



Summary Funding Statement

July 2021

Keeping you up to date with your Pension Fund's financial position

Following the completion of each triennial actuarial valuation the Trustees of the Nestlé UK Pension Fund produce a Summary Funding Statement, like this one. It provides you with an update on the funding position of the Defined Benefit (DB) sections of the Fund.

We use independent advisers to help us monitor the Fund's finances. This statement summarises the results of the recently completed actuarial valuation of the Fund as at 31 December 2018. It also gives you a snapshot of the Fund's position as at 31 December 2019 and 31 December 2020.

The valuation as at 31 December 2018 revealed a funding shortfall of £500 million. Since then, I am pleased to report that the funding position has improved significantly. The shortfall had reduced to £40 million as at 31 December 2020 thanks to favourable investment markets and the substantial contributions paid by Nestlé UK Ltd (the Company) into the Fund.

You can find further details on page 2 of this Summary Statement, and page 3 answers some of the further questions you may have.

Steve Delo
Chair of the Trustee Board

On behalf of the Trustees of the Nestlé UK Pension Fund

Further Information

If you have any questions or would like to see a copy of the Fund's financial accounts, rules, investment or funding policy documents, please contact the Fund's administrators using the details below.

If you're considering making any changes to your pension arrangements, you should consult a financial adviser before taking any action. The law prevents us from providing you with financial advice.

Are your details up to date?

Please let us know if your contact details have changed. If you'd like to change the people you have nominated to receive benefits upon your death, please complete a Nomination Form. You can find a Nomination Form on our website under 'Find a form or document'.



Write to us at:
Nestlé Pensions
1 City Place
Gatwick
RH6 0PA
United Kingdom



Call us on:
020 8667 6363



Email us at:
pensions@uk.nestle.com



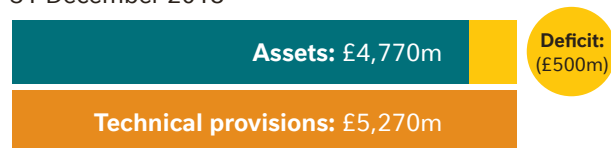
Visit the website at:
nestlepensions.co.uk

Actuarial valuation as at 31 December 2018 and funding positions as at 31 December 2019 and 2020

At 31 December 2018 the target level of assets was £5,270m and the actual assets were £500m less than this.

At 31 December 2020 the target level of assets was £5,990m and the actual assets were £40m less than this.

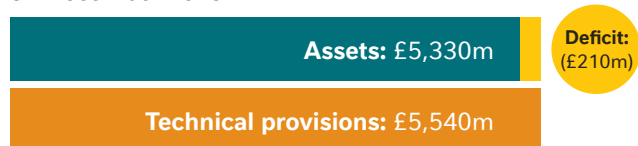
31 December 2018



The £40m shortfall does not affect pensions being paid out of the Fund – we have always paid members their pensions in full.

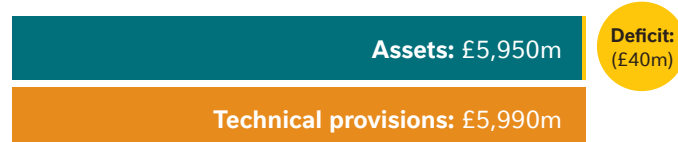
The Fund’s financial position has improved by £460 million since the valuation date. This is due to investment returns on the Fund’s assets being better than assumed, together with the contributions paid by Nestlé UK Ltd. Together, this positive experience more than offsets the increase in the target level of assets, which was caused by falls in investment market yields.

31 December 2019



In order to meet the shortfall at 31 December 2018, Nestlé UK Ltd paid contributions to the Fund of £87.5m in 2019 and in 2020. A further £86m was paid in January 2021, and an additional payment of £262m was made to the Fund on 29 June 2021. These payments and favourable investment markets have improved the funding level further and enabled the Fund to adopt a lower-risk investment strategy. This is designed to improve the security of members’ benefits whilst also reducing the likelihood of the Company needing to pay additional contributions in the future.

31 December 2020



As the chart shows, on 31 December 2020 there was a £40m funding shortfall (or deficit) in the Fund against the target level of assets (referred to as the ‘technical provisions’).

We expect the position to change from year to year because the Fund’s finances depend on changes in global financial markets.

The next full actuarial valuation is due as at 31 December 2021.

Assumptions

The Trustee employs an independent expert to provide regular checks on the Fund’s finances. These regular check-ups involve calculating a target level of assets. The latest update is shown above.

The target level of assets is the amount that is expected to be enough to continue to pay out all the pensions that members have already built up in the Fund, based on assumptions about the future. Examples of these assumptions are how long people will live, what inflation will be and what returns will be earned on the Fund’s investments, amongst other factors.

Nobody knows exactly how much money will be needed to pay everybody’s pensions.

This will depend on how actual experience compares with the assumptions made.

Assets of the Fund

The assets of the Fund come from contributions paid by members and by the Company, together with investment growth.

The assets of the Fund are held separately from the Company and the Fund’s Trustees are responsible for investing this money.

The DB assets are held in a common fund – they are not held in separate pots for each member.

Pensions are paid to retired members out of this common fund.

Some common questions answered

Q: What if the Fund has to wind up?

Nestlé UK Ltd and the Trustees do not intend to wind up the Fund. We do, however, monitor what would happen should Nestlé no longer be able to support the Fund. In this unlikely event, a wind-up of the Fund could begin and the responsibility for paying members' pension benefits would then be transferred to an insurance company.

The Trustees monitor the cost of securing all members' benefits with an insurance company.

The most recent formal estimate provided by our independent advisers looked at the position on 31 December 2018. This estimate indicated that, at that date, the Company would have to make an additional final contribution of about £2.2 billion to make sure all members' pensions could be paid in full by an insurance company. The estimated shortfall at the time of writing this statement has reduced to around £1.5 billion.

This is a larger shortfall than the position shown on page 2, but this is a common situation amongst similar UK pension schemes.

In practice, if Nestlé UK Ltd was unable to pay further contributions to the Fund, for example in the case of insolvency, then we expect that further funds would become available under the guarantee provided by Nestlé's parent company, Nestlé SA. This guarantee has been recently increased to £1.9 billion (or the amount actually required if less).

Q: Is my pension protected?

If Nestlé UK Ltd became insolvent and there was not enough money to secure benefits in full with an insurance company (even allowing for the guarantee from Nestlé SA), then members may not receive their full pension benefits.

To help members in this situation, the Government has set up the Pension Protection Fund. If the Fund were to enter the Pension Protection Fund, the amount members receive may be less than the pension benefits built up for them in the Fund.

The Pension Protection Fund rules are complex – the amount it will pay depends on the rules of the Fund, whether a pension is already being paid, a member's age and the type of pension benefit.

More information and guidance about the Pension Protection Fund is available at www.ppf.co.uk or by contacting the Pension Protection Fund on 0345 600 2541.

Q: What about my Additional Voluntary Contributions (AVCs)?

The Fund holds AVCs for those members who choose to pay them and these are invested separately.

Q: Is there anything else I need to know?

Regulations require us to confirm that since the last Summary Funding Statement, Nestlé UK Ltd has not taken any money out of the Fund and The Pensions Regulator has not intervened in the running of the Fund. We are able to confirm this.

As part of the actuarial valuation, the Trustees have agreed with Nestlé UK Ltd that it will reduce the amount of investment risk being run in the Fund. Further reductions in risk are envisaged when the funding position improves. This approach is designed to increase the likelihood of the Fund having sufficient assets to pay all future benefits and reduce the chance of Nestlé UK Ltd needing to pay more money into the Fund.

Issued by the Trustees of the Nestlé UK Pension Fund

July 2021

© Copyright Nestlé UK Pension Fund. All rights reserved.

No part of this publication may be reproduced or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of the Nestlé UK Pension Fund.