

# ANNUAL REPORT 2015 OF 'PENSIONS KASSE UNILEVER SCHWEIZ'

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## Overview of the 2015 financial year

Developments in 2015 and outlook for 2016

Balance sheet and profit & loss account

Insured population

Organisation of the 'Pensionskasse'

Thayngen, August 2016



## Review 2015

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2015 was not an easy year, but against the backdrop of the difficult environment, the pension fund remains well positioned and forward-looking.

At two regular board meetings, the main agenda items discussed were the approval of the annual accounts 2014, the return on assets, the interest on retirement savings and diverse regulatory adjustments.

Effective January 1, 2015, the decision of the Foundation's Board of 17 January 2014 regarding adjusting the conversion rate from 6.4% to 5.35%, was implemented. This was accompanied by the following flanking measures:

- increase in contributions for employers and employees by 1% point
- tiered outfinancing of the effects on individual pensions based on age and years of membership
- increase of capital withdrawal limits upon retirement from 30% to 50%

This is a necessary and sustainable step in order to ensure a long-term, sustainable and balanced financial position of the Unilever Switzerland pension fund as life expectancy continues to rise. Although these adjustments are partially linked to losses, they will serve for the long-term security of the Unilever Switzerland pension scheme.

Effective the end of July 2015, the implementation of the new investment strategy was completed. The aim was a de-risking and diversification into further investment classes. The equities' percentage was reduced from 40% to 30%, compensated by an increase in fixed-income investments. New also is a 5% investment in Swiss and European real estate as part of the investment strategy. The compilation in the facts and figures section shows the asset distribution on 31.12.2015 in accordance with the new investment strategy.

The number of active members has decreased by a total of 100 employees in the reporting year; 70 of them as a result of the relocation of jobs from Schaffhausen to foreign Unilever companies.

## Investments

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The Swiss National Bank (SNB) opened the year with a bang. Effective 15 January, it cancelled the EUR exchange rate floor and the euro fell by 29% against the CHF, recovering only slowly to the level of EUR/CHF 1.09 at year end. As an accompanying measure, it simultaneously lowered interest rates. However, this, initially less-noticed, decision is likely to be the measure with the longest-term effect for many pension funds.

Then, until the middle of the year, the accentuating Greek debt crisis occurred in the capital markets. In the second half of the year, the slowdown in economic growth and looming difficulties in the emerging markets became the focus.

After three highly successful investment years of 2012 - 2014, the Unilever Switzerland pension fund generated a return of -2.7% in the reporting period which is on par with the benchmark. The cancellation of the exchange rate floor against the Euro by the SNB, the continued

low interest rate environment in fixed income investments and the economic difficulties in the emerging markets significantly influenced this result. The performance in equities was down against 2014. New investments in real estate in Switzerland and Europe contributed positively to the result.

## Compulsory disclosure of voting rights in 2015 for direct investments in Swiss equities

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There are no compulsory voting rights for the Unilever Switzerland pension fund. Investments in Swiss equities are organised exclusively through the Unilever-owned investment fund AFP in a passive index fund at Credit Suisse. No equities are held directly.

## Pension liabilities and technical provisions 2015

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The pension liabilities of active members increased slightly in 2015 to CHF 0.9 million, whilst the pensioners decreased to CHF 23.0 million. The technical provisions increased by CHF 1.1 million. Thus, the pension liabilities and technical provisions reduced to a total of CHF 21.0 million. The small increase in the pension liabilities of active members is due to the aforementioned decrease in the number of active members and the corresponding payouts of vested termination benefits.

## Fluctuation reserves and coverage ratio

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Due to the negative performance, the operating statement 2015 shows that expenses exceeded income by CHF 36.4 million. Accordingly, the fluctuation reserves had to be reduced from CHF 149.8 million to CHF 113.4.

The coverage ratio pursuant to Art. 44 BVV 2 shows the financial position of the pension fund. It is an important indicator for the assessment of risk tolerance in the investment policy. Due to the negative performance in 2015, the coverage ratio of 122.2% decreased by 4.8% points to 117.4% in the reporting period. Thus, we have reached 80.1% of the fluctuation reserve target value, which amounted to 21.7% of the technical necessary capital at the end of 2015. The target fluctuation reserve is calculated by the Complementa company as being 1.5% lower compared to 2014. Among other things, due to the new investment strategy with a lower equity allocation. The necessary technical provisions have been built to full height.

## Outlook 2016

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At mid-year, investments do not present a satisfactory image despite a positive performance of 0.8%. Volatile stock markets and still low interest rates are major challenges facing the pension world.

Effective June 23, 2016 Great Britain decided to leave the EU in a referendum. It is expected that the related uncertainty about the future will negatively affect investments and economic growth.

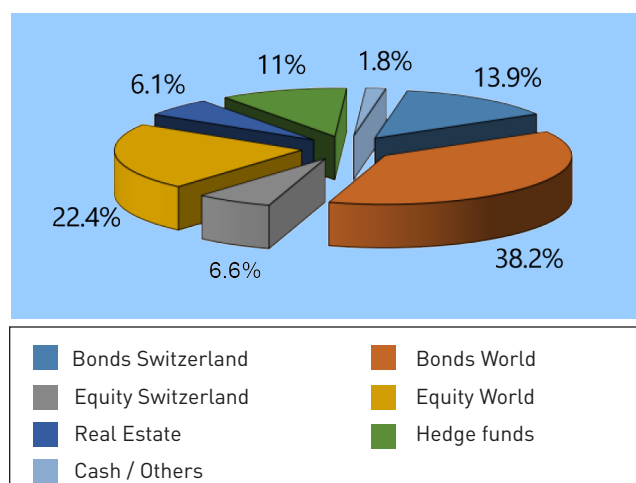
Due to the unsatisfactory earnings situation of the financial markets, the foundation board has decided to leave the interest on retirement savings at 1.75% for the year 2015.

**Balance sheet as at** **31.12.15** **31.12.14**  
(in CHF million)

Cash	5.3	16.9
Current account UL companies	1.0	0.0
Accounts receivable and deferrals	5.0	4.0
Investments	792.1	838.1
<b>Total assets</b>	<b>803.4</b>	<b>859.0</b>
Accounts payable and accruals	29.4	27.4
Employer contribution reserve	8.5	8.5
Actuarial reserves and technical provisions	652.1	673.3
Fluctuation reserve	113.4	149.8
Endowment capital/free capital	0.0	0.0
<b>Total liabilities</b>	<b>803.4</b>	<b>859.0</b>

**Investment of assets as at 31.12.2015**  
(in CHF million)

	Strategy	effective	Amount
Bonds Switzerland	15.0%	13.9%	111.4
Bonds World	40.0%	38.2%	306.7
Equity Switzerland	7.5%	6.6%	52.9
Equity World	22.5%	22.4%	180.3
Real Estate	5.0%	6.1%	49.3
Hedge funds	10.0%	11.0%	88.7
Cash / Others	0.0%	1.8%	14.1
<b>Total assets</b>			<b>803.4</b>



**Performance by investment categories as at 31.12.2015** (in %, +=positive, !=negative)

	Performance	Benchmark
<b>Bonds</b>	<b>(2.6)</b>	<b>(4.6)</b>
- Switzerland	2.1	2.0
- Global (redeployed Q1/15)	(8.6)	(13.2)
- Global Sovereign	1.0	0.7
- Global Credit	0.6	1.2
- Global High Yield	(2.1)	(0.9)
- Global Emerging Markets	(5.9)	(6.5)
<b>Equities</b>	<b>3.5</b>	<b>1.2</b>
- Switzerland	2.4	2.7
- Global	3.6	1.0
<b>Real Estate</b>	<b>6.7</b>	<b>5.8</b>
<b>Hedge funds</b>	<b>0.2</b>	<b>(4.6)</b>
<b>Fx-Hedging</b>	<b>(1.2)</b>	<b>(1.2)</b>
<b>Total</b>	<b>(2.7)</b>	<b>(2.7)</b>

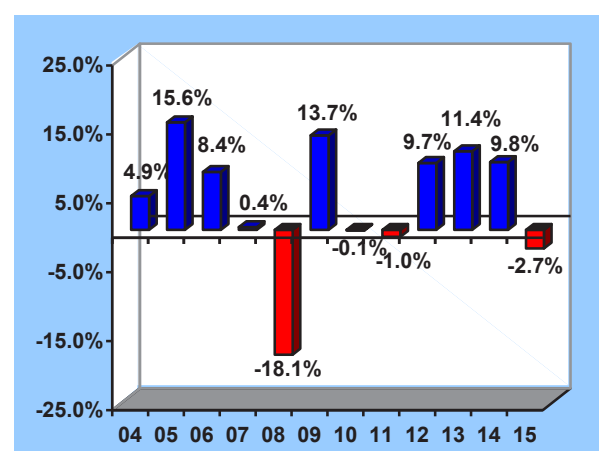
**Profit & loss account** **2015** **2014**  
(in CHF million, +=income, != costs)

Contributions/individual deposits	16.9	16.6
Transfers upon entries	3.7	2.5
Statutory benefits	(37.8)	(39.4)
Supplementary benefits	(4.1)	(4.3)
Transfers upon exits	(14.7)	(7.2)
Changes in actuarial reserves, technical provisions and employer contributions reserve	21.1	14.1
Insurance expenses	(0.1)	(0.1)
<b>Result of insurance activities</b>	<b>(15.0)</b>	<b>(17.8)</b>
Result of investments	(22.2)	75.8
Other results	1.0	1.0
Administration and marketing costs	(0.2)	(0.2)
Change of the fluctuation reserve	36.4	(58.8)
<b>Annual result</b>	<b>0.0</b>	<b>0.0</b>

**Composition of the 2015 result**  
(in CHF million, +=income, != costs)

Result of investments	(22.2)
Contributions and transfers upon entries	20.6
Benefits, transfers upon exit	(56.6)
Change in technical reserves, security fund	21.0
Other expenses and profit	0.8
<b>Result before change fluctuation reserve</b>	<b>(36.4)</b>
Fluctuation reserve on 1.1.15	149.8
Change 2015	(36.4)
<b>Fluctuation reserve on 31.12.15</b>	<b>113.4</b>

**Performance of investment of assets 2004 – 2015**

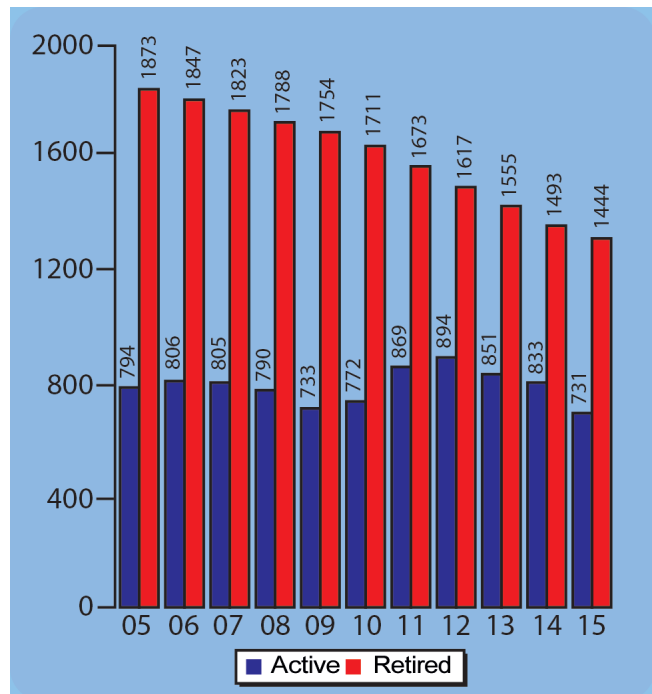


**Important key figures as at 31.12.2015**

Funding ratio	117.4%
Fluctuation reserve	17.4%
Target fluctuation reserve	21.7%

<b>Pensioners</b>	<b>31.12.15</b>	<b>31.12.14</b>
<b>Elbus / Eswa</b>	<b>35</b>	<b>38</b>
<b>JohnsonDiversey</b>	<b>193</b>	<b>200</b>
<b>Lever Fabergé</b>	<b>149</b>	<b>156</b>
<b>Lipton-Sais, Astra</b>	<b>293</b>	<b>310</b>
<b>Lusso Foods</b>	<b>144</b>	<b>145</b>
<b>Unilever Schweiz Service</b> (incl. Betty Bossil)	<b>50</b>	<b>51</b>
<b>Unilever Cosmetics</b>	<b>4</b>	<b>4</b>
<b>Unilever Schweiz GmbH</b> (Knorr, Hirz, Délifrais, Chirat)	<b>574</b>	<b>586</b>
<b>USCC</b>	<b>2</b>	<b>3</b>
<b>Total</b>	<b>1444</b>	<b>1493</b>

## Development of active and retired members 2005 – 2015



## Organisation of the pension fund in 2015

### Board of trustees

#### Employer representatives

Monique Bourquin	Unilever Schweiz GmbH, President
André von Steiger	Unilever Schweiz GmbH (until 28.02.2015)
Fabian Lang	Unilever Schweiz GmbH (from 01.04.2015)
Jost Pohlmann	Unilever HUB Schaffhausen*
Silke Reimers	Unilever HUB Schaffhausen*

#### Employee representatives

Josef Tschigg	Unilever Schweiz GmbH
Andreas Reschek	Unilever Schweiz GmbH
Judith Müller	Unilever HUB Schaffhausen*
Ernst-Rainer Schönert	Unilever HUB Schaffhausen*
Anne Zwysig	Pensioners' representative

### Investment Committee

Monique Bourquin	President/ Employer-Trustee
Ernst-Rainer Schönert	Employee-Trustee
Thomas Müller	Member
Petra Tirmanova	Member
Michael Hahn	Member

### Other governing bodies

Pensions Manager	Thomas Müller
Accredited pension actuary	Martin Siegrist AON Hewitt Associates SA
External audit	PricewaterhouseCoopers AG
Supervisory body	BVG- und Stiftungsaufsicht des Kantons Zürich (BVS) Stampfenbachstrasse 63 8090 Zürich

#### \*HUB Schaffhausen, consisting of:

Unilever Supply Chain Company AG  
Unilever ASCC AG  
Unilever Business and Marketing Support AG  
Unilever Schaffhausen Service AG

Further information can be obtained from the pension fund of Unilever Switzerland.

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