



Russia and Ukraine

The impact on the Nestlé UK Pension Fund

From the Trustees of the Nestlé UK Pension Fund

As Trustees of the Nestlé UK Pension Fund, we have been monitoring the position following the Russian invasion of Ukraine and have reviewed, and continue to review, the impact of the crisis on the Fund.

Like all of you, our thoughts are with those suffering as a result of the invasion.

In light of the situation, we have reviewed our pension fund operations and investments, and can provide the following update, which we hope will reassure you about the position and security of your pension fund benefits.

Operations

Our in-house pension team, based in the UK, continues to operate as normal, with no disruption to services. Our ability to pay pensions in payment, process transactions, and respond to questions from pension fund members, remains unchanged.

Investments

There are two aspects to consider when it comes to the Fund's investments:

- Firstly, the significant market uncertainty and volatility that recent events have caused, and
- Secondly, whether the Fund has any direct holdings in Ukraine and Russia.

Taking each point in turn:

The crisis in Ukraine has caused significant volatility in investment markets around the world. Many stock markets have fallen in value and there is uncertainty surrounding investments which may continue for some time. It's normal for shares and other assets to go up and down in value in the short term, and the way the Fund's assets are invested aims to take account of this volatility.

In relation to the Fund's holdings in Russian and Ukrainian assets, these are very small. In the defined benefit section of the Fund, they amount to less than 0.1% (around £5m) of the Fund's defined benefit assets of £6.5 billion. In the defined contribution section of the Fund they amount to around 0.6% (less than £1m) of the defined contribution assets of around £150m (based on pre-invasion values).

The underlying investment managers for the Fund's defined benefit assets and defined contribution assets have confirmed they are complying with the sanctions imposed on Russia.

What this means for you will depend on what kind of pension savings you have, and how far away you are from retirement. The information below relates to different sections of the Fund.

Defined benefit sections

Over the years, the names of the defined benefit (DB) sections of the Fund have changed depending on when you built up your pension. The DB sections are currently called DB Core and DB CorePlus. They have previously been called Lane 2 and Lane 3, and Gold and Silver seal. You can find out more information in the [How your pension works](#) section.

If you have built up pension in a defined benefit scheme, your benefits don't depend on what happens in the stock markets. Your benefits are calculated in accordance with the rules of the Fund and are based on your earnings and how long you have been a member. The Trustees have put in place an investment strategy that helps protect the Fund's investments from periods of volatility like the one we're experiencing at the moment.

If you have a DC Core account (previously called Lane 1) please read the 'defined contribution' section below. You might have a DC Core account if you have paid additional voluntary contributions for example.

Within the defined benefit section, the Fund holds about £2m of Ukrainian assets, and £3m of Russian assets (valued at pre-invasion prices). In total, this represents less than 0.1% of the Fund's overall investments (which total around £6.5bn).

The Trustees do not have direct control over these assets. They are held within 'pooled funds' managed by the Trustees' third-party investment managers. The Trustees have instructed their third-party investment managers to sell these assets as part of their decision to take less risk with their investments. At present, though, it is not clear at what value, if any, the assets will be sold at, or the timescale over which it will be possible to conclude the sale.

Defined contribution sections

Over the years, the names of the defined contribution (DC) sections of the Fund have changed depending on when you built up your pension. The DC sections are currently called DC Start and DC Core. They have previously been called the Starter Lane and Lane 1. You can find out more information in the [How your pension works](#) section.

In a defined contribution scheme like DC Core or DC Start, you and Nestlé both paid into an individual pension savings account. This account is then invested with the aim of

growing its value (through investment returns). When you reach retirement, you can choose how to use the money in your account. The size of your account will depend on how much you and Nestlé paid in, and how your investments have performed over time.

The Lifetime Pathway (the default investment strategy in DC Start and DC Core) uses a range of investment funds to try and achieve these returns. The third-party managers of these funds invest across a wide range of investment opportunities around the world and, in common with many DC schemes, some of the funds in the Lifetime Pathway have small holdings in Russian assets (either shares in Russian companies or Russian government debt).

These assets represented less than £1m or about 0.6% of the total DC assets of £150m in DC Start and DC Core (when valued at pre-invasion prices).

Given the enormous market uncertainty around Russia at this time and the challenges in trading Russian assets, it is not clear what will happen to these holdings. They are however currently expected to have little or no value. This will have a small impact on the value of your DC Start or DC Core account, as these assets only form a small part of your overall DC savings.

The Trustees are continuing to engage with the Fund's third-party managers on this issue.

The result of this, together with the overall volatility in investment markets is that you may see a fall in the value of your DC savings account if you are invested in the Lifetime Pathway fund.

The main thing to remember at times like these is not to do anything too hastily.

It's worth bearing in mind the following points:

Your DC savings received tax relief, and Nestlé paid in to your account too

While you were saving into your pension savings account, Nestlé may have topped up this amount with company contributions, and you got tax relief from the government. So, there was actually a lot more than just your own pension savings that went into your pension savings account. This means that stock market falls would have to reduce the value of your pension savings account by a lot before there was less money in there than what you personally paid in from your salary.

If you're a long way from retirement, there's still time for the value of your account to recover

If you're not close to retiring and the value of your pension savings account has gone down in the last few weeks, there's still plenty of time for it to go up in value again before you need the money.

If you are closer to retirement and invested in the Lifetime Pathway fund your investments will have switched to lower risk funds

If you are closer to retirement and invested the Lifetime Pathway fund (the default investment arrangement), your investments will switch to lower risk investment funds as you approach your target retirement age. This switch begins 15 years from your target retirement age and in the five years before you reach your target retirement age, your investments start to switch into cash. As a result, changes in the stock market will have had less effect on your pension savings account's value than if you were early in your working life. If you were a DC Start member, your account can only be invested in the Lifetime Pathway fund.

You can find more information about the Lifetime Pathway on the Fund website. [Your investments | Your Nestlé Pension \(nestlepensions.co.uk\)](https://www.nestlepensions.co.uk)

If you have any questions or concerns, please contact Nestlé Pensions in the usual ways:

By email:

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By phone:

From the UK:

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or

08459 243444 (calls charged at local rate only)

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Steve Delo

Chair of the Nestlé UK Pension Fund Trustee Board

On behalf of the Nestlé UK Pension Fund Trustee Board

Legal note

This update is intended to give you some general information about the impact of the crisis in Ukraine on the Fund. It's based on the information the Trustees currently have about what is a fluid situation.

The impact on you will depend on what types of benefits you have in the Fund, if you're in the defined contribution section, what your money is invested in at the moment and on how the situation evolves.

If you are considering making any changes in the light of recent events, we recommend that you consider taking independent financial advice that's specific to you before making any such decisions.

Nothing in this update constitutes financial advice and you should not rely on information in this update when making any decisions about your benefits or Fund membership.

This document contains references to the Trustees. These are the Directors of the Nestlé UK Pension Trust Ltd.