

# ANNUAL REPORT 2017 OF 'PENSIONS KASSE UNILEVER SCHWEIZ'

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## Overview of the 2017 financial year

Developments in 2017 and outlook for 2018

Balance sheet and profit & loss account

Insured population

Organisation of the 'Pensionskasse'

Thayngen, August 2018



## Review 2017

The Swiss pension funds can look back on a gratifying investment year 2017. The industrialised countries had comprehensive strong growth, the company and consumer sentiment continued to brighten up and unemployment rates fell worldwide. Furthermore, the emerging countries are on a solid foundation after a successful year.

The average generated performance is the highest since 2009 and allows the pension funds to improve their degree of coverage or further adapt the technical interest rate to reality. The still very low interest rate level, as well as the demographic development continue to be the major challenges of the future for the Swiss pension funds.

At two ordinary foundation board meetings of the Unilever Switzerland Pension Fund, the main agenda items, such as the approval of the 2016 annual accounts, the returns on assets, the interest on retirement assets and various regulation adaptations, were discussed.

The biggest challenge for the foundation board of the Unilever Switzerland Pension Fund is the assurance of longterm financing of the regulatory benefits. This means that the technical principles and parameters used, as well as the investment strategy, constantly need to be reviewed and adapted, if necessary.

The number of active members fell by 87 employees in the reporting year and the number of pension recipients declined by 60. As of the end of 2017, the ratio between active employees and pensioners is at 31% to 69% and compared to the previous years, it changed slightly to the disadvantage of the active employees. A development, which is being closely followed by the foundation board.

The very positive return in 2017 allowed the foundation board to reduce the technical interest rate as of 31.12.2017 for the valuation of the pensioner obligations by 0.75 percentage points from 2.0% to 1.25%. This decision secures the long-term stability of the fund and takes account of the above mentioned circumstances.

In cooperation with Willis Towers Watson Zurich, Uninvest Company and the investment committee of the Unilever Switzerland Pension Fund, an Asset and Liability Management Study (ALM) was prepared in the usual 3-year cycle. An adaptation of the present investment strategy will be implemented in 2018, according to the foundation board's decision.

## Asset investments

By far the most important performance driver in 2017 were the stock markets, which closed the year with historically high profits. In Switzerland, the negative interest rates squeezed the yield. At a global level, bonds provided a respectable result.

After a good yield of 3.4% in the 2016 investment year, the Unilever Switzerland Pension Fund generated a very positive yield of 8.2% in the reporting year and is thus 0.7 percentage points above the benchmark of 7.5%. The best absolute results were generated in the Switzerland and World Equities investment categories. The investments in World Bonds, except for Government Bonds, made a very positive contribution to the result. The best positive deviations to the benchmark were with Real Estate, World Equities and Swiss Bonds, albeit, the latter were at a fundamentally very low level.

## Disclosure of the voicing duty 2017 with direct investments in Swiss equities

No voting duty exists for the Unilever Switzerland Pen-

sion Fund. The investments in Switzerland Equities occur exclusively through Unilever's own AFP investment fund in passive index funds with Credit Suisse. No equities are held directly.

## Pension capital and technical provisions in 2017

The pension capital of the active members declined by CHF 11.2 million in 2017, because of the reduction in the number of members.

The pensioners' actuarial reserve increased by CHF 10.1 million, the technical provisions fell by CHF 6.3 million. With a constant technical interest rate, both items would have declined by CHF 26.1 million. The reduction of the technical interest rate led to a higher valuation of the two items of CHF 42.5 million, which overcompensated the reduction.

## Value fluctuation reserves and degree of coverage

The degree of coverage in accordance with Art. 44 BV 2 [Swiss Ordinance on Occupational Old-Age, Survivors' and Disability Benefit Plans] shows the financial situation of the pension institution. For the investment policy, it is an important indicator for the assessment of the risk capacity.

Due to the positive performance, in spite of the reduction of the technical interest rate by 0.75 percentage points, the 2017 operating statement shows a revenue surplus of CHF 10.9 million prior to changing the value fluctuation reserve. Accordingly, the value fluctuation reserves were increased from CHF 115.7 million to CHF 126.6 and the degree of coverage was increased from 118.1% to 119.7%.

Therefore, 93.4% of the target value fluctuation reserve is reached, which amounts to 21.1% of the technically necessary capital as of the end of 2017. The target value fluctuation reserve is calculated by the Complementa company and is 0.2% lower in comparison to 2016. This is particularly due to the lower target yield compared to the previous year, because of the reduction of the technical interest rate. The necessary technical provisions are formed in the full amount.

## Outlook for 2018

As of end July 2018, the investments showed a negative performance of -0.2%. Rate corrections and uncertainties on the stock markets, as well as the negative performance of the bonds, cannot be compensated by the good results with the real estate.

Due to the positive performance in 2017 and the overall financial situation at the end of 2017, the foundation board decided to raise the interest on the retirement assets from 1.0% to 4.0% retroactively for 2017. The credit for the additional interest occurred as of 31 March 2018.

In spring of 2017, Unilever announced that it was searching for a buyer for the Baking, Cooking and Spreads (BCS) category. A group of investors was found with the KKR company, which will take over the business as of 1 July 2018. However, this development does not have much of an influence on the pension fund.

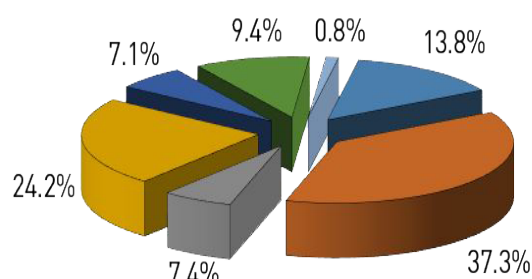
Both of the 'Old-Age Pension 2020' bills were rejected by the population on 24 September 2017. According to a decision of the Swiss Federal Council, the old-age, survivors' and invalidity insurance and the occupational pensions will now be reformed separately. It is hoped that solutions, which can gain majority support, will be put on the table quickly.

**Balance sheet as at** **31.12.17** **31.12.16**  
(in CHF million)

Cash	3.0	3.5
Current account UL companies	0.5	0.0
Accounts receivable and deferrals	2.8	5.4
Investments	803.9	787.1
<b>Total assets</b>	<b>810.2</b>	<b>796.0</b>
Accounts payable and accruals	31.7	33.5
Employer contribution reserve	8.5	8.5
Actuarial reserves and technical provisions	643.4	638.3
Fluctuation reserve	126.6	115.7
Endowment capital/free capital	0.0	0.0
<b>Total liabilities</b>	<b>810.2</b>	<b>796.0</b>

**Investment of assets as at 31.12.2017**  
(in CHF million)

	Strategy	effective	Amount
Bonds Switzerland	15.0%	13.8%	111.5
Bonds World	40.0%	37.3%	302.5
Equity Switzerland	7.5%	7.4%	59.8
Equity World	22.5%	24.2%	195.8
Real Estate	5.0%	7.1%	57.8
Hedge funds	10.0%	9.4%	76.4
Cash / Others	0.0%	0.8%	6.4
<b>Total assets</b>			<b>810.2</b>



**Annual Performance 2017 by investment categories**  
(in %, +=positive, ()=negative)

	Performance	Benchmark
<b>Bonds</b>		
- Switzerland	0.5	0.1
- Global Sovereign	1.0	(0.1)
- Global Credit	3.3	2.7
- Global High Yield	5.1	5.6
- Global Emerging Markets	9.9	9.1
<b>Equities</b>		
- Switzerland	19.6	19.9
- Global	20.6	18.3
<b>Real Estate</b>	<b>13.7</b>	<b>10.0</b>
<b>Hedge funds</b>	<b>0.6</b>	<b>3.6</b>
<b>Total</b>	<b>8.2</b>	<b>7.5</b>

**Profit & loss account** **2017** **2016**  
(in CHF million, +=income, ()= costs)

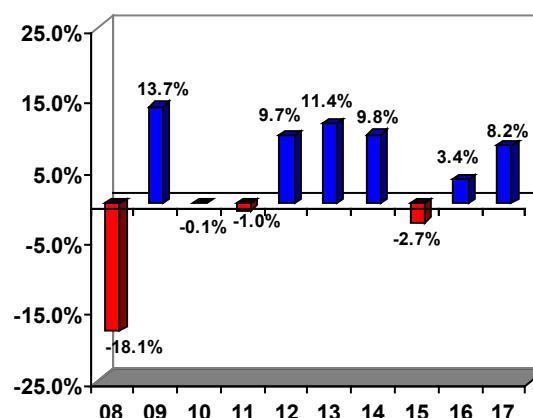
Contributions/individual deposits	16.3	15.6
Transfers upon entries	2.7	2.6
Statutory benefits	(36.4)	(36.6)
Supplementary benefits	(3.4)	(3.8)
Transfers upon exits	(26.6)	(16.3)
Changes in actuarial reserves, technical provisions and employer contributions reserve	(5.1)	13.9
Insurance expenses	(0.1)	(0.1)
<b>Result of insurance activities</b>	<b>(52.6)</b>	<b>(24.7)</b>
Result of investments	62.8	(26.2)
Other profit	1.1	1.0
Other expenses	(0.2)	0.0
Administration and marketing costs	(0.2)	(0.2)
Change of the fluctuation reserve	(10.9)	(2.3)
<b>Annual result</b>	<b>0.0</b>	<b>0.0</b>

**Composition of the 2017 result**  
(in CHF million, +=income, ()= costs)

Result of investments	62.8
Contributions and transfers upon entries	19.0
Benefits, transfers upon exit	(66.4)
Change in technical reserves, security fund	(5.2)
Other expenses and profit	0.7
<b>Result before change fluctuation reserve</b>	<b>10.9</b>

Fluctuation reserve on 1.1.17	115.7
Change 2017	10.9
<b>Fluctuation reserve on 31.12.17</b>	<b>126.6</b>

**Performance of investment of assets 2008 – 2017**

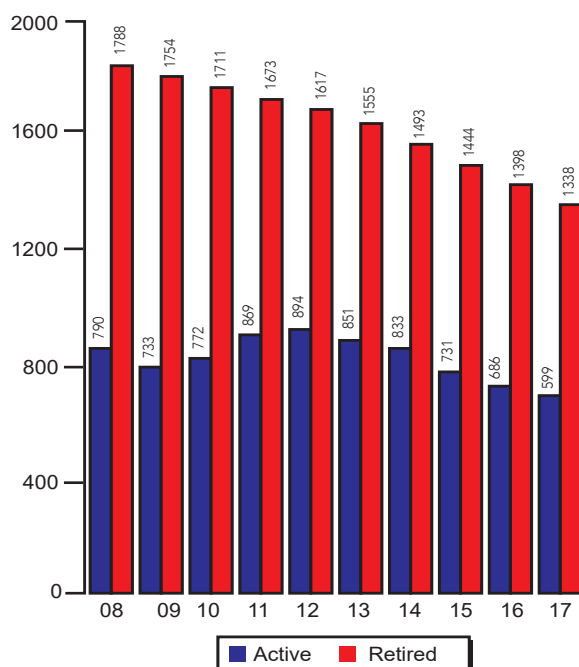


**Important key figures as at 31.12.2017**

Funding ratio	119.7%
Fluctuation reserve	19.7%
Target fluctuation reserve	21.1%
Achieved target Fluctuation reserve	93.4%

Pensioners	31.12.17	31.12.16
Elbus / Eswa	34	35
JohnsonDiversey	171	185
Lever Fabergé	137	143
Lipton-Sais, Astra	258	280
Lusso Foods	131	139
Unilever Schweiz Service (incl. Betty Bossi)	43	45
Unilever Cosmetics	4	4
Unilever Schweiz GmbH (Knorr, Hirz, Délifrais, Chirat)	557	565
USCC	3	2
<b>Total</b>	<b>1338</b>	<b>1398</b>

## Development of active and retired members 2008 – 2017



## Organisation of the pension fund in 2017

### Board of trustees

#### Employer representatives

Fabian Lang	Unilever Schweiz GmbH, Chairman
Nadia Meier	Unilever Schweiz GmbH,
Jost Pohlmann	Unilever HUB Schaffhausen*
Silke Reimers	Unilever HUB Schaffhausen*

#### Employee representatives

Josef Tschigg	Unilever Schweiz GmbH
Andreas Reschek	Unilever Schweiz GmbH
Ernst-Rainer Schönert	Unilever HUB Schaffhausen*
Judith Müller	Unilever HUB Schaffhausen* (until 31.10.2017)
Petra Tirmanova	Unilever HUB Schaffhausen* (from 01.11.2017)

Anne Zwyssig	Pensioners' representative
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### Investment Committee

Fabien Lang	President/Employer-Trustee
Silke Reimers	Employer-Trustee
Ernst-Rainer Schönert	Employee-Trustee
Petra Tirmanova	Employee-Trustee
Thomas Müller	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.

Pensionskasse Unilever Schweiz, Bahnhofstrasse 19, 8240 Thayngen

Email [pensionskasse.schweiz@unilever.com](mailto:pensionskasse.schweiz@unilever.com)  
 Tel. 052 645 65 97  
 Fax 052 645 65 99