

ANNUAL REPORT 2018 OF 'PENSIONS KASSE UNILEVER SCHWEIZ'

Overview of the 2018 financial year

Developments in 2018 and outlook for 2019

Balance sheet and profit & loss account

Insured population

Organisation of the 'Pensionskasse'

Thayngen, August 2019



Review 2018

After the excellent investment year 2017, in 2018, the pension funds showed negative yields in almost all investment sectors and the degrees of coverage declined accordingly. The year 2018 ended with the worst yields since the 2008 financial crisis. Although most of the funds still have reserves at their disposal, the prospects are inconclusive for the coming years, due to the continuing very low interest rate level.

At two ordinary Board of Trustees meetings of Pension Fund Unilever Switzerland, the main agenda items, such as the approval of the 2017 annual financial statements, the return on assets, the interest on retirement assets and various adaptations to regulations were discussed.

As of the 2018 annual financial statements, no technical parameters or basic principles were adapted. The continuing low interest rate environment, however, requires that the Board of Trustees constantly reviews, critically questions and adapts them, if necessary, in order to safeguard the long-term financing of the payments.

During the reporting year, the total balance was reduced by 60 members, of which, 28 were active members and 32 were pension recipients. As at the end of 2018, the ratio between active employees and pensioners was 30% to 70% and changed slightly in favour of the active employees in comparison to the previous year. A circumstance, which cannot be changed, but must be precisely observed by the Board of Trustees.

After the completion of the Asset and Liability Management Study (ALM) in cooperation with Willis Towers Watson Zurich, the Uninvest Company and the Investment Committee of the Pension Fund Unilever Switzerland, the Board of Trustees approved a moderate adaptation of the investment strategy in spring 2018. The aim was to reduce the risk with as low a reduction as possible of the expected yield. The proportion of equities in the investment strategy was reduced from 25% to 20% and for the Hedge Fund, it was reduced from 10% to 8%. In return, the share of Real Estate was increased from 5% to 7% and 5% was invested in a new Uninvest Funds - Diversified Income Fund. This fund comprises investments in Senior Loans and Asset Backed Securities.

After successful sales negotiations, as already announced by Unilever in 2017, the Baking, Cooking and Spreads (BCS) category was sold to the equity investment company, KKR, as of 1 July 2018. With a transfer of 7 employees, this event had little influence on the Unilever Switzerland Pension Fund.

Investments

2018 was a volatile investment year. Particularly the geopolitical risks accumulated, with the trade dispute between China and the USA, the Brexit negotiations between the United Kingdom and the EU and other events. This caused uncertainty in the financial markets, particularly during the last three months of the year.

After a very positive yield of 8.2% in the 2017 investment year, the Unilever Switzerland Pension Fund generated a negative yield during the reporting year of -4.0% and is thus 0.4 percentage points below the benchmark of -3.6%.

Except for the Real Estate and Government Bonds World investment categories, negative yields were generated everywhere. Switzerland and World equities particularly contributed to this result. The decline in the markets during the 4th quarter made itself clearly noticeable. Negative yields, albeit better than the benchmark, were also generated by the World, High Yield Bonds World and Emerging Countries Obligations categories.

Disclosure of the voicing duty 2018 with direct investments in Swiss equities

No obligation on voting rights exist for direct investments in Swiss equities. Investments in Swiss equities exclusively occur through Unilever's own AFP investment fund in a passive index fund with Credit Suisse. No equities are held directly.

Pension capital and technical provisions in 2018

The pension capital of the active members has declined by CHF 10.1 million in 2018, because of withdrawals and retirements.

The pensioners' actuarial reserve fell by CHF 17.4 million, while the technical provisions grew by CHF 1.1 million. The annual revaluation of the pensioners' obligations based on the current balance led to these adaptations. As at 31 December 2018, the technical parameters were not adapted to their valuation.

Out of the total pension capital excluding technical provisions as at 31 December 2018 of 578.5 million, 16.4% are allocated to active employees and 83.6% to pensioners. The Board of Trustees accommodated this as at 31 December 2017 by reducing the technical interest rate for the valuation of the pensioners' obligations to the low level of 1.25%.

Value fluctuation reserves and degree of coverage

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

As a consequence of the negative performance, the profit and loss account shows a surplus expense before the charge to the value fluctuation reserve of CHF 39.4 million. Accordingly, the value fluctuation reserves fell from CHF 126.6 million to CHF 87.2 million and the degree of coverage declined from 119.7% to 114.1%.

The target value fluctuation reserve is 18.9% of the technically required capital, which corresponds to CHF 116.6 million as at 31 December 2018. With the current balance of CHF 87.2 million, this is 74.8% achieved. The target fluctuation reserve is calculated by Complementa and is 2.2% lower than in 2017. This is due to the de-risking as part of the new investment strategy. The required technical provisions are formed in the full amount.

Outlook for 2019

The new year appears to be quite encouraging so far. As at end-June 2019, the investments show positive performance of 6.8%. In particular, the equities markets has partially compensated the descent of the 4th quarter again.

The negative performance of 2018 did not allow the Board of Trustees to grant retroactive additional interest on the pension capital of the active members for the 2018 financial year. At the meeting of the Board of Trustees on 22 May 2019, it was decided to definitively leave the interest for 2018 at 1%.

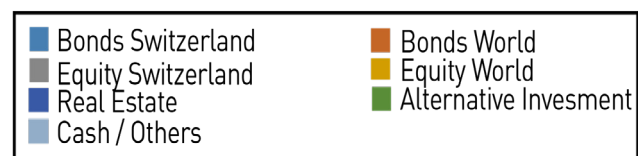
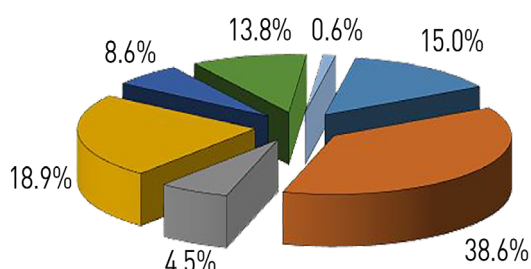
For the year 2019, a provisional interest rate of 1% will be applied, which will be reviewed in spring 2020.

Balance sheet as at **31.12.18** **31.12.17**
(in CHF million)

Cash	2.7	3.0
Current account UL companies	0.0	0.5
Accounts receivable and deferrals	0.1	2.8
Investments	739.1	803.9
Total assets	741.9	810.2
Accounts payable and accruals	29.3	31.7
Employer contribution reserve	8.5	8.5
Actuarial reserves and technical provisions	616.9	643.4
Fluctuation reserve	87.2	126.6
Endowment capital/free capital	0.0	0.0
Total liabilities	741.9	810.2

Investment of assets as at 31.12.2018
(in CHF million)

	Strategy	effective	Amount
Bonds Switzerland	15.0%	15.0%	111.1
Bonds World	40.0%	38.6%	286.3
Equity Switzerland	5.0%	4.5%	33.6
Equity World	20.0%	18.9%	140.2
Real Estate	7.0%	8.6%	63.5
Alternative Investment	13.0%	13.8%	102.8
Cash / Others	0.0%	0.6%	4.4
Total assets			741.9



Annual Performance 2018 by investment categories
(in %, +=positive, !=negative)

	Performance	Benchmark
Bonds		
- Switzerland	(0.1)	0.1
- Global Sovereign	0.7	0.5
- Global Credit	(4.1)	(4.1)
- Global High Yield	(4.7)	(5.0)
- Global Emerging Markets	(7.7)	(6.8)
Equities		
- Switzerland	(9.9)	(8.6)
- Global	(9.2)	(8.9)
Real Estate	1.3	1.3
Alternative Investments	(0.7)	5.9
Total	(4.0)	(3.7)

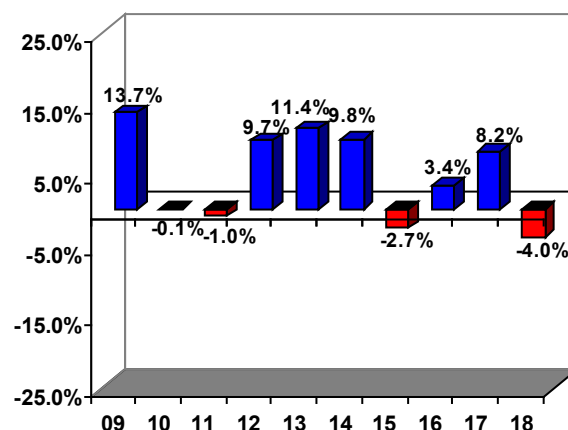
Profit & loss account **2018** **2017**
(in CHF million, +=income, != costs)

Contributions/individual deposits	15.4	16.3
Transfers upon entries	3.5	2.7
Statutory benefits	(35.6)	(36.4)
Supplementary benefits	(3.1)	(3.4)
Transfers upon exits	(15.9)	(26.6)
Changes in actuarial reserves, technical provisions and employer contributions reserve	26.5	(5.1)
Insurance expenses	(0.1)	(0.1)
Result of insurance activities	(9.3)	(52.6)
Result of investments	(30.5)	62.8
Other profit	0.6	1.1
Other expenses	0.0	(0.2)
Administration costs	(0.2)	(0.2)
Change of the fluctuation reserve	39.4	(10.9)
Annual result	0.0	0.0

Composition of the 2018 result
(in CHF million, +=income, != costs)

Result of investments	(30.5)
Contributions and transfers upon entries	18.9
Benefits, transfers upon exit	(54.6)
Change in technical reserves, security fund	26.4
Other expenses and profit	0.4
Result before change fluctuation reserve	(39.4)
Fluctuation reserve on 1.1.18	126.6
Change 2018	(39.4)
Fluctuation reserve on 31.12.18	87.2

Performance of investment of assets 2009 – 2018

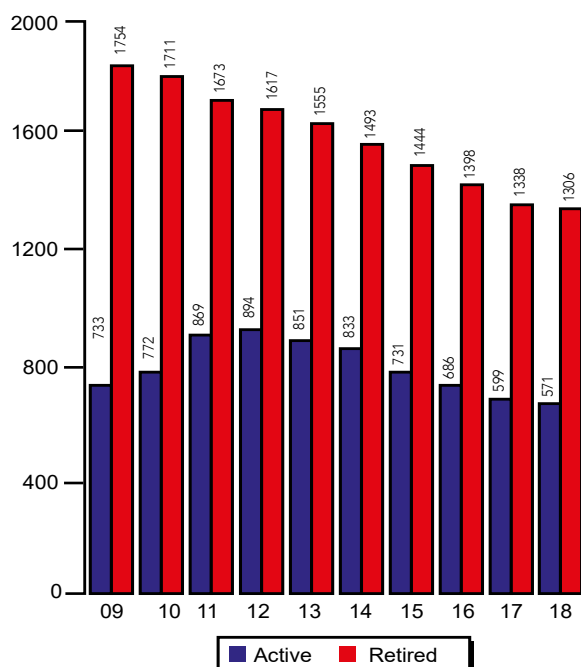


Important key figures as at 31.12.2018

Funding ratio	114.1%
Fluctuation reserve	14.1%
Target fluctuation reserve	18.9%
Achieved target Fluctuation reserve	74.8%

Pensioners	31.12.18	31.12.17
Elbus / Eswa	33	34
JohnsonDiversey	167	171
Lever Fabergé	132	137
Lipton-Sais, Astra	244	258
Lusso Foods	125	131
Unilever Schweiz Service (incl. Betty Bossi)	41	43
Unilever Cosmetics	4	4
Unilever Schweiz GmbH (Knorr, Hirz, Délifrais, Chirat)	557	557
USCC	3	3
Total	1306	1338

Development of active and retired members 2009 – 2018



Organisation of the pension fund in 2018

Board of trustees

Employer representatives

Fabian Lang	Unilever Schweiz GmbH, Chairman
Nadia Meier	Unilever Schweiz GmbH,
Jost Pohlmann	Unilever HUB Schaffhausen* (until 30.11.2018)
Philip Sasse	Unilever HUB Schaffhausen* (from 01.12.2018)
Silke Reimers	Unilever HUB Schaffhausen*

Employee representatives

Josef Tschigg	Unilever Schweiz GmbH
Andreas Reschek	Unilever Schweiz GmbH
Ernst-Rainer Schönert	Unilever HUB Schaffhausen*
Petra Tirmanova	Unilever HUB Schaffhausen*

Anne Zwyssig	Pensioners' representative
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Investment Committee

Fabian 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	Bálint Keserü AON Schweiz AG
External audit	Pascal Wintermantel 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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