 Subordinated loans from participants

These relate to two subordinated loans from the participants PMT and PME for a total amount of € 9 million. These are in fact asset components, which from a credit assessment viewpoint by external parties – such as suppliers – present a buffer to the recovery possibilities of other creditors.

These loans have a fixed interest rate based on the Euribor 10-year SWAP rate increased by a mark-up of 150 basis points per year (3.940%) and are subordinated with respect to other debt liabilities. The duration of the loans is 10 years up to and including 1 December 2020.. The fair value of the loans amounts to approximately 8,926 (x €1,000) (2014: 8,900) and is derived from the net present value calculation of future cash flows at a current market rate.

14 Other long-term liabilities

The other long-term liabilities relate to the long-term part of an advanced discount on the lease of the office premises in The Hague. This discount has been granted in the form of a rent-free period of three years, but has been accounted for in the administration as a discount over the entire period of the lease. Up until last year, there were three separate leases, which were combined to create a new contract for the entire premises with effect from mid-2014. This new contract has a longer duration than the previous contracts. As a result, the accrued discount is spread over the remaining duration of the new contract. The release of the discount according to the former situation was 995 (x € 1,000) per year, whereas in the new situation it amounts to 840 (x € 1,000) per year. Of the advanced discount, € 4.2 million has a period of one to five years and € 5.7 million has a period longer than five years.



Current liabilities

16 Liabilities to banks

The current liabilities to banks concern current account balances. Because of the lack of a reliable legal instrument to settle the assets and the borrowed capital item simultaneously and on a net basis, the positive and negative balances are not presented on a net basis.

16 Taxes and social security contributions

	31-12-2015	31-12-2014
	x € 1,000	x € 1,000
Wage deductions	2,834	3,124

The wage deductions relate to the return for December.

17 Other liabilities and accrued expenses

	31-12-2015	31-12-2014
	x € 1,000	x € 1,000
Holiday allowance to be paid	3,303	3,352
Auditor's fees to be paid	850	1,083
Rental discount to be allocated	840	978
Holiday allowance reserve	4,180	3,767
Employee benefits reserve	946	1,629
Payables to clients	6,519	6,395
Other payables	11,499	11,222
Advance payments 2016 (2015)	35,218	10,061
	63,355	38,487

18 Cash to be paid to third parties

The cash to be paid to third parties concerns a liability to clients in connection with cash and equivalents received at the end of 2015 for the benefit of clients. This cash was paid to the clients in early 2016.



Contingent assets and liabilities

Office rental agreement in The Hague

MN has signed a rental agreement for the Zilveren Toren office premises in The Hague ending on 22 October 2028. A rental amount of € 5.8 million becomes payable after one year. After five years, a total liability of € 29 million will become payable. The bank guarantee issued for the rental of the premises amounts to € 1.2 million.

Office rental agreement in Amsterdam

MN has other rental agreements amounting to € 1.1 million. In the 2015 financial year, the duration of the rental for the Amsterdam premises was extended by two years until 1 July 2017. A rental amount of 1,038 (x € 1,000) becomes payable after one year. The estimated liability for the period of one to five years amounts to € 0.5 million. The bank guarantee issued for this rental amounts to € 0.2 million.

Data centre

With effect from 16 July 2014, MN entered into a five-year agreement with an ICT service provider for the ICT infrastructure service. The costs depend on the performances actually delivered. The estimated liability for the next three years is approximately € 9 million.

Other liabilities

MN has concluded a contract relating to data transport with effect from 25 June 2011 for a period of 120 months. The monthly instalment is 23 (x € 1,000) and there is a notice period of 3 months.

Earn-out arrangement

As at 1 October 2015, MN sold its UK activities to a third party. An earn-out arrangement applies. The size of the earn-out arrangement depends on the development of the customer portfolio in the first 24 months after the acquisition.

Contingent assets and liabilities for the benefit of other companies

Combinatie Bovemij Mn Services B.V. collaborative venture

On 17 April 2003, MN concluded a collaboration and joint venture agreement with N.V. Schadeverzekering-Maatschappij Bovemij. On 2 June 2014, the parties agreed to extend this collaboration agreement in a new revised collaboration and joint venture agreement. In accordance with the joint venture agreement, MN and N.V. Schadeverzekering-Maatschappij Bovemij both have a 50% participating interest in Combinatie Bovemij Mn Services



B.V. Furthermore, in accordance with the collaboration agreement, both parties are entitled to 50% of the insurance result achieved as part of this collaboration.

Contingent liabilities and investment liabilities

At year-end, MN entered into investment liabilities totalling 2,175 (x € 1,000) relating to software licences. Of this total, 0 (x €1,000) will become payable within one year, 1,920 (x €1,000) will become payable between one to five years and 255 (x € 1,000) will become payable after five years.

Contingent assets and liabilities, credit facilities

Since 31 March 2015, MN has two credit facilities totalling € 45 million. The first facility (which took effect as of 1 January 2014) was issued by depositary receipt holders PMT and PME (€ 21 million). The most recent facility (which took effect as of 31 March 2015) was issued by Bpf Koopvaardij, PMT and PME (€ 24 million). If used, this credit facility will be a subordinated loan. The latter facility can be converted into shareholders' equity, subject to certain conditions. The first facility has a period of 10 years and the second facility a period of 30 years. MN will owe a commitment fee on the unused part of the credit facilities amounting to 50 basis points. No security has been made available for either facility.

Operational lease liabilities

As at 1 August 2015, a framework agreement was concluded involving the right to enter into lease and rental contracts for the vehicle fleet. The agreement was concluded for a period of four years and one month and will therefore end by operation of law as of 1 September 2019. The underlying lease agreements have a duration of no more than four years, or a maximum of 150,000 kilometres. The estimated liability for the next twelve months amounts to € 1.1 million in lease costs and € 0.3 million in other costs. The estimated liability for the first five years is € 1.3 million in lease costs and € 0.3 million in other costs. The estimated liability for the period exceeding five years amounts to € nil.



Notes to the consolidated profit and loss account

for 2015

20 Net turnover

	2015	2014
	x €1,000	x €1,000
Pensions turnover	91,988	99,147
Insurance turnover	12,780	13,078
Asset management turnover	95,248	93,054
Total	200,016	205,279

Pensions and Insurance turnover

A major part of the Pensions and Insurance turnover is determined on the basis of the services actually provided for a fee. Another part is based on a fixed price arrangement. The revenues are accounted for as soon as the performance has been delivered or if a fixed price arrangement is involved, in proportion to the elapsed time. The totalling of the number of services delivered takes place initially in the pension insurance systems.

Another processing subsequently takes place outside the system. The final transfer to the financial accounting is effected manually to some extent. The manual character involves a risk of errors. To mitigate the increased risk of errors involved in effecting the turnover reporting, MN performs various control measures.

The most important systems and the processes that constitute the source for the numbers of services rendered are first subjected to control measures covered by the scope of the annual ISAE 3402 report issued by MN. The reported numbers of services rendered are assessed and checked by the Operations Office. The Finance department then assesses the results of the check by the Operations Office and performs a sample check of the reconciliation of the numbers with the sources.

Part of the Pensions and Insurance turnover relates to projects. The turnover is accounted for on the basis of the performances rendered at the agreed fee or for a fixed contract sum, with an order confirmation signed by the client being available. As part of the reporting of this turnover, the management makes a year-end estimate of the realisability of the turnover still to be invoiced. This estimate is based on contract data, the performances rendered and historical figures.



Asset management turnover

The asset management turnover consists to some extent of a fixed basic payment. For the rest, the turnover is determined on the basis of the assets under management for contractually agreed rates. In addition, a limited part of the turnover relates to performance fees. As part of the reporting of this turnover, the management makes a year-end estimate of the level of the fees still to be received. This estimate is based on contract data, the performances rendered and historical figures.

20 Other Income

	2015	2014
	x € 1,000	x € 1,000
Sale of UK activities	2,000	-
Other operating income	1,132	2,080
Total	3,132	2,080

As at 1 October 2015, MN sold its UK activities to a third party. The activities concern asset management for UK clients. The sales price amounted to € 2 million, which was recognised as other income. The earn-out arrangement that was part of the sale is included in the contingent assets and liabilities.

The other operating income relates to quantity discounts obtained from third parties and technical results obtained on incapacity for work insurance in previous years.



21 Cost of subcontracted work

	2015	2014
	x €1,000	x €1,000
Asset managers	8,269	8,504
Other external costs	32,960	32,087
	41,229	40,591

The cost of subcontracted work include all costs that relate to engaging third parties, consultancy costs and the costs of external asset managers, which are chargeable to the year.

	2015	2014
	x €1,000	x €1,000
Other external costs		
Engagement of third parties	26,487	27,093
Consultancy	6,473	4,994
	32,960	32,087

22 Employee costs

	2015	2014
	x €1,000	x €1,000
The staff costs are specified as follows:		
Wages and salaries	83,436	82,400
Social security contributions	10,212	10,636
Pensions	12,191	11,109
Other staff costs	13,232	10,669
	119,071	114,814

In 2015, the other staff costs were € 2.5 million higher than in 2014. These costs relate mainly to restructuring and training costs.

Average number of staff	2015	2014
Number of staff	1,212	1,197
Number of FTEs	1,223	1,206
Of which number of staff working abroad	10	20



	2015	2014
	x € 1,000	x € 1,000
Directors' remuneration		
L.C. van de Kieft	306*	-
R. Hagendijk	401	1,032
W.M.A.E. Mutsaers	971	457
Total	1,678	1,489

*salary from May 1st 2015

The remuneration consists of salaries, fixed expense allowances and pension contributions. The remuneration of W.M.A.E. Mutsaers, including the severance payment of one annual salary, was in accordance with the Management Board remuneration policy as adopted by the general meeting of shareholders.

	2015	2014
	x € 1,000	x € 1,000
Supervisory Board	112	134

Pensions

MN has made pension promises to its staff, which have been placed with Pensioenfonds MN. This involves a CDC (Collective Defined Contribution) scheme. The pension scheme is administered in accordance with the liabilities approach. On the basis of the content of the financing agreement concluded with the company pension fund and the content of the pension scheme rules, it can be concluded that MN will not be obliged to pay additional amounts in the event of a shortfall at the pension fund nor will it be entitled to a contribution discount in the event of a surplus. According to a statement from this fund, the provisional funding ratio of the company pension fund in question was 97.1% at year-end 2015 (2014: 103.9%).

In 2015, the employer's share in the pension contribution was 18.2% (2014: 17%), so that the total pension contribution in 2015 is 26.2% (2014: 25%) of the pensionable earnings.

23 Impairments

	2015	2014
	x € 1,000	x € 1,000
Other intangible fixed asset changes in value	1,941	-

For an explanation of this item, reference is made to the explanation of the intangible fixed assets on the balance sheet.



24 Other operating costs

The other operating costs are specified as follows:

	2015	2014
	x € 1,000	x € 1,000
Accommodation expenses	11,393	10,839
Information technology costs	24,047	12,773
Office expenses	6,887	7,697
Other operating expenses	3,912	7,838
Cost of fund management	250	1,238
	46,489	40,385

The fund management costs consist mainly of costs relating to the result of Mn Services Levensloop Fonds reduced by the release of the provision relating to return guarantees.

Other operating expenses

Auditor's fee

In accordance with Book 2, Section 382a of the Dutch Civil Code, the auditor's fees should be explained in the financial statements. The following fees relate to the work carried out at the company and the companies involved in the consolidation by audit organisations and external auditors as referred to in Section 1, subsection 1 of the Dutch Audit Firms (Supervision) Act (*Wet toezicht accountantsorganisaties*) and the fees charged by the entire network to which the audit organisation belongs. The costs charged to the result in the financial year can be divided into the following categories:

	2015	2014
	x € 1,000	x € 1,000
Audit of MN financial statements	378	106
Other audit engagements	2,536	1,646
Fiscal advice	164	114
Other non-audit services	113	593
Total	3,191	2,458



The increase in the fees was caused by scope extensions, both one-off and permanent. The scope extensions in 2014 are also accounted for in 2015. The audit of the financial statements of MN relates to the fee for the audit of the financial accounts of MN, MN Fondsenbeheer and MN Vermogensbeheer. The other audit activities relate to other audit assignments in accordance with the CSR report, the ISAE 3402 reports, the audit of the MN investment funds, the audit of the annual financial statements and opinions in the case of other reports for the benefit of MN customers. These costs are part of the total fees of MN charged to these customers. Other non-auditing services concern several other activities for the benefit of MN customers and for MN itself.

25 Interest expenses and similar charges

The interest expenses and similar charges relate mainly to interest and costs on subordinated loans and commitment fees on credit facilities issued by the shareholders of € 0.6 million and price performances of € 0.2 million.

26 Taxes

The tax-related result from ordinary activities is not equal to the commercial result from ordinary activities before tax. This is firstly the result of using depreciation periods other than those allowed for tax purposes. Secondly, there is a difference in the allocation of costs relating to the issue of a return guarantee of several life-course funds.

There is also a difference in the effective tax liability as a result of the estimate of the probability that losses can be settled within the carry-forward period.

Deferred tax assets and liabilities at subsidiaries are included on the balance sheet of the parent company and settled with the subsidiary or subsidiaries in question.

The tax gain/burden is specified in the following table.



	2015		2014	
	x € 1,000	%	x € 1,000	%
Profit before tax (including participating interests)	-11,968		3,733	
Less: Results from participating interests	1,886		1,393	
Result before taxation	-13,854		2,340	
Adjustments to arrive at the effective rate:				
Tax exemption for objects	-241		-250	
Commercial and tax-related valuation differences	-575		-2,021	
MIA/VAMIL	0		-107	
Non-deductible costs	338		300	
Total adjustments	-478		-2,078	
Effective rate	-14,332		262	
Corporation tax calculated:				
Immediate tax gain/charge	7	-0.1%	-58	-1.5%
Deferred tax charge taking account of estimate of probability	1,108	-9.3%	-503	-13.5%
Total tax gain/charge	1,115	-9.4%	-561	-15.0%
Prior year adjustments	0	0.0%	-415	-11.1%
Total tax charge	1,115	-9.4%	-976	-26.1%

The tax gain of 1,115 (x € 1,000) results in an effective tax liability of 9%, determined on the basis of profit, excluding participation. The effective tax rate deviates from the nominal Dutch tax rate of 25%. This is, among other things, the result of the estimate of the probability that the negative result in 2015 cannot fully be settled within the carry-forward period.

27 Share in the result of non-consolidated associates

The result concerns the associate Combinatie Bovemij Mn Services B.V. (CBM) and UNETO-VNI Verzekerings Service B.V. (UVVS). The share in the result in the associate Combinatie Bovemij Mn Services B.V. (CBM) is inclusive of an entitlement to the 2014 result in CBM of 247 (x € 1,000).



Company balance sheet as at 31 December 2015

(before appropriation of result)

Assets	31 December 2015 x € 1,000	31 December 2014 x € 1,000
Fixed assets		
Intangible fixed assets		
Software	27,072	15,292
Tangible fixed assets		
Equipment	8,755	10,297
Other fixed assets	1,687	4,611
	10,442	14,908
Financial fixed assets 1)		
Participations in group companies 2)	10,694	9,986
Other associates	4,292	4,720
Other receivables	1,339	100
	16,325	14,806
Total fixed assets	53,839	45,006
Current assets		
Work in progress	708	-
Receivables		
Clients	12,132	11,995
Receivables from group companies	4,117	5,985
Receivables from MN investment funds	282	-
Tax and social security contributions	1,875	2,666
Receivables and prepayments	3,750	5,689
	22,156	26,335
Cash and cash equivalents		
Cash balances	46,118	36,367
Cash from third parties	45,639	42,034
	91,757	78,401
Total Current assets	114,621	104,736
Total	168,460	149,742

Numbers stated in the items refer to the notes to the balance sheet items.



Liabilities	31 December 2015 x € 1,000	31 December 2014 x € 1,000
Shareholders' equity 3)		
Issued share capital	9,076	9,076
Legal reserves 4)	10,705	7,933
Other reserves 5)	6,323	9,094
Unappropriated profit 6)	-10,853	2,757
	15,251	28,860
Provisions		
Other provisions	10,146	3,125
Long-term liabilities		
Subordinated loans from participants	9,000	9,000
Other liabilities	9,942	10,207
	18,942	19,207
Current liabilities		
Payables to banks	16,199	15,937
Trade payables	2,962	4,926
Tax and social securities payable	2,834	3,124
Pension liabilities	36	362
Other payables and accrued expenses	56,451	32,167
Cash from third parties to be paid	45,639	42,034
	124,121	98,550
Total	168,460	149,742

Numbers stated in the items refer to the notes to the balance sheet items.



Company profit and loss account

for 2015

	2015 x € 1,000	2014 x € 1,000
Net turnover	188,619	191,270
Change to work in progress	708	-
Total income	189,327	191,270
Other income	1,130	2,080
Total operating income	190,457	193,350
Cost of subcontracted work	32,719	31,634
Employee costs	115,626	111,259
Depreciations	8,257	8,708
Impairments	1,941	-
Other operating expenses	44,940	37,690
Total operating expenses	203,483	189,291
Operating result	-13,026	4,059
Interest income and similar income	10	13
Interest payable and similar charges	-742	-627
Financial income and expenses	-732	-614
Profit from ordinary activities before taxation	-13,758	3,445
Tax on result of ordinary activities	1,091	-1,253
	-12,667	2,192
Share in result of participating interests and other associates 7)	1,814	565
Result after taxation	-10,853	2,757

Numbers stated in the items refer to the notes to the profit and loss account.



General accounting principles for valuation and determination of the result

General

General accounting principles for the valuation of assets and liabilities

The company financial statements are prepared in accordance with the statutory provisions of part 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standard Board.

For the general principles for preparing the financial statements, the accounting principles for the valuation of assets and liabilities and the determination of the profit, as well as the notes to the assets and liabilities and the results, reference is made to the notes to the consolidated financial statements, in so far as not stated otherwise hereafter.

Financial fixed assets

Participating interests in group companies in which significant influence is exercised on business and financial policy are valued at net asset value, but no lower than nil. This net asset value is calculated on the basis of the principles of MN. The associated foundation Stichting Juridisch Eigendom Mn Services Levensloop Fonds in The Hague is valued at the acquisition price.

Participating interests with a negative net asset value are valued at nil. If the company wholly or partly guarantees the liabilities of the participating interest in question, or if it has the actual obligation to enable the participating interest to pay its share of the liabilities, a provision is created. In determining the size of this provision, account is taken of provisions already deducted from claims against the participating interest for bad and doubtful debts.



Notes to the company balance sheet

as at 31 December 2015

Assets

Fixed assets

1 Financial fixed assets	Participating interests in group companies	Other associates	Other receivables	2015	2014
				x € 1,000	x € 1,000
				Total	Total
Balance as at 1 January	9,986	4,720	100	14,806	16,228
Provided loan	-	-	-	-	100
Share premium reserve movements	781	-	-	781	-896
Creation of deferred tax assets	-	-	1,231	1,231	-
Result	-73	1,886	-	1,813	565
Dividend received	-	-2,314	-	-2,314	-1,191
Interest credited	-	-	8	8	-
Balance sheet movements	708	-428	1,239	1,519	-1,422
Book value as at 31 December	10,694	4,292	1,339	16,325	14,806

2 Participations in group companies	31-12-2015	31-12-2014
	x € 1,000	x € 1,000
Mn Services Vermogensbeheer b.v.	8,495	8,491
Mn Services Fondsenbeheer b.v.	2,199	1,495
	10,694	9,986



Liabilities

3 Shareholders' equity

Issued share capital

The company's authorised capital consists of 40 million shares of one euro, of which 9,075,611 shares have been issued (2014: 9,075,611) and fully paid up.

The Mn Services Administratiekantoor foundation, which was previously the holder of the priority shares, holds 95% of the share capital (2014: 95%). The other 5% are held by Stichting Bedrijfspensioenfonds Koopvaardij.

Priority shares

MN has obtained five priority shares in its own capital for no consideration. The voting right attaching to these shares cannot be exercised so long as MN holds the priority shares itself.

4 Legal reserves

The legal reserves include the following items:

	2015 x €1,000	2014 x €1,000
Legal reserve for in-house developed software	6,584	3,384
Legal reserve for other associates	4,121	4,549
Stand per 31 December	10,705	7,933

Legal reserve for in-house developed software

	2015 x €1,000	2014 x €1,000
Balance as at 1 January	3,385	1,051
Addition	4,057	2,627
Withdrawal	-335	-294
Downward revaluation of intangible fixed assets	-523	-
Balance as at 31 December	6,584	3,384

MN is obliged to recognize a legal reserve in connection with the book value of the in-house developed intangible fixed assets.



The depreciation period for intangible fixed assets produced in-house is four to five years.

Legal reserve for other associates

	2015 x €1,000	2014 x €1,000
Balance as at 1 January	4,549	4,346
Results from participating interests	1,864	1,255
Dividend payments received	-2,314	-1,191
Prior-year result correction	22	139
Balance as at 31 December	4,121	4,549

In accordance with the Dutch Civil Code, a legal reserve is recognized at the expense of other reserves for the cumulative result from other associates, less the dividend received.

5 Other reserves	2015 x €1,000	2014 x €1,000
Balance as at 1 January	9,094	11,630
Movements of legal reserve for in-house developed software	-3,199	-2,333
Movements of legal reserve for other associates	428	-203
Balance as at 31 December	6,323	9,094

6 Unappropriated profit	2015 x €1,000	2014 x €1,000
Balance as at 1 January	2,757	4,651
Result on changes 2015 (2014)	-10,853	2,757
Profit distribution	-2,757	-4,651
Balance as at 31 December	-10,853	2,757



Rights, obligations and arrangements not included in the balance

Tax group

Corporate income tax

The legal entity, the 100% participating interest Mn Services Vermogensbeheer B.V. and the 100% participating interest Mn Services Fondsenbeheer B.V., are part of the tax group for corporate income tax at the level of MN and for that reason are jointly and severally liable for the tax debts of the tax group as a whole.

Corporate income tax is allocated to subsidiaries on the basis of the results achieved. The difference between the tax-related and the commercial allocation of items is expressed in the financial statements of the parent company Mn Services N.V.

Value added tax

With regard to VAT, the tax group consists of Mn Services N.V., Stichting Pensioenfonds Metaal en Techniek, Mn Services Vermogensbeheer B.V., N.V. Schadeverzekering Metaal en Technische Bedrijfstakken and Stichting Administratief Gemak and for that reason are jointly and severally liable for the tax debts of the tax group as a whole.

MN has submitted a request for the extension of the tax group for VAT to include MN Services Fondsenbeheer B.V. as of 1 January 2014. The tax authorities rejected the request. MN lodged an objection to this decision. The debate centres on the economic interdependence. In anticipation of the ruling on the objection, MN has not calculated VAT on its services to MN Services Fondsenbeheer B.V. If MN Services Fondsenbeheer B.V. is not added to the tax group, VAT of € 2.5 million will be owed. This VAT is not deductible for MN Services Fondsenbeheer B.V.



Notes to the company profit and loss account for 2015

7 Share in the result of participating interests and other associates

	2015 x € 1,000	2014 x € 1,000
Mn Services Vermogensbeheer B.V.	5	56
Mn Services Fondsenbeheer B.V.	-77	-884
Combinatie Bovemij Mn Services B.V.	1,818	1,305
UNETO-VNI Verzekeringservice B.V.	68	88
	1,814	565

Signature

The Hague, 7 April 2016

Management Board:

L.C. van de Kieft RC MAC
Chief Executive Officer

Supervisory Board:

Ms C.P. Vogelaar
Chair of the Supervisory Board

J. van der Ende

Ms J.M.A. Kemna

Ms S. Spek

Dr. C. Korevaar

M. Kortbeek



Other information

Regulation in the articles of association regarding the profit appropriation

Regulation in the articles of association regarding the profit appropriation

In accordance with Article 35 of the articles of association, the profit appropriation is arranged as follows:

Priority shareholders may decide to reserve all or part of the profit. In so far as the profit is not reserved, it is freely available to the shareholders.

Profit appropriation for the 2014 financial year

At the time when the financial statements were drawn up, the 2014 profit appropriation proposal was to add the profit to the other reserves. During the financial year, it was decided to distribute the 2014 profit of 2,757 (x € 1,000).

In accordance with Book 2, Section 153, of the Dutch Civil Code, MN submitted a statement to the Commercial Register in late June 2013 that MN fulfils the two-tier company regime criteria. The three-year period (in accordance with Book 2, Section 154, subsection 1, of the Dutch Civil Code) for the application of the two-tier company regime commenced at that time.

Appropriation of result proposal for 2015

It is proposed to charge the result for the 2015 financial year entirely to the other reserves.



Should there be any differences between the Dutch and English versions, the original Dutch version of this auditor's report will prevail.

Independent auditor's report

To: the general meeting and supervisory board of Mn Services N.V.

Report on the financial statements 2015

Our opinion

In our opinion the accompanying annual financial statements give a true and fair view of the financial position of Mn Services N.V. as at 31 December 2015, 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 financial statements 2015 of Mn Services N.V., The Hague ('the company'). The financial statements include the consolidated financial statements of Mn Services N.V. and its subsidiaries (together: 'the Group') and the company financial statements.

The annual financial statements comprise:

- the consolidated and company balance sheet as at 31 December 2015;
- the consolidated and company profit and loss account for the year then ended;
- the notes, comprising a summary of the accounting policies and other explanatory information.

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

The basis for our opinion

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

We are independent of Mn Services N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

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

Our audit approach

Overview and context

Mn Services N.V. offers services for pension administration, social schemes and insurance. Besides these services MN Services N.V. offers asset management services for institutional clients. MN charges a fee for the services rendered which is recorded as net turnover. This revenue can be fixed, variable or

nonrecurring depended on the contractual agreements with the clients. MN is facing a long term change and improvement program named MN 3.0. This program responds to the client wishes and future developments. In 2015 large investments took place in projects aiming to replace the current systems.

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the management board made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the management board that may represent a risk of material misstatement due to fraud.

We ensured that the audit teams included the appropriate skills and competences which are needed for the audit of a pension service company and an asset manager. We therefore included specialists in the area of IT in our team.



Materiality

- Overall materiality: €1.9 million which represents 1% of total income in the company financial statements

Audit scope

- We conducted audit work on Mn Services N.V., Mn Services Vermogensbeheer B.V., Mn Services Fondsenbeheer B.V. and Combinatie Bovemij Services B.V. as significant components.
- Audit coverage: 100% of consolidated income and 100% of consolidated total assets.

Key audit matters

- Continuity and capitalisation of the entity
- Revenue recognition for regular pension- and insurance activities
- Revenue recognition for non-recurring activities
- Recognition of asset management costs
- Valuation and classification of intangible fixed assets

Materiality

The scope of our audit is influenced by the application of materiality which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements on our opinion.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	€1.9 million (2014: €1.9 million).
How we determined it	1% of total income
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. MN vowed not to maximize profits but to volume growth in the broad range of services for (collective) schemes for clients. With its clients, being the depositary receipt holders, MN has agreed on a cost plus arrangement, whereby the cost base with a minimum mark-up is the fee charged. The benchmark chosen reflects the core activities of MN, which is of importance for the shareholders of MN. Based on this, we feel total income is an important indicator of the financial performance of the company.
Component materiality	Each component in our audit scope is audited based on the statutory materiality that is less than our overall group materiality.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the supervisory board that we would report to them misstatements identified during our audit above €96,000 (2014: €95,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

Mn Services N.V. is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of Mn Services N.V.

The group audit focussed on the significant components included in the consolidated financial statements of Mn Services N.V.: Mn Services N.V., Mn Services Vermogensbeheer B.V. en MN Services Fondsenbeheer B.V. We performed audit procedures in accordance with the legal requirements on the company's financial statements of these entities. The audit of the non-consolidated investment Combinatie Bovemij Mn Services B.V. (hereafter: CBM) is performed by another auditors firm. We informed them about their involvement in the audit of the consolidated financial statements 2015 of Mn Services N.V. During our audit we had interviews with the auditor of CBM in which we discussed the key audit matters and findings from their audit. The work performed on the risks identified by us were explained by the other auditor. Besides this we received the audited financial statements and the subsequent events procedures performed by the other auditor. Based on these procedures we were able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

By performing the procedures above at components, combined with additional procedures at group level, we have obtained sufficient and appropriate audit evidence regarding the financial information of the group as a whole to provide a basis for our opinion on the consolidated financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board, but they are not a comprehensive reflection of all matters that were identified by our audit and

that we discussed. We described the key audit matters and included a summary of the audit procedures we performed on those matters.

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters or on specific elements of the financial statements. Any comments we make on the results of our procedures should be read in this context.

Key audit matter	How our audit addressed the matter
<p>Continuity and capitalization of the company</p> <p>The MN results for fiscal year 2015 was € 10.9 million negative (see page 108 of the MN-annual report) and as on page 111 explained MN has entered into a financing agreement with its clients and the depositary receipt holders provided two credit facilities available.</p> <p>The loss situation is caused by an increase in operating costs associated with the long term change program MN 3.0 and in particular the development and implementation of software for the purpose of the new automated insurance system and new pension applications. As a result of this loss, shareholders' equity at year-end amounted to € 15 million. Given the nature of the activities of MN and dependence on three major clients the capitalization of the company at year-end is limited.</p> <p>For the period 2016 up to and including 2018 MN has entered into financing agreements with its clients by means of project turnover to financing the change program MN 3.0. In addition, the depositary receipt holders provided credit facilities. As a result management is of the opinion no uncertainty about the continuation of the overall activity of MN. Based on this the financial statements are prepared in accordance with continuity assumption.</p>	<p>We took notice of the signed financing agreement and the cash flow projections prepared by the management. We tested the cash flow projections including the assumptions made by management. In particular, we have paid attention to critical assumptions, such as estimates of income, the succeeding of the planned projects, the estimated cost and the discount rate. We have tested the assumptions in the projection against benchmark data, expected costs of implementation agreements and arrangements made for compensation of these costs as stipulated in the signed finance agreement and the results of MN over the past years. We have critically examined the assumptions used and discussed the sensitivities with management.</p> <p>Furthermore we assessed the adequacy of the explanatory note made by management in the financial statements.</p>
<p>Revenue recognition for regular pension- and insurance activities</p> <p>Income for regular pension and insurance activities for MN amounted to €105 million over 2015 (see note 19 of the financial statements). Of this amount, € 96 million relates to regular income and € 9 million to non-recurring income (see next key matter). Revenue recognition takes place in proportion to the service provided, i.e. the delivery of services to the clients. The provision of services (the numbers) is carried out in accordance with the operational processes within the pension and insurance activities</p>	<p>Our audit procedures include assessing the suitability of the criteria used by MN to set up a system of internal controls with respect to the registration of services in systems and its recognition in the financial administration. We have tested the design, existence and the operational effectiveness of the relevant controls. We have determined that the check if a service, registered in the system, is correctly and completely recognized is not made for all services. This deficiency in internal control is reported to the management.</p>

Key audit matter

and is registered in the pension and insurance systems (systems). MN has a system of internal control with respect to the registration of the services provided in the systems. The final transfer to the financial accounting system is manual. By means of queries and batch jobs the numbers from the primary systems are displayed in spreadsheets. The numbers in the spreadsheets are then, after conversion at the applicable rate for the service, manually recorded in the financial accounting system.

Controls are designed to check the accuracy and completeness of the accounting of the numbers and the accuracy of the rates used. The involved risks of these spreadsheets and manual operation carried out to record revenue-recognition gives an increased risk of errors. Given the size of the regular turnover this may lead to a material error in the financial statements.

Revenue recognition for non-recurring activities

Over 2015 MN has €105 million recorded in income for the pension and insurance (see note 19 of the financial statements). This amounts to € 9 million non-recurring income and € 96 million regular income (see previous key matter).

The determination of revenue for non-recurring activities does not follow a structured and formalized process. In addition, the management as part of the revenue provision at year-end estimates the collectability of (unbilled) sales. Based on assumptions management may decide part of the invoiced sales by not charge to its clients. These assumptions are largely based on the judgment of management. The assumptions used are: available correspondence with clients, the progress of the activities and the desired result of the activities.

Due to the lack of a controlled process and the subjectivity in determining the feasibility of (unbilled) sales, there is an increased uncertainty in the accuracy, completeness and cut-off of the revenue recognition.

How our audit addressed the matter

As a result of this deficiency we have performed additional substantive procedures to determine that the services provided as output of the operational processes have been processed correctly and fully the financial accounting system. We reconciled by means of sampling the provided services recorded in the financial administration of the queries and batch jobs (source files) from the pension and insurance administration. Through examination we tested the reliability of the queries. In addition, we have assessed that the change management procedures for query management are effective. We have established that these source files reconciles with the services delivered as included in the financial administration and that the rates used are in accordance with the contractual agreements.

Our audit procedures include assessing the suitability of the criteria used by MN to set up a system of internal controls with respect to the registration of non-recurring income and its recognition in the financial administration. We have tested the design, existence and the operational effectiveness of the relevant controls. We have assessed that the recognition of the non-recurring income does not follow a structured process. This deficiency in internal control is reported to management.

Our audit procedures are therefore substantive in nature and include the reconciliation between the customer wish list, contract administration and financial administration to assess the completeness of sales. The customer wish list contains all customer requests regardless they lead to a job. For the requests that have led to a job and were completed this year-end, we have determined that revenue recognition is supported by a signed agreement, written confirmation from the client or a payment from the client. We have tested the completeness of the revenues by making an assessment for requests not leading to a contract by requesting correspondence with the customer that the request did not lead to a job.

We have tested the cut-off by testing uncompleted contracts at year-end with documentation of management on the progress of the job in light of

Key audit matter**How our audit addressed the matter**

Recognition of asset management costs

Asset management costs for MN amount to €8.3 million over 2015 (see note 21 of the financial statements). MN has part of the asset management activities outsourced to external asset managers. MN pays these asset managers a fee. The calculation of these fees differ per asset manager and may contain (quantity) discounts. Calculating these fees and (quantity) discounts is partly manually performed, which increases the likelihood of errors. Given the size of the assets under management outsourced to external asset managers, deviations may have a significant impact on the profit and loss account of MN. The risk is that MN recognizes too much or too little management fee in its profit and loss account.

Valuation and classification of intangible assets

As a result of the long term change program MN 3.0 significant investments in 2015 in projects designed to replace the current system environment and that meet customer demands and future developments were made. MN has as at 31 December 2015 € 27.0 million intangible assets on the balance sheet (see note 1 to the financial statements).

All expenditures classified as intangible assets are internally tested against the prescribed criteria for capitalization. Yearly MN assesses whether there are indications that a fixed asset may be impaired as a result of technological obsolescence or because it is no longer in use. The assessment whether this is the case contains uncertainties.

Where an indication of impairment exists, the realisable value for the entire project is determined. The future cash flows for a period of five years are discounted at a discount rate equal to the WACC. For 2015 the realisable value of the new insurance package is €1.4 million lower than the book value. An impairment is recognized in the income statement.

Given the size of the book value of the intangible assets and the uncertainties inherent to the estimates used by management regarding potential impairments, valuation and classification of intangible assets is a key matter in our audit.

available correspondence with the customer and by assessing credit invoices after year end.

Our audit procedures include assessing by MN criteria for setting up a system of internal controls for determining the accuracy of cost. We have tested the design, existence and the operational effectiveness of the relevant controls.

In addition, we have based on a sample basis recalculated the costs based on the rates and (quantity) discount agreements in the contracts and the volume of assets under management. The accuracy of the assets under management was tested with statements from the (external) managers. We have recalculated the costs based on a sample basis using the rates and (quantity) discounts from the underlying contracts and invoices from external managers. The completeness is checked by reconciling the contract register, and by reviewing the overall reconciliation made by MN.

Regarding the valuation of intangible assets our audit includes assessing the policies and procedures for activating and identify indicators of possible impairment of assets. We have tested the by MN prepared impairment overview.

We compared the underlying assumptions of management as the recoverable amount and the applied discount rate with the proposed investment, cash flow forecasts and benchmark information. For existing intangible assets we have tested on a sample basis by observation that no other assets exist which are no longer used by MN or must be impaired. For new investments, we have determined through some observations that they meet the capitalization criteria applied by management and is available supporting documentation for expenditure, such as invoices, contracts and timesheets.

We have tested the classification of project expenditures expenses or investments by performing the following tasks:

- Assessed the projects are technically feasible and that the intention exists to complete the intangible asset based on the assessments of business cases, detailed project plans and reading of minutes.
- Tested the determination whether the intangible asset will provide economic benefits on the basis of business cases, cost estimates and other

-
- documentation for the projects.
 - Assessed that adequate technical, financial and other resources are available on the basis of cost estimates, project plans, external proposals and the project administration.
 - Tested the reliability of the estimates regarding costs and expected returns on the basis of the financial and project administration.
 - Tested expenditures based on the underlying documentation, proposals received, contracts, invoices, project budgets and other external sources.

Responsibilities of the management board and the supervisory board

The management board is responsible for:

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

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

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Our report on the other information

- We have no deficiencies to report as a result of our examination whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.

Pursuant to the legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the other information):

Our appointment

We were appointed as auditors of Mn Services N.V. on 18 December 2012 by the supervisory board following the passing of a resolution by the shareholders. At the annual meeting of 11 December 2014 our appointment has been renewed representing a total period of uninterrupted engagement appointment of 3 years.

Rotterdam, 7 April 2016

Appendix to our auditor's report on the financial statements 2015 of Mn Services N.V.

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

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

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

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

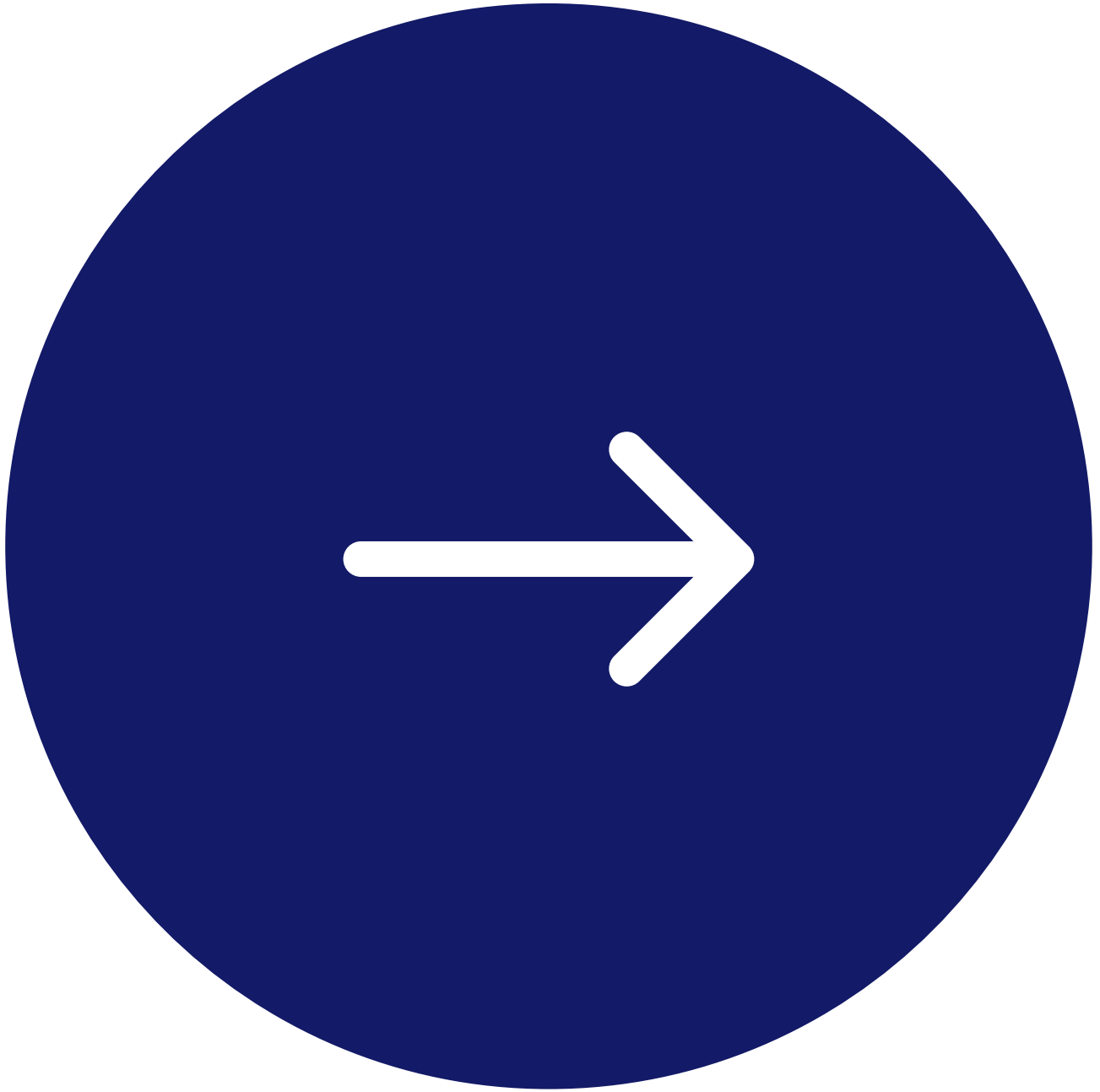
Considering our ultimate responsibility for the opinion on the company's consolidated financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the group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

We communicate with the supervisory 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.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Appendices



Personal details

Supervisory Board

Ella Vogelaar (born 1949)

- Stepping down in December 2018
- Chair of the Supervisory Board since 2015
- Member of the Supervisory Board since February 2011
- Member of the Remuneration and Appointments Committee, 21 March 2011-31 December 2012
- Member of the Change Committee since February 2016

Position:

Independent consultant/interim manager

Supervisory directorships and other positions:

- Chair of Vereniging NOV (The Association of Dutch Voluntary Effort Organisations)
- Chair of the supervisory board of housing corporation Mitros
- Board Chair of Nisa for Nisa (women's organisation in Amsterdam-Slotervaart)
- Chair of the Supervisory Board of Resto VanHarte Foundation
- Chair of the Governance and Remuneration Complaints Committee of the Netherlands Association of VET Colleges
- Member of the Advisory Board of the RAI vereniging
- Chair of the Advisory Board of the ANKO hairdressing sector organisation
- Board Chair of the Omzien naar elkaar foundation (citizens' initiatives relating to care/welfare/housing)

Dr Kees Korevaar (born 1950)

- Stepping down in December 2017
- Member of the Supervisory Board since February 2011
- Chair of the Audit Committee, 1 September 2015 - 31 December 2015
- Member of the Remuneration and Appointments Committee, 1 April 2011-31 December 2015
- Contact for the Works Council

Position:

Independent consultant

Supervisory directorships and other positions:

- Member of the Supervisory Board of IHC Merwede

Sandra Spek (born 1971)

- Stepping down in December 2019
- Member of the Supervisory Board since December 2015
- Chair of the Audit committee since February 2016

Position:

CFO, member of the Management Board of Careyn.

Michaël Kortbeek (born 1951)

- Stepping down in December 2019
- Member of the Supervisory Board since 9 March 2016

Supervisory directorships and other positions:

- Chair of the Utrecht Landscape Foundation
- Chair of the Supervisory Board of PGA Nederland

Hanny Kemna (born 1960)

- Stepping down in December 2019
- Member of the Supervisory Board since 30 December 2015
- Chair of the Change Committee since February 2016

Position:

- Member of the Supervisory Board of Nictiz, the centre of expertise for standardisation and eHealth
- 2015 - present, member of the Supervisory Board of Menzis N.V.
- Chair of GRC Audit Committee since 2015
- 2014 - present, member of the Supervisory Board of Binckbank N.V.
- Chair of the Remuneration Committee of Binckbank N.V. since 2015
- Member of the Dutch 'Women in Financial Services' network
- Voluntary worker at Loket 20 Gemeente Amstelveen (support to minimum-income households in managing administration and tax, mediation in the case of debt assistance)
- Active member of Werkgroep 366 Uithoorn, Amnesty International
- Voluntary worker at Stichting ThamerThuis/ Bardo (hospice for palliative care in De Kwakel, Municipality of Uithoorn)
- Consultant to a family firm

Johan van der Ende (born 1959)

- Stepping down in December 2019
- Member of the Supervisory Board since 19 January 2016
- Member of the Audit Committee since March 2016

Supervisory directorships and other positions:

- Independent member of the Investment Committee, CBRE Global Investment Partners
- Member of the Supervisory Board of Altera Vastgoed NV
- Member of the Recommendations Committee of Nina Foundation (focuses on therapy for Angelman syndrome in children)
- Vice-chair of the board of VBA, Dutch Association of Investment Professionals
- Chair of the Risk Management for Financial Institutions governing board, VU University
- Member of the Supervisory Board of Q-Park NV, member of the audit committee
- Board Chair of Amsterdam School of Real Estate
- Member of the Dutch Advisory Board, Amundi Asset Management

The members of the Supervisory Board all have Dutch nationality. The members of the Supervisory Board are independent within the meaning of the Netherlands Corporate Governance Code.

Executive Board

René van de Kieft

Chief Executive Officer
(1963)
Employed at MN since 2015

Background

Business economist

Other positions

2014 - present: Board Chair of Pensioenfonds
Post NL
2012 - present: Chair of the Supervisory Board
of TEAR, chair of the audit committee

Chief Finance, Risk and Information Officer
(vacancy)

Gerald Cartigny

Chief Asset Management Officer
(1964)
Employed at MN since 2012

Background

Business economist

Henri den Boer

Chief Pensions and Insurance Officer
(1968)
Employed at MN since 2015

Background

Econometrist

Other position

Member of the Supervisory Board of Stichting
Pensioenfonds ANWB

Members of the Works Council

Pim Kasting (chair)
Tjeerd Haasbroek (vice-chair)
Susan Schuurmans
Ines Strohschein
Marcel Kooiman
Niels Lodewijk
Winot Rampersad
Patrick Reinigert
Tjeerd Bosch
Rilana Margarita
Ylva Otting
Richard Rolvers

Independent auditor

PricewaterhouseCoopers Accountants N.V.

CSR annual report scope and reporting criteria

Combined report

Since 2010, MN has been explaining its corporate social responsibility efforts by means of its CSR annual report. This year, MN is publishing a single annual report (financial and CSR combined in one report). MN's aim is to arrive at an integrated report by means of a multi-year stepwise plan. In its annual report, MN sets out its financial results and its societal impact.

Scope

This report deals with MN (MN Services N.V.), a public limited company, the beneficial ownership of which rests with the pension funds and the social partners in the metal and engineering (PMT) and the metal and electrical engineering (PME) industries and the Dutch Merchant Navy's Company Pension Fund (Bpf Koopvaardij). You can read more about the ownership structure and governance of MN on its website at www.mn.nl.

MN is a shareholder in the insurance companies UNETO-VNI Verzekeringen (UVVS) and Combinatie Bovemij MN Services (CBM). These entities are considered small businesses and therefore have limited financial and other reporting obligations. Because of the limited sustainability impact of these businesses, we have decided not to include separate CSR reports. In the case of CBM, all administrative activities are incorporated in Bovemij and MN respectively. Bovemij reports on sustainability aspects in its own manner. UVVS uses MN for the administration of insurance products and has outsourced a number of these products (illness-related absenteeism insurance) entirely to MN.

This report relates to the MN organisation in the Netherlands with a head office in The Hague and a branch in Amsterdam. Until October 2015, MN had an office in London in addition to its head office in The Hague. This was a sales office for our asset management services, the policy for which was determined in the Netherlands. With the exception of the policy for socially responsible investment, which is described in the 'Responsible Asset Management' section, the London branch is beyond the scope of this report, because we believe that

the impact of this office on the total CSR performance is limited.

This report deals with the subjects that are important to the stakeholders and to MN. On page 57, you will find an overview of the material themes dealt with in this report. The table on page 59 contains an overview of the sections in the report where the material themes are explained.

The MN annual report relates to the period from 1 January 2015 up to and including 31 December 2015. The report was published on 19 April 2015.

Collection of information

Various MN business units supply information for this report. Every section has its own internal section manager who is responsible for the contents. Together with the responsible manager of the organisation unit in question, every section manager ensures that the accuracy and completeness of the qualitative and quantitative information are checked internally.

To arrive at the carbon footprint for our organisation, the material emissions are calculated. Estimates are made if no measured values were available, such as the figures for commuting.

The following data were used for this purpose:

- post code databank of the staff for determining the average commuting distance;
- average staffing during a few weeks in 2015;
- data from the 2011 web poll to determine how staff travel to work (bike/car/public transport/other).

In determining the carbon footprint, generally accepted conversion and emission factors were used from nationally and internationally accepted sources (based on the Greenhouse Gas Protocol).

Reporting criteria

As in the case of previous reports, the 2015 Annual Report was drawn up on the basis of the guidelines of the Global Reporting Initiative (GRI), version G4. The guidelines can be found at www.globalreporting.org.

The report contains external assurance. MN considers external assurance to be vital as it offers greater certainty regarding the accuracy of the information included. The assurance report of PwC can be found on page 174. On page 4, the sections of the report provided with assurance are indicated.

This report has been approved by the Executive Board and the Supervisory Board of MN

Applied guidelines and benchmarks

Global Reporting Initiative guidelines

As was the case last year, our CSR annual report follows the most widely recognised standard for non-financial reporting: the Global Reporting Initiative (GRI) guidelines, version G4. This report has been drawn up in accordance with the core version of the GRI G4 guidelines. Several indicators from the GRI G4 Financial Services Sector Supplement have been applied from the Asset Management and Insurance categories. You can find the GRI Index on our website. The index states, where relevant, how MN applies the GRI definitions. For instance, reporting staff data (volume, absenteeism, training) per region is not relevant to MN and MN does not make any distinction between men and women when registering training or basic salaries. For more information about the GRI guidelines, go to www.globalreporting.org.

Integrated reporting

To clarify the relationship between the financial and non-financial values and to provide an understanding of the input MN requires in order to achieve the desired results (output and impact), MN uses elements from the Integrated Reporting framework.

Transparency benchmark

MN participates annually in the Transparency Benchmark of the Dutch Ministry of Economic Affairs. In 2015, MN was ranked 31st on this benchmark.

We are happy to receive feedback with regard to our annual report. If you have any questions or comments, please share these by sending an e-mail to info@mn.nl.

Definitions

CEM benchmark: The most internationally used reference framework to map out the performances of pension funds.

Compliance and integrity: Compliance is the function within an organisation that ensures compliance with legislation and regulations relating to the promotion and maintenance of the integrity and professionalism of an organisation and its board members and staff, with the aim of managing compliance risks and preventing or limiting any resulting damage.

Carbon footprint: A carbon footprint is used to provide an organisation with an understanding of the total emission of greenhouse gases caused by the organisation, a process or a product.

COSO framework: COSO is an international reference framework with guidelines for internal control and internal risk management.

Engagement: A type of sustainable investment in which the investor acts as an active owner and enters into dialogue about sustainability issues with the company that is being invested in.

ESG criteria: Environmental, social and governance criteria.

Global Reporting Initiative: The Global Reporting Initiative (GRI) is an international organisation that draws up guidelines for sustainability reporting. In a sustainability report, an organisation communicates its economic, environmental and social performances to the public.

Corporate governance: Governance involves the way a company is managed. Important aspects are how a company is managed efficiently and responsibly, with a particular emphasis on the relationship with the most important stakeholders, such as shareholders, employees, clients and society.

IIRC and Integrated Reporting: Integrated reporting is the summarising report in which organisations indicate how they apply sustainability and how strategy, governance, performance and prospects provide social value in the short, medium and long term. The framework for integrated reporting is published by the International Integrated Reporting Council (IIRC), a worldwide coalition of investors, multinationals, regulators, standard setters and accountants in the field of integrated reporting.

Customer-Oriented Insurance Quality Mark (KKV) The Customer-Oriented Insurance Quality Mark is an approval mark for the quality of service and customer focus of an insurer. If an insurer has been awarded this quality mark, a customer can be sure of transparent information, customised insurance and optimal service. The Customer-Oriented Insurance Quality Mark is an indication that insurance companies have a customer focus and are assessed accordingly.

Key Performance Indicators (KPIs): KPIs are variables with which an organisation can monitor its progress.

Materiality analysis: Organisations can perform a materiality assessment as part of the process to determine or tighten their social responsibility. Materiality guarantees a clear and substantiated choice of themes that will be reported on.

Materiality matrix: In a materiality matrix, the importance per subject for stakeholders is weighed against the importance for the company. The aim of the matrix is to provide readers of the CSR report with an understanding of the selection of subjects dealt with in the report.

United Nations Principles for Responsible Investment (UN PRI): An international network of investors who collaborate to apply the six Principles for Responsible Investment in practice. The aim is to support investors and signatories to the initiative in including sustainability aspects in their investment decisions and ownership practices.

Risk management: Risk management is a tool to identify, evaluate and – by means of a proactive approach – manage risks more effectively in a structured and explicit manner. Risk management is based on performing risk analyses.

Stakeholders: A person or organisation being influenced (positively or negatively) by or exercising influence on a specific organisation, a government decision, a new product or a project.

Should there be any differences between the Dutch and English versions, the original Dutch version of this assurance report will prevail.

Independent assurance report

To: the executive board of Mn Services N.V.

The executive board of Mn Services N.V. (hereafter: MN) engaged us to provide limited assurance on the information provided in the chapters 'Introduction' (excluding 'MN in brief'), 'Socially responsible' (excluding the interviews on pages 68, 77, 98 and chapter 'MN's carbon footprint and purchasing' on pages 99-102) and 'GRI table' (hereafter: the Sustainability Information) in the annual report 2015 (hereafter: the Report). We believe these procedures fulfil the rational purpose as disclosed by the company in the section 'CSR annual report scope and report criteria'.

Our conclusion

Based on the review procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Sustainability Information presented in the Report does not provide a reliable and appropriate presentation of the company's policy for sustainable development, or of the activities and performance of the organisation relating to sustainable development during the reporting year, in accordance with the MN reporting criteria.

This conclusion is to be read in the context of the remainder of our report.

What we are assuring

We have reviewed the Sustainability Information included in the chapters 'Introduction' (excluding 'MN in brief'), 'Socially responsible' (excluding the interviews on pages 68, 77, 98 and chapter 'MN's carbon footprint and purchasing' on pages 99-102) and 'GRI table' of the annual report 2015 of MN, The Hague.

The Sustainability Information in the Report comprises a representation of:

- the policy of MN concerning the sustainable development for the reporting year 2015;
- the activities and performance relating to sustainable development during the reporting year 2015; and
- the scope of the Sustainability Information, as included in the section 'CSR annual report scope and reporting criteria' on pages 170-172.

A review is aimed at obtaining limited assurance. The procedures performed in obtaining limited assurance are aimed at the plausibility of information which does not require exhaustive gathering of evidence as in engagements aimed at obtaining reasonable assurance through audit procedures. The procedures performed consisted primarily of making inquiries of management and others within MN,

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'PwC' is the brand under which PricewaterhouseCoopers Accountants N.V. (Chamber of Commerce 34180285), PricewaterhouseCoopers Belastingadviseurs N.V. (Chamber of Commerce 34180284), PricewaterhouseCoopers Advisory N.V. (Chamber of Commerce 34180287), PricewaterhouseCoopers Compliance Services B.V. (Chamber of Commerce 51414406), PricewaterhouseCoopers Pensions, Actuarial & Insurance Services B.V. (Chamber of Commerce 54226368), PricewaterhouseCoopers B.V. (Chamber of Commerce 34180289) and other companies operate and provide services. These services are governed by General Terms and Conditions ('algemene voorwaarden'), which include provisions regarding our liability. Purchases by these companies are governed by General Terms and Conditions of Purchase ('algemene inkoopvoorwaarden'). At www.pwc.nl more detailed information on these companies is available, including these General Terms and Conditions and the General Terms and Conditions of Purchase, which have also been filed at the Amsterdam Chamber of Commerce.



as appropriate, applying analytical procedures and evaluating the evidence obtained. Consequently, a review engagement provides less assurance than an audit.

The basis of our conclusion

Professional and ethical standards applied

We conducted our assurance engagement in accordance with Dutch law, including Standard 3810N 'Assurance engagements relating to sustainability reports' (hereafter: 'Standard 3810N'). Our responsibilities under this standard are further described in the section 'Our responsibilities' of this report.

We are independent of MN in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA) and other relevant regulations.

Limitations in our scope

The Sustainability Information contains prospective information, such as ambitions, strategy, targets, expectations and projections. Inherent to this information is that actual future results may be different from the prospective information and therefore it may be uncertain. We do not provide any assurance on the assumptions and feasibility of this prospective information.

Reporting criteria

MN developed its sustainability reporting criteria on the basis of the G4 Guidelines of the Global Reporting Initiative (GRI), which are disclosed together with detailed information on the reporting scope as well as the reporting process and methods on pages 170-172 in the chapter 'CSR annual report scope and reporting criteria'. We consider the sustainability reporting criteria to be relevant and appropriate for our review.

Understanding reporting and measurement methodologies

The information in the scope of this engagement needs to be read and understood together with the reporting criteria, for the selection and application of which MN is solely responsible. The absence of a significant body of established practice on which to draw from, to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Our assurance approach

Materiality

We set thresholds for materiality at the planning stage and reassessed them during the engagement. These helped us to determine the nature, timing and extent of our procedures and to evaluate the effect of identified misstatements on the information presented, both individually and in aggregate. Based on our professional judgement, we determined specific materiality levels for each element of the Sustainability Information.

Work done

We are required to plan and perform our work in order to consider the risk of material misstatement of the Sustainability Information.



Our main procedures included the following:

- performing an external environment analysis and obtaining insight into the industry, relevant social issues, relevant laws and regulations and the characteristics of the organisation;
- assessing the acceptability of the reporting policies and their consistent application, such as assessment of the outcomes of the stakeholder dialogue and the process for determining the material subjects, the reasonableness of estimates made by management, as well as evaluating the overall presentation of the Report;
- understanding the systems and processes for data gathering, internal controls and processing of other information, such as the aggregation process of data to the information as presented in the Sustainability Information;
- interviewing management and relevant staff at corporate and business unit level responsible for the sustainability strategy and policies;
- interviews with relevant staff responsible for providing the Sustainability Information, carrying out internal control procedures on the data and the consolidation of the data in the Sustainability Information;
- on a sample basis, reviewing relevant information and internal and external documentation in order to assess the reliability of the information in the Report;
- analytical review of the data and trends;
- reviewing internal and external documentation to determine whether the Sustainability Information, including the disclosure, presentation and assertions made in the Report, is substantiated adequately;
- assessing the consistency of the Sustainability Information and the information in the Report not in scope for this assurance report;
- assessing whether the Sustainability Information has been prepared 'in accordance' with the Sustainability Reporting guidelines version G4 of GRI.

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

Responsibilities

The executive board's responsibilities

The executive board of MN is responsible for the preparation of the Sustainability Information in accordance with the MN reporting criteria, including the identification of the stakeholders and the determination of material subjects. Furthermore, the executive board is responsible for such internal control as the executive board determines is necessary to enable the preparation of the Report that is free from material misstatement, whether due to fraud or error.

Our responsibilities

Our responsibility is to express a conclusion on the Sustainability Information based on our assurance engagement in accordance with Standard 3810N. This requires us to ensure that we comply with ethical requirements and that we plan and perform our work to obtain limited assurance about whether the Report is free from material misstatement.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Sustainability Information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant for the preparation of the Sustainability Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing a conclusion on the effectiveness of the company's internal control.



An assurance engagement aimed at providing limited assurance also includes evaluating the appropriateness of the reporting framework used and the reasonableness of estimates made by management as well as evaluating the overall presentation of the Report.

Rotterdam, 7 April 2016
PricewaterhouseCoopers Accountants N.V.

Colofon

Tekst
MN

Concept en vormgeving
MN

Fotografie
Roelof Pot

Translation
Balance Amsterdam/Maastricht

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