

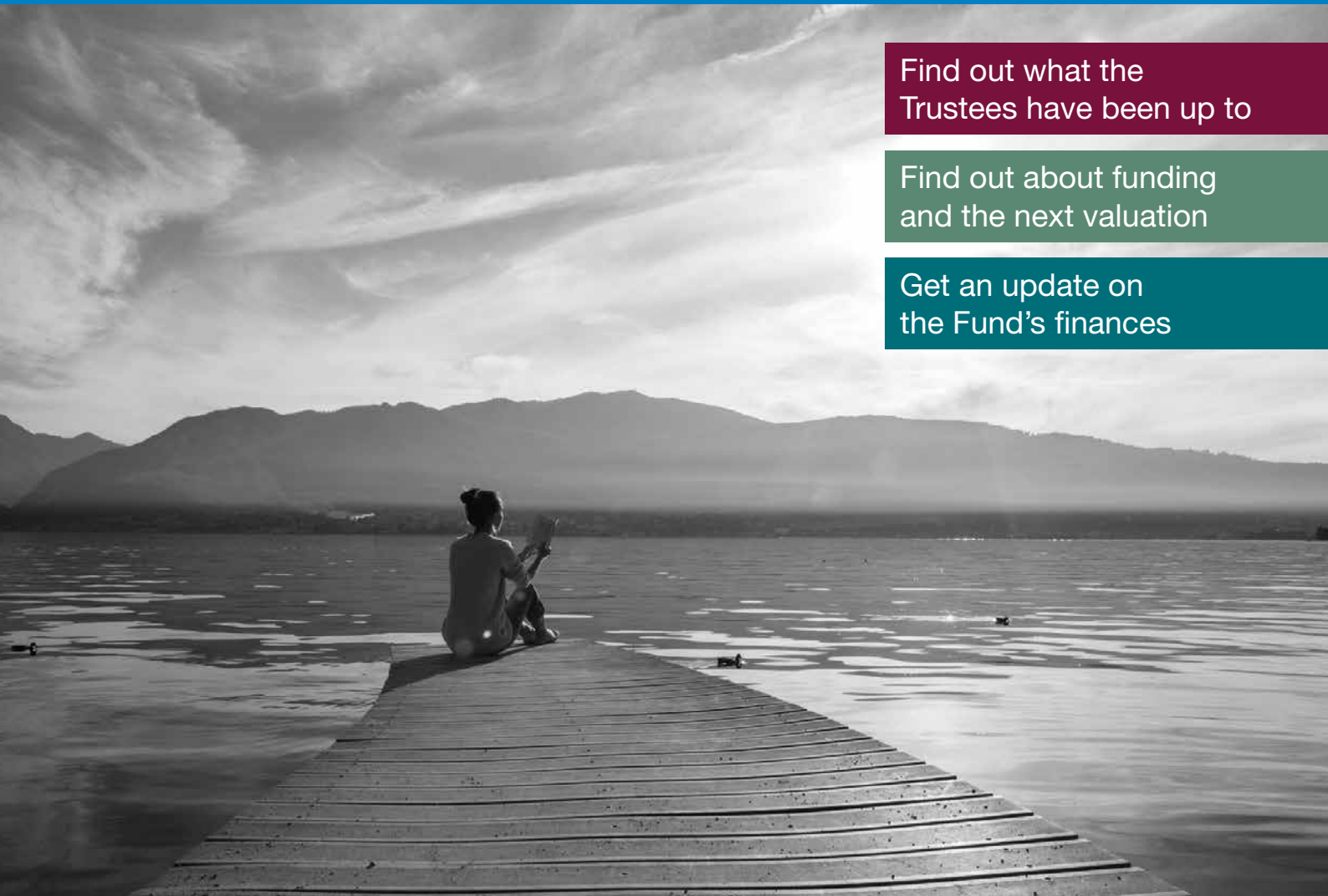
Pensions News 2018

Time to update you on the Fund

Find out what the Trustees have been up to

Find out about funding and the next valuation

Get an update on the Fund's finances



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Chairman's welcome



Steve Delo
Chairman of the
NUKPF Trustee Board

Hello and welcome to your Nestlé UK Pension Fund (the Fund) newsletter for 2018. You might notice that your newsletter has a new feel this year, and that we've included more content that's relevant to you. It's been a busy year and we have lots to update you on, so this newsletter is packed full of useful information and news. Here are a few of the things the Trustees have been focusing on throughout the year:

General Data Protection Regulation (GDPR)

Along with other pension funds around the UK, we reviewed our processes in light of the new data protection legislation – GDPR.

As a result of this, we updated our privacy statement – you can find this on our website at nimpensions.co.uk. We have also reviewed our internal processes, as well as the contracts we have with our external advisers and providers, to make sure they are in line with the new legislation.

Pensions website

We've also been busy updating our website and we're working on moving it across to a new address. This will be ready in the new year. See page 6 for more details.

Governance

The Pensions Regulator has launched a programme to raise standards of governance across all pension schemes in the UK. While we feel we are a well-run scheme, it's good practice to review our governance from time to time and we're using the Regulator's programme as a basis for a review of how we do things. Our review will run during 2019 and we'll update you on our progress in future newsletters.

On the subject of governance, we'd also like to update you on the new team structure within Nestlé Pensions.

Valuation

We're gearing up for the next Fund valuation, which is due as at 31 December 2018. You can read more about it on page 5.



Nestlé Pensions new team structure

Earlier in the year, we finalised recruiting for a new team structure within Nestlé Pensions. We now have in place a new senior leadership team, all reporting to Andrew White, Head of Group Pensions:

Vickii Burton – Head of Change and Improvement

Alessandra Cardoso – Chief Investment and Risk Officer

Andy Dunlop – Head of Engagement

Stuart Nicholas – Head of Service Delivery

Within the team we now have a strong combination of new and experienced Nestlé people. The new structure is designed to build the team's capabilities in a number of areas, and to provide specialist expertise to support the Trustees and the Company in all pension matters.

We continue to believe that providing administration and other services 'in-house' is the best way for the 34,000 or so members of the Fund to experience high quality administration services in a cost-effective manner.

Please continue to contact the team with any questions you have about your pension. You can find their contact details on page 6.

Investment matters

We've started to review the Fund's long-term asset allocation (where we invest the Fund's money). As a result, we are looking to decrease the investment risk by reducing the allocation to growth assets over time. Growth assets can provide stronger returns but are more volatile, so with the Fund getting more mature we will be moving the money to investments that are less volatile and more likely to provide stable cash flows.

We are also working on how to integrate Environmental, Social and Governance (ESG) factors to our investment process. This should be in place and documented in the Statement of Investment Principles (SIP) by October 2019.

Investment governance

We're building a more robust approach when it comes to developing new investment procedures, documenting these procedures, and looking at how our activities relate to our strategic aims.

We've also been working with the finance team and our investment managers to report the latest fees and costs to the Governance and Compliance Committee.

Trustee Board changes

As mentioned in our last newsletter, we've made changes to the structure of the Trustee Board. For a reminder of the changes, turn to page 10.

Other updates

In this newsletter you also can find out about:

- The funding level and membership numbers;
- The default investment fund.

There's lots more inside, so we hope you take the time to enjoy reading your newsletter.

We're always looking for ways to improve the way we communicate with you, so if you have any comments or suggestions, please get in touch using the contact details on page 6.

Thanks,

Steve Delo (Chairman of the Trustees)

Membership and funding

Membership numbers

Below you can see the membership of the Fund at 31 December 2017. This includes all members of the Fund, however they are building up benefits, and compares with the membership at 31 December 2016.

Contributing members



Pensioner members



Deferred members



Life assurance only members*



* This includes all members of the Fund, however they are building up benefits, and compares with the membership at 31 December 2016.



Funding update

A full actuarial valuation takes place every three years and the next one is due to take place as at 31 December 2018. In between valuations, the actuary gives a funding update to let you know how the Fund is doing.

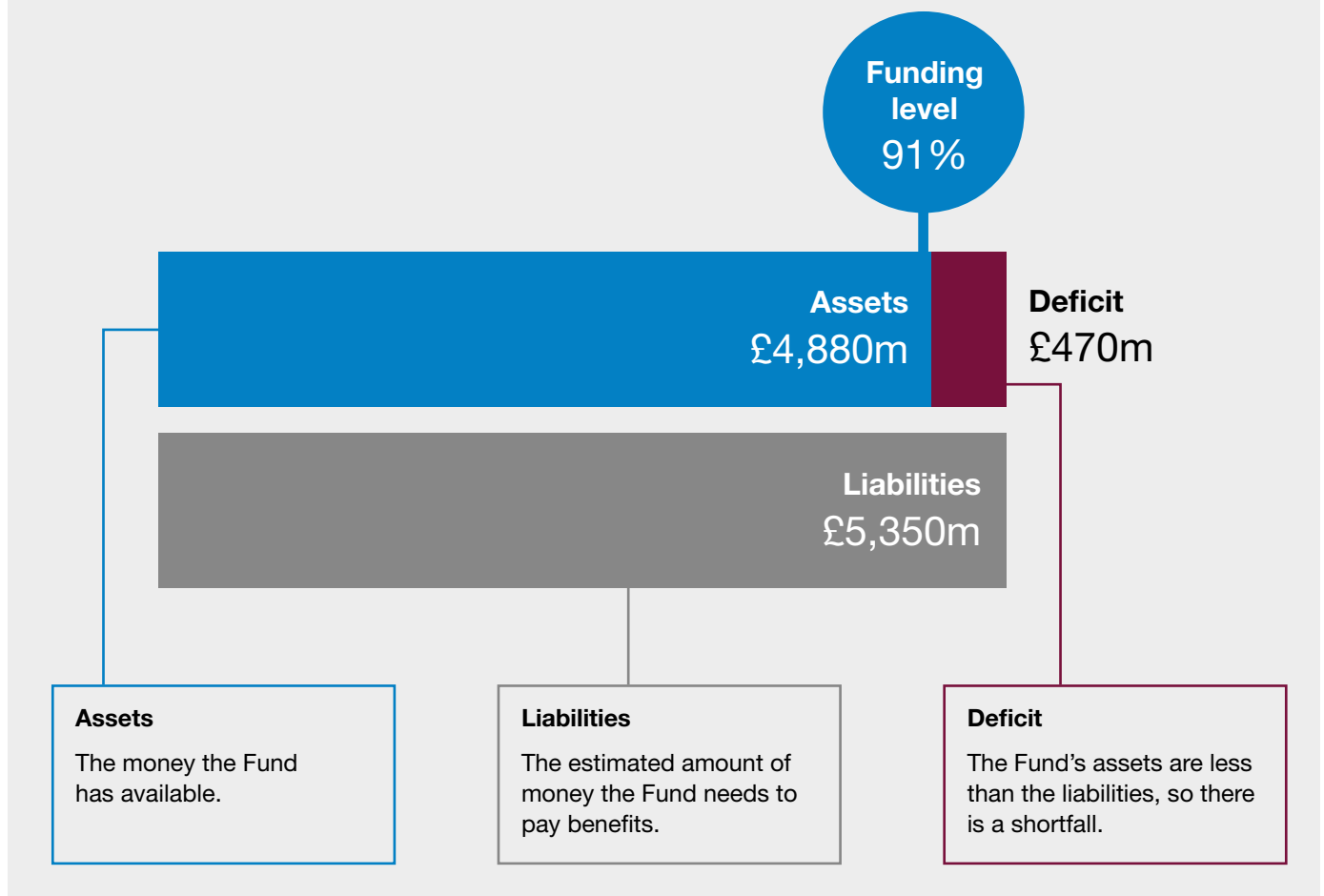
What is a valuation?

A valuation is a financial 'health check' of the defined benefit (DB) sections of the Fund (previously Lanes 2 and 3, now DB Core and DB CorePlus), which compares the total value of the Fund's assets (the money it has available) with its liabilities (the estimated amount of money it will need in the future to pay the benefits members have already earned). The percentage of the liabilities covered by the assets is called the 'funding level'. If the funding level is below 100%, there is a deficit or shortfall to make up; if the funding level is above 100%, there is a surplus. The valuation will determine whether or not there is a shortfall in the Fund and will therefore signal if any action needs to take place. The valuation also works out what contributions are needed to fund the extra benefits that will be built up in the future for DB Core and DB CorePlus members.

The valuation can take some time to complete and we will let you know the results when they are available.

Results of the latest funding update

The results from the update as at 31 December 2017 are shown below.



In order to make up the deficit, Nestlé UK Ltd paid £104.5 million into the Fund in 2016, £89 million in 2017 and £86 million in 2018, and has agreed with the Trustees to make further payments of £86 million from 2019 through to 2022, with a final payment of £63 million due by the end of 2022.

You can find the full Summary Funding Statement on the website at nimpensions.co.uk

Who to contact

Nestlé Pensions are always happy to help.

You can contact them if...

- You have general questions about your pension.
- You'd like a copy of any of the Fund documents.
- You'd like to provide feedback on the way we communicate with you.

Contact the team using the details below:



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



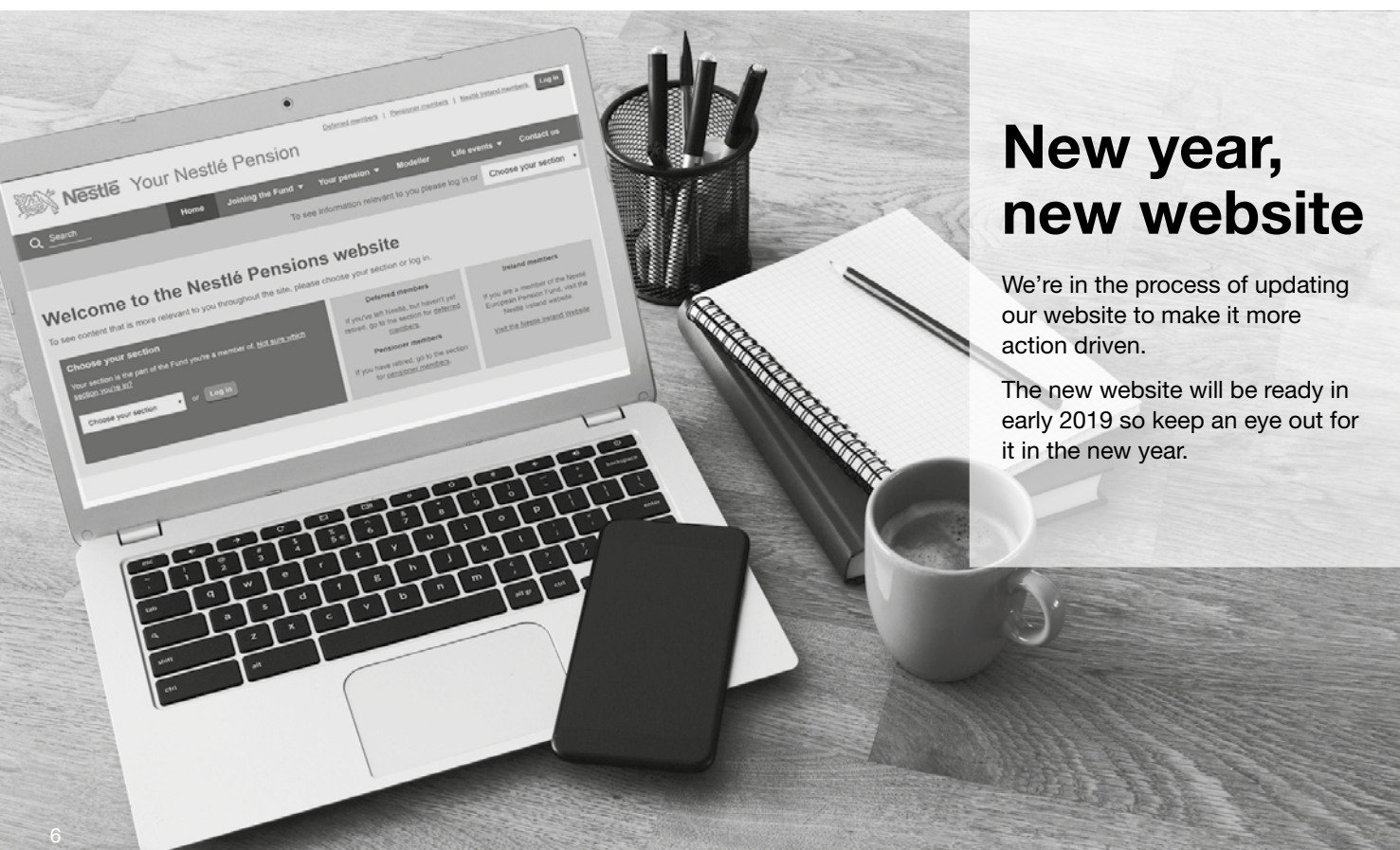
Tel:
020 8667 6363



Email:
pensions@uk.nestle.com



Website:
nimpensions.co.uk



New year, new website

We're in the process of updating our website to make it more action driven.

The new website will be ready in early 2019 so keep an eye out for it in the new year.

Protection for you and your loved ones

In case the worst should happen

As well as your pension benefits, the Fund also provides protection for your loved ones when you die under the Nestlé Group Life Scheme.

You can read about the death benefits you might receive in the DB benefits section of the website at nimpensions.co.uk

Remember to fill in a Nomination Form so that the Trustees know who you'd like to receive your benefits if you die.

Although the Trustees aren't bound by the wishes you express on the form, they will take them into account, so it's important that you fill in and return a form to make sure your beneficiaries receive any benefits they're entitled to when you die.

Make sure you keep the form updated if your circumstances change, for example if you marry or divorce.

In case you're ill

If you're too ill to carry on in your job, the Fund offers different ill-health retirement options depending on whether or not you're still contributing to the Fund and if so, which section you're in.

If you're a DB Core or DB CorePlus member, you may qualify for a full or a partial ill-health pension.

If you are too ill to continue working, you could receive an unreduced pension, based on your pensionable service in DB Core and/or DB CorePlus up to normal pensionable age and your full career average revalued earnings (not subject to the pensionable earnings cap).

If you're too ill to do your current job due to illness or disability, you may qualify for a partial ill-health pension, based on your pensionable service in DB Core and/or DB CorePlus up to the date you retire and your full career average revalued earnings (not subject to the cap).

If you're in DC Core and you're too ill to carry on in your job, with Nestlé's consent, you could receive an income of up to 50% of your pay through an income protection policy. The benefit would be paid until you are capable of returning to work or reach normal pension age, whichever is earlier.

Your normal pension age is the same as your state pension age.

Visit the website at nimpensions.co.uk for more information.



DC investment update

New members to the Fund either join DC Start or DC Core. In these sections of the Fund, you build up savings on a 'defined contribution' (DC) basis. In a defined contribution scheme, you have your own account that you invest with the aim of growing its value.

You will have a DC Core account if you:

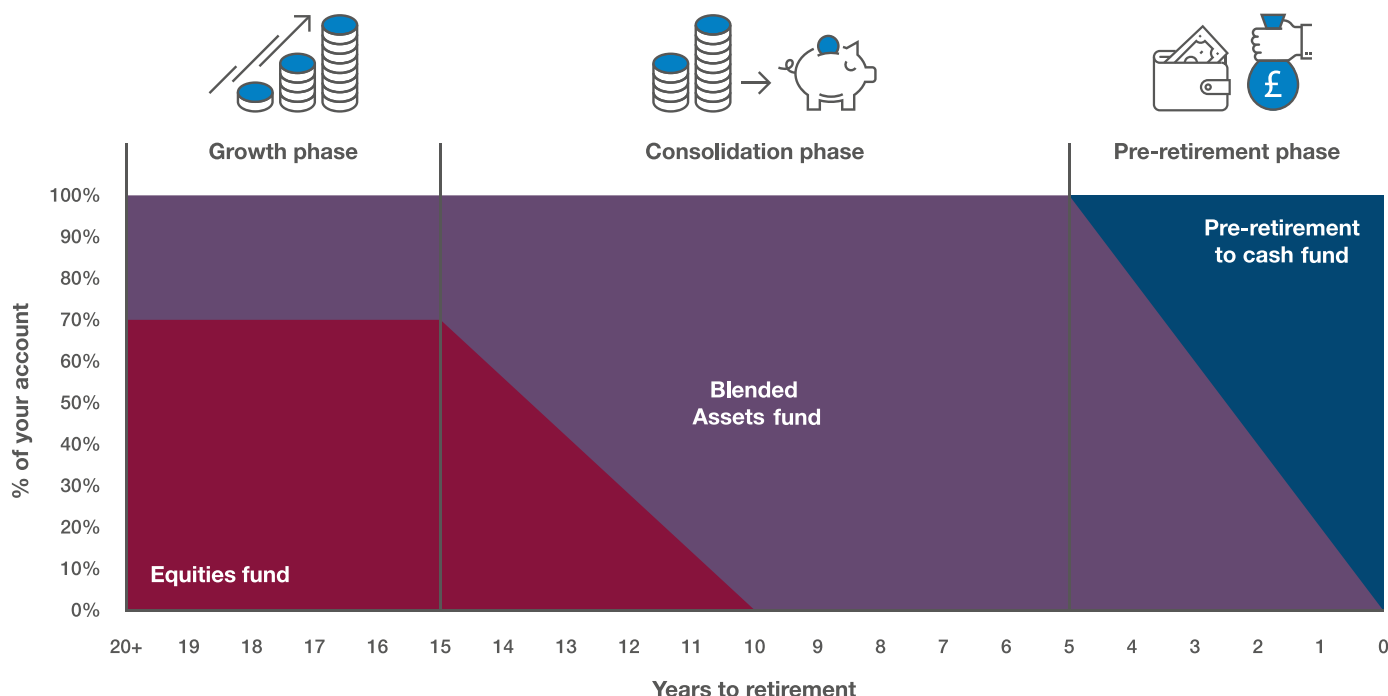
- are, or have ever been, a member of DC Core or Lane 1 of the Fund; or
- earn more than the pensionable earnings cap; or
- have paid additional voluntary contributions (AVCs) to Lane 1 or DC Core.

If you haven't made an investment decision, your savings will be invested in the Fund's default strategy, the Lifetime Pathway fund. We think this is appropriate for most members. However, it may not suit you and you should consider if it is right for you and at what age you think you'll retire.

The Lifetime Pathway fund assumes that as you get older, your attitude towards risk is likely to change. You may, for example, want to minimise the chance of losses because if your investments don't perform so well you won't have as long for your pension savings to recover. The Lifetime Pathway takes this into account and starts to move you towards lower-risk funds the closer you get to retirement.

If you are invested in the Lifetime Pathway, you should make sure that you've thought about when you would like to retire (your 'target retirement age') – otherwise we might start switching your investment funds at the wrong time. If you haven't yet set your target retirement age, your savings are invested based on your normal pension age.

You can see how your savings move between the three Lifetime Pathway phases once you reach 15 years before retirement below:



In the last five years before you reach your target retirement age, the Lifetime Pathway fund gradually switches your investments into the Pre-retirement to cash fund, which is suitable for you if you intend to take the whole of your pension savings account as cash.

If you don't think you want to take your entire pension savings account as cash when you retire, you should think carefully about whether the Lifetime Pathway fund is right for you, especially when you reach five years before your target retirement age.

If you are in DC Start and you want to change your investments, you can do this by moving to DC Core. In DC Core, you would have the options outlined opposite.

Switching your investments

In DC Core you can choose how your contributions are invested from the two options below.

- Put all your contributions in the Lifetime Pathway fund; or
- Put all your contributions into a combination of nine other individual 'self-select' funds.

If you don't make an active choice about where your contributions are invested they will be automatically invested in the Lifetime Pathway fund.

In DC Core, you can change your investments or your target retirement age once a quarter. Visit the website at nimpensions.co.uk to find out how to do this. You can view your DC account balance, and where your account is currently invested, by logging into the modeller on the website.

Investment performance

You can find factsheets detailing each fund's investment performance on the website at nimpensions.co.uk/investments/investment-performance

External additional voluntary contributions review

We are currently reviewing the additional voluntary contributions (AVCs) that some of you may hold with external providers, such as Standard Life, Equitable Life and Clerical Medical. If we decide to make any changes to the external AVCs, we will contact you directly.



Trustee update

You may remember from the newsletter we sent you earlier in the year that following the December 2017 Trustee Board meeting, we decided to reduce the size of the Board from ten to eight Trustee Directors. We're confident that a Board of eight Directors is enough to ensure strong governance and efficient decision making. The Company also agreed and was happy with this decision.

As a result of this decision, we decided not to replace:

- Tim Orme – a long-standing Nestlé-appointed Trustee Director, who sadly passed away last year; and
- Sean Conricode – a long-standing Member-Nominated Trustee Director, who retired from Nestlé in York in April 2018. We'd like to thank Sean for his contributions to the Board over the last 10 years.

The newly structured Trustee Board is made up of four company-appointed Trustee Directors and four member-nominated Trustee Directors. All the Trustee Directors are responsible for running the Fund in the best interests of you, its members.

Here are the current Trustee Directors:



**Barbara Firth – Member-Nominated Trustee Director
Pensioner Member**

Barbara worked for Nestlé and Rowntree in York for over 28 years. She was secretary to the Managing Director of the Confectionery Division, and briefly ran the Joseph Rowntree Library before moving into the Human Resources function. She retired from Nestlé to set up a boutique bed and breakfast with her husband. Barbara joined the Trustee Board in 2014 when she wound up their business.



**David Baxter – Member-Nominated Trustee Director
Pensioner Member**

David worked for Nestlé for more than 30 years and was a Pension Members Representative at Gatwick and Croydon for more than five years. A certified engineer, he was the Nestlé representative to European Coffee Associations (including Committee Chairman), and Global Head of Green Coffee Quality.



**Irene Donaldson – Nestlé-appointed Trustee Director
Employee Member**

Irene is a Learning & Development Specialist based in Gatwick. She has worked for Nestlé UK Ltd for 31 years, in various roles in Marketing, Sales and Human Resources. Irene joined the Trustee Board as a Nestlé-appointed Trustee Director in February 2016, bringing her experience of issue analysis, decision making and communications, all key to the complex role of the Trustee in today's economic climate.



**John Chilman – Nestlé-appointed Trustee Director
Independent Trustee**

John is an experienced pensions and reward professional who joined the Trustee Board in August 2016. He is currently the Group Head of Pensions at National Grid and Chairman of the Railways Pension Scheme, and has a number of trustee appointments in North America. John is Chairman of the Defined Contribution Committee.



**Malcolm Burrige – Nestlé-appointed Trustee Director
Employee Member**

Malcolm is the Finance Manager for Nestlé Professional UK & Ireland based in Gatwick. He has worked for Nestlé in a variety of Finance roles for over 15 years, including Group Finance, Supply Chain Finance and the LGO ('Local Globe Organisation'). He joined the Trustee Board as a Nestlé-appointed Trustee Director in February 2016 and is excited to work on the big challenges workplace pensions face in the UK. Malcolm is Chairman of the Governance & Compliance Committee.



**Marcus Barry – Member-Nominated Trustee Director
Employee Member**

Marcus is a Business Manager for 1st Choice Sales based in Gatwick and has worked for Nestlé for nearly 30 years. Prior to joining Nestlé, he worked for two years within the occupational pensions industry. Marcus joined the Trustee Board as a Member-Nominated Trustee Director in 2015.



**Steve Delo – Nestlé-appointed Trustee Director
Independent Trustee**

Steve is the Chair of the NUKPF Trustee Board and former President of the Pensions Management Institute. Steve is also the Chief Executive of PAN Governance LLP which provides trusteeship and governance services to all types of approved pension schemes. Prior to joining PAN, he held senior roles in pension consulting and asset management. Steve joined the Trustee Board in May 2015 and was appointed Chairman in February 2016.



**Steve Robinson – Member-Nominated Trustee Director
Employee Member**

Steve has worked for Nestlé in York for over 23 years in a variety of engineering and production roles. He joined the Trustee Board as a Member-Nominated Trustee Director in 2014. Prior to that, he spent two years as a Member Representative on the Fund's forum for employee members.

For further information about the Nestlé UK Pension Fund:



Write:

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Gatwick
RH6 0PA
United Kingdom



Tel:

020 8667 6363



Email:

pensions@uk.nestle.com



Website:

nimpensions.co.uk



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Although every effort is made to ensure information is up to date at the time of writing, subsequent changes to the Fund's documentation and/or applicable legislation may subsequently affect its correctness or completeness.

This document is not intended to provide a definitive description of any benefits payable from the Fund or a comprehensive statement of the law on any issue. Nothing in this document confers any legal entitlement to benefits.

Nothing in this document constitutes financial advice and you should not rely on information in this document in making any decisions about your benefits or Fund membership. We recommend that you consider taking independent financial advice before making any such decisions.

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