Unilever UK Pension Fund

# Report and Accounts

For the year ended 31 March 2013

## Contents



**Unilever UK Pension Fund (established under Trust Deed, 31 January 2000)**

Unilever PLC is the principal employer of the Unilever UK Pension Fund (the Fund), which provides pensions and cash sums to retiring members, or to their families in the event of their death. (Throughout the remainder of this report, "the Company" or "Unilever" means either Unilever PLC, or another participating employer, or a combination of participating employers).

Unilever UK Pension Fund Trustees Limited is the trustee of the Fund. Unilever PLC and Unilever UK Pension Fund Trustees Limited share the power to remove and appoint Trustees. (Throughout the remainder of this report, "Trustees" means the Directors of Unilever UK Pension Fund Trustees Limited.)

This document confers no rights to contributions or benefits. Rights to contributions and benefits are conferred solely on the terms and subject to the conditions set out in the Trust Deed and Rules of the Unilever UK Pension Fund from time to time in force.

Pension Schemes Registry No. 10247063

# Welcome


Liz Airey

## From the Chairman of the Trustees

**Welcome to the Trustees' Report and Accounts for the Unilever UK Pension Fund (the "Fund") for the year ended 31 March 2013.**

Despite the continuing uncertainty in the global economy, 2012/13 was a positive period for the Fund featuring strong investment returns. In addition we made improvements in our administration, investment and governance arrangements.

Over the year the Defined Benefit section assets achieved a return of 15.7%. While we are pleased with this high return, we pay more attention to how our funding level has changed – that is, the percentage of our estimated liabilities covered by our assets. We have set up a joint Working Party with the Company to agree the main assumptions (such as inflation, life expectancy and discount rate) we will use in our latest actuarial valuation (looking at the Fund's position as at 31 March 2013). We will then agree the contributions required from the Company over the next few years. The results are expected towards the end of this year or in the early part of 2014 and we will communicate them in due course. We estimate that our funding level has increased slightly on the previous valuation basis. This is mainly due to the positive investment returns and the substantial contributions (£105 million) the Company paid over the year towards making up the deficit. However, the positive effect was lessened by a further decrease in gilt yields which increased the value of our liabilities.

The actuarial valuation result is likely to reveal a significant funding deficit. However, without being complacent, I and my fellow Trustees are not unduly concerned by this given the strong financial position of Unilever and in particular the fact that the deficit is relatively small compared to the size of the business. That said, we regularly monitor Unilever's general situation and financial health with the aid of independent professional advisers, as we do not take Unilever's strong financial position for granted.

Over the year, we significantly developed our investment approach for our DB assets including:

- increasing the level of hedging of our assets against increases in inflation;
- refining our strategy to include new allocations to emerging market and high yield debt; and
- changing our approach to equity investment.

We also have taken a first step in evolving our policy on responsible investment, by requesting the Univest Company (Unilever's in-house investment services department) to provide additional services relating to proxy voting, engagement and screening of companies in which we are invested. This will be undertaken by specific third parties, Hermes and Sustainalytics. At the outset, the Fund will be adopting Hermes' own principles for responsible ownership. At a high level, this involves Hermes actively engaging with companies to encourage strong and positive environmental, social and governance (ESG) approaches. We very much see our ESG journey as consistent with Unilever's own principles in these areas - as characterised by Unilever's Sustainable Living Plan.

The Fund year also saw the implementation of the agreed benefit changes from 1 July 2012. Given the changes, we took the opportunity to review our administration contract with our provider, Aon Hewitt. This led to a more robust operating model with some fee reductions. The benefit changes went smoothly and we are moving forward with our new contractual arrangement with Aon Hewitt.

Our regular communications to members, including the annual 'Fund Focus' newsletter, went out as normal.

We took a number of measures designed to improve our governance arrangements, following a series of recommendations arising from our 'Trustee effectiveness' review which we undertook with the assistance of a firm that specialises in such work.

We reorganised our Committee structure by:

- establishing a new Defined Contribution Committee to give increased focus to this increasingly important area for our members; and
- refocusing our Governance and Funding Committee as our Audit and Risk Committee (to recognise the greater importance that we give to these two areas of our operations).

We have also improved our approach to risk management.

We oversaw the transfer in of a small closed Unilever pension arrangement into the Fund which was agreed in principle before the year end and then completed shortly after the end of the Fund year.

While our Defined Contribution assets remain a small part of the Fund, and individuals are responsible for their own investment choices, we have increased our focus on both DC governance and investment monitoring.

Our priorities for the future are as follows:

- Completing the actuarial valuation;
- Reviewing our investment activities with greater focus on our overall strategy and our approach to ESG matters;
- Increasing the focus on our investment and administration approaches for DC;
- Introducing a Financial Education Programme to give further assistance to individuals in making their key decisions about their Unilever benefits; and
- Following our contract review, 'bedding in' the revised administrative arrangements with our provider, and moving to a new administration system.

This is my last introduction to our Annual Report as my second and final term of office comes to an end on 31 May 2014. While we have faced many challenges during my tenure, I have enjoyed my time as Chairman. I believe that the Fund has made continued progress and is in good shape for the future. We have started recruiting for my successor so that they are appointed in good time for my departure.

Finally, I would like to thank my fellow Trustees for their continued hard work in overseeing the stewardship of the UUKPF. In particular, I would like to thank Martin Grieve who left Unilever and the Trustee Board shortly after the year end, and welcome Daniel Jones who joined the Board in September. I would also like to thank Unilever's in-house pension teams, both those in Unilever UK Pensions and the Univest Company. The continued enthusiasm and the high level of professionalism of my Trustee colleagues and our in-house teams has made my job as Chairman of the Fund during a period of considerable change much easier than it might otherwise have been.

**Liz Airey**
Chairman, Unilever UK Pension Fund Trustees Limited

## Introduction

**The Unilever UK Pension Fund is made up of two sections:**

- **a defined benefit (DB) section – which is also split into two parts: the 'Career average plan' and the closed 'Final salary plan'; and**
- **a defined contribution (DC) section called the 'Investing plan'.**

Members of the Career average plan build up a pension of 1/60 of their pensionable earnings between two levels for each year of pensionable service. From 1 April 2013 the lower level is £5,675 and the higher level is £51,600.

Members can use the Investing plan to top up the benefits they are building up in the Career average plan (by paying extra voluntary contributions). Unilever also makes a contribution to the Investing plan of 12.5% of any pensionable earnings above the higher level. Members can choose to take some or all of this contribution as cash instead.

Before 1 July 2012, members who joined the Fund before 1 January 2008 were also able to build up benefits in the Final salary plan. The Final salary plan closed to future build up of benefits on 30 June 2012 and active members of that plan moved to the Career average plan.

More detailed information on longer-term trends is provided in the 10 year statistics table and supporting notes that start on page 56.

## The accounts in brief

| | £ million |
|---|---|
| **Fund value at 1 April 2012** | **5,841.2** |
| **Income** | |
| Contributions paid in by Unilever and Fund members | 168.0 |
| Transfers in from other schemes | 0.6 |
| Income from investments | 131.4 |
| **Outgoings** | |
| Benefits payable to members (pensions and lump sums) | (298.1) |
| Payments to leavers | (10.8) |
| Fees and expenses (advisers, administration, direct fund managers) | (21.7) |
| **Change in market value of Fund investments** | **747.8** |
| **Fund value at 31 March 2013** | **6,558.4** |

The value of the Fund increased during the year, partly due to investment returns, but also due to additional contributions from the Company. The Fund's accounts in full start on page 36.

## The funding level

The Scheme Actuary gives us an update of the Fund's funding level each year. This is either a full, formal valuation, which is carried out every three years, or an annual estimate in the years between valuations. A formal valuation assesses how the Fund's assets compare with its funding target (or, to use the official term, 'technical provisions'). The funding target is based on assumptions about future events, the investment strategy adopted by the Trustees and the expected covenant provided by the Company. The point of carrying out valuations is to monitor the funding situation and decide what actions are necessary to make up any shortfall they show.

As these estimates are based on the assumptions used during the previous valuation, and the membership profile at that date, they become less accurate over time.

The date of the previous formal valuation was 31 March 2010. The results of that valuation were:

| | |
|---|---|
| Deficit at 31 March 2010 | £680 million |
| Funding level at 31 March 2010 | 89% |

The most recent annual estimate was as at 31 March 2012.

| | |
|---|---|
| Deficit at 31 March 2012 | £1,551 million |
| Funding level at 31 March 2012 | 79% |

A copy of the latest annual estimate as at 31 March 2012 is available on request.

A formal valuation is now in progress as at 31 March 2013 and we have been working with the Company and the Scheme Actuary on this valuation. The process is well underway and details will be available once it is finalised which is expected to be in early 2014. This is why we do not show a 2013 funding level in this year's report.

We will issue the results of the 2013 valuation in a Summary Funding Statement during 2014. In next year's Report and Statement of Accounts we will summarise the 2013 valuation results and the actuarial update report for 2014.

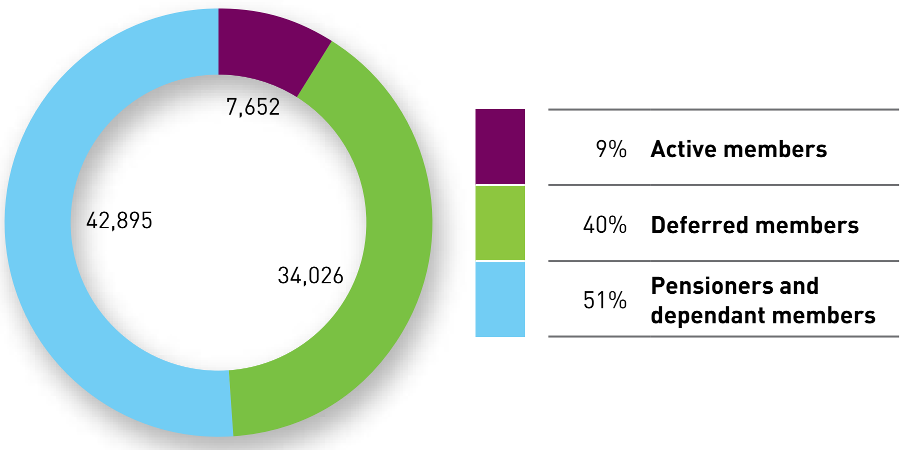
For more information on funding see the Actuary's report on page 34.

## Membership profile

This shows headline figures for the Fund membership at 31 March 2013.

On 1 July 2012 all Final salary members moved into the Career average plan. The total number of pensioners has fallen slightly since last year. You can find a more detailed breakdown (including changes over the year) on pages 62 and 63.

We normally include a chart showing an estimate of how the total liabilities of the Fund are split by member category. We have not included the chart this year due to the ongoing valuation.



## Investment summary

We measure our overall return against the change in our liabilities and once we complete the 2013 valuation, we will be able to make that comparison. We also measure our actual investment returns against market returns (benchmarks) for each asset class. The total Fund return for the year to 31 March 2013 was 15.7%.

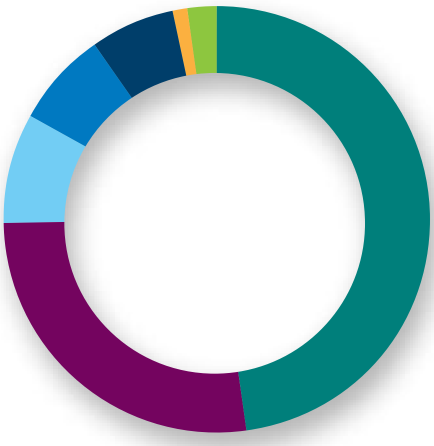
The two charts opposite show the strategic asset allocation of the Fund's assets across different types of investment and the actual asset allocation at 31 March 2013.

Actual holdings will vary from the strategic holdings by varying amounts as asset prices change. Holdings are rebalanced when they move out of agreed ranges.

The full investment report starts on page 22.

**Strategic asset allocation**

| | |
|---|---|
| 50.0% | Equities |
| 26.5% | Bonds |
| 10.0% | Property |
| 6.0% | Private equity |
| 7.5% | Hedge funds |
| 0% | Derivative contracts |
| 0% | Cash |
| **100%** | **Total** |



**Actual asset allocation**

| | |
|---|---|
| 47.9% | Equities |
| 26.9% | Bonds |
| 8.3% | Property |
| 7.3% | Private equity |
| 6.5% | Hedge funds |
| 1% | Derivative contracts |
| 2.1% | Cash |
| **100%** | **Total** |

## Investing plan

The Investing plan is the DC section of the Fund. Fidelity is the Investing plan's investment provider and administrator. Members can use their Investing plan account to provide additional benefits on retirement or death.

At the year-end the Fund had total Investing Plan assets of £29.1 million. The assets are made up of seven different investment funds and members can choose to invest their contributions and those from the Company in any of those different funds. The return on the Moderate Growth Fund (which is also the default fund and accounts for more than 80% of the total) was 14% against a benchmark of 15.9%.

You can find more information in the investment report on page 22.

In addition there is a small amount of defined contribution funds invested in older Additional Voluntary Contribution (AVC) arrangements (in place before the Investing plan opened) within the DB section of the Fund. These options are no longer available to new investors who have access to the Investing plan instead. You can find more information in the notes to the accounts on page 38.


## Trustee Company: Unilever UK Pension Fund Trustees Limited

There are 11 directors on the Board of the Trustee Company:

- an independent Chairman of the Trustees jointly appointed by Unilever Plc and the Trustees;
- five directors appointed by Unilever Plc; and
- five directors nominated by members.

Details of trustee remuneration are in the notes to the accounts on page 48.

## Appointment and removal of Trustee Directors

Company nominated and Independent directors are appointed in line with the Trust Deed and Rules.

The five member-nominated directors are appointed in line with the 'Arrangements for the Nomination and Selection of Member Nominated Directors' (the "Arrangements"). These Arrangements allow for:

- **Two pensioner directors** - nominated and elected by pensioners;
- **One deferred member director** - nominated by deferred members and appointed by the Board; and
- **Two active member directors** - nominated and elected by active members. (There are two constituencies and each elects its own member).

Directors can be removed by a decision of all the other Directors, or in line with the Arrangements or the Trust Deed and Rules.


Liz Airey


James Barnes


Richie Furlong


Roger Reed


Mike Samuel


Daniel Jones

# Trustees Advisers

## Changes to the Board

**Joining the Board**
Mike Ridyard
(appointed 1 May 2012)

Bill Hodgson
(appointed 1 May 2012)

Daniel Jones
(appointed 1 September 2013)

**Leaving the Board**
David Saunders
(term of office ended 30 April 2012)

Roger Bevan
(term of office ended 30 April 2012)

Martin Grieve
(resigned 14 June 2013)

## The current Trustees

**Independent Chairman**
Liz Airey

**Appointed by Unilever PLC**
James Barnes
Richie Furlong
Roger Reed
Mike Samuel
Daniel Jones

**Elected by eligible active employees**
Mike Ridyard
Bill Hodgson

**Selected from deferred members**
Philip Ratcliffe

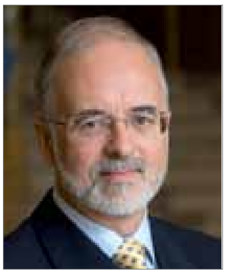
**Elected by eligible pensioners**
Richard Clark
David Bloomfield

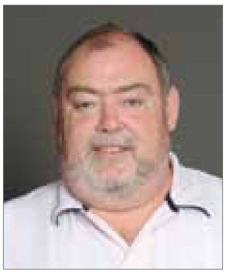
## Other roles

**Fund Secretary to the Board**
Andy Rowell

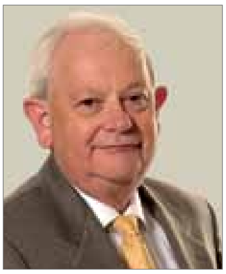
**Independent Investment Professional**
Catherine Claydon

**Independent DC Professional**
Ian Maybury
(appointed 27 March 2013)


Philip Ratcliffe


Mike Ridyard


Bill Hodgson


Richard Clark


David Bloomfield

## Current Advisers

**Scheme Actuary**
Richard Whitelam FIA, Aon Hewitt

**Actuarial advisers**
Aon Hewitt Limited

**Independent Auditor**
Grant Thornton UK LLP
(appointed 25 January 2013)

PricewaterhouseCoopers LLP
(resigned 3 January 2013)

**Internal auditor**
KPMG LLP
(appointed 27 February 2013)

**Banker**
HSBC Bank PLC

**Custodian**
The Northern Trust Company

**Investment consultants**
Deloitte Total Reward & Benefits
(terminated 31 July 2012)

Mercer Limited

Aon Hewitt Limited

**Covenant advisor**
Penfida Partners LLP

**Investment managers**
BlackRock Advisors (UK) Limited

CB Richard Ellis Global Investors Limited

Cantillon Capital Management LLP

FIL Pensions Management Limited

Goldman Sachs Asset Management International

Investec Asset Management Limited

J.P. Morgan Asset Management (Europe) S.a.r.l.

Lazard Asset Management Limited

M&G Investment Management Limited

Northern Trust Luxembourg Management Company SA*

Pantheon Ventures (UK) LLP

River and Mercantile Asset Management LLP

Schroders Investment Management Limited

**Property valuer**
Colliers International

**Legal advisers**
Slaughter and May

Travers Smith LLP

DLA Piper

Schiff Hardin LLP

Cravath Swaine & Moore LLP

Elvinger Hoss & Prussen

* The Northern Trust Luxembourg Management Company SA is the investment manager for funds accessed through the pooled investment vehicle, Univest. Accordingly there are additional indirect investment managers of assets that are shown in the accounts as "pooled investment vehicles". For more information on Univest, see 'Investment management structure' on page 26.

## Administration and contact details

**Unilever UK Pensions**
Andy Rowell (Head of Trustee Services and Fund Secretary)

Peter Bewley (Service Delivery Manager)

Unilever UK Pensions
Unilever House,
Springfield Drive
Leatherhead
KT22 7GR

**Univest Company**
Mark Walker (Chief Investment Officer)

Lever House
St James Road, Kingston
KT1 2BA

**Unilever Peoplelink**
(for queries from active members)

0800 028 4390

es.hrservicesuk@unileverhrservices.com

**Unilever Pensions Team**
(for queries from pensioners and deferred members)

Aon Hewitt Ltd (formally Hewitt Associates Outsourcing Limited)

Aon Hewitt
PO Box 1480
Hemel Hempstead
HP1 9PB

0800 028 0051

unileverpensionsteam@aonhewitt.com

## Trustee Diary - Activities during the year to 31 March 2013

**Meetings during the year**
We normally hold quarterly meetings to conduct the business of the Fund, with additional meetings of Committees or Working Parties when necessary. During the year we made some changes to our Committee structure, which we outline in the Committee updates section. The dates of the full board meetings, training/strategy days and the old and new sub-committee meetings are below.

| Date | April 2012 | May 2012 | June 2012 | July 2012 | August 2012 | September 2012 |
|---|---|---|---|---|---|---|
| Meeting | Quarterly full Board | Investment Committee | Extra full Board (benefit changes)<br>Governance and Funding Committee<br>Operations and Benefits Committee | Trustee Training Day<br>Quarterly full Board | Extra Governance and Funding Committee<br>Extra Operations and Benefits Committee | Governance and Funding Committee<br>Investment Committee<br>Operations and Benefits Committee |

## Keeping in touch with members

| March 2012 | June 2012 |
|---|---|
| **Benefit statements**<br>**'It's time to decide' decision pack**<br>Active members<br>Active members received a decision pack outlining their choices following the 1 July 2012 benefit changes. We included benefit statements to help them make informed decisions.<br>These were sent slightly earlier than usual because of the timing of the changes. As a result, the packs replaced the usual annual renewal materials which are normally sent in July each year. | **Confirmation statements**<br>Active members<br>Statements to active members confirming the choice they made in response to the decision packs. |

# Trustees' report

| October 2012 | November 2012 | December 2012 | January 2013 | February 2013 | March 2013 |
|---|---|---|---|---|---|
| Quarterly full Board<br>Trustee Strategy day<br>Extra Investment & Funding Committee | Investment & Funding Committee<br>Audit & Risk Committee | Operations and Benefits Committee<br>Defined Contribution Committee | Quarterly full Board<br>Investment & Funding Committee Strategy 'Away Day' | Investment & Funding Committee<br>Audit & Risk Committee<br>Defined Contribution Committee | Operations and Benefits Committee<br>Defined Contribution Committee |

| November 2012 | March 2013 |
|---|---|
| **'Fund Focus'** | **'Your pension'** |
| **Active, deferred and pensioner members** | **Pensioner members** |
| Our annual Fund newsletter featuring updates on the plans, Trustee activities and news about the wider world of pensions. It also included the annual summary funding statement and a summary of the report and accounts. | Our leaflet for pensioners telling them the annual pension increase. |

## Trustee Committee updates

During the year, in light of the changing demands being placed upon the Board, we reviewed the full range of matters which the Committees oversee and decided to make some changes to the Committee structure. Key to this evolution was setting up a new Defined Contribution (DC) Committee in October 2012, reflecting the greater emphasis we are placing on DC matters following the benefit changes in July 2012. At the same time, we also made some other major alterations:

- the new Audit and Risk Committee has replaced the Governance and Funding Committee; and
- the Investment Committee – now called the Investment and Funding Committee – has taken on funding matters (not including the regular review of the employer covenant) from the former Governance & Funding Committee.

As part of this review we also decided to refresh the membership of each Committee. The Committee memberships shown below are as at 10 October 2013.

**Audit & Risk Committee (ARC)**
Philip Ratcliffe (Chairman)

Liz Airey

David Bloomfield

Daniel Jones

Mike Ridyard

(Secretary: Jon Courtman)

The ARC acts mainly as an audit committee for both external and internal audits. Following the appointment of KPMG as internal auditor, the ARC plays a key role in the new framework which seeks to give the Trustees assurance on the design and effectiveness of their internal controls. The ARC also oversees the Board's risk management processes, and its fraud and whistleblowing policies.

During 2012/13, the ARC's main activities included:

- reviewing new legislation and market developments in the pensions world, mostly relating to governance and risk;
- overseeing the Fund's annual statutory audit and the production of the Annual Report and Accounts;
- carrying out a review of the external auditor, and recommending a change to the Board;
- recommending KPMG as internal auditor and agreeing a three-year internal audit plan;
- overseeing the Fund's risk management programme;
- making recommendations on business planning, budgeting and conflicts of interest; and
- monitoring the Service Level Agreement in place with the Unilever UK Pensions Team.

**Investment & Funding Committee (IFC)**
Mike Samuel (Chairman)

Catherine Claydon
(Independent Investment Professional)

Richie Furlong

Richard Clark

(Secretary: Karianne Lancee)

The IFC's key role is to recommend an investment strategy to the main Board and oversee its implementation when agreed. It selects the Fund's investment managers and monitors their performance against the targets set for them. Following the changes to the committee structure, the IFC now also regularly reviews the funding level and considers other funding matters (although all funding decisions remain at Board level).

You can find further details of the IFCs work in the Investment Report starting on page 22.

**Operations and Benefits Committee (OBC)**
James Barnes (Chairman)

David Bloomfield

Bill Hodgson

Trustee vacancy

(Secretary: Peter Bewley)

The OBC regularly reviews and monitors the administration of the Fund. This includes reviewing the performance of the Fund administrators (Aon Hewitt Ltd) and monitoring any legal changes

affecting benefits and administration. The OBC also exercises certain discretionary powers for administration and death benefits, and deals with any Internal Dispute Resolution cases that may arise during the year.

The OBC continues to play a lead role in recommending a communications plan to the Board, with input from the DC Committee on DC matters.

Other activities during 2012/13 included:

- continuing to monitor the work being carried out by Aon Hewitt (and overseen by an independent specialist, ITM) to improve the quality of the Fund's data;
- overseeing the implementation of certain aspects of the benefit changes on the Board's behalf, including an independent review of Aon Hewitt's administration changes; and
- approving on behalf of the Board the terms of the new administration agreement with Aon Hewitt and monitoring the resulting services.

**Defined Contribution Committee (DCC)**
Roger Reed (Chairman)

Richie Furlong

Ian Maybury
(Independent DC Professional)

Tim Munden

Mike Ridyard

(Secretary: Andy Dunlop)

This new Committee looks at governance, administration and communication matters for the Fund's DC arrangements, as well as the ongoing suitability and performance of investment options in both the Investing plan and the legacy AVC arrangements within the DB section. The first meeting of the DCC took place in December 2012.

Tim Munden is Unilever's head of Human Resources for the UK and Ireland business. Although he is not a Trustee Director, he must act in line with the same Trustee duties as the other members of the Committee.

The Trustees appointed Ian Maybury in March 2013 to sit on the DCC, following a full selection process. Ian brings a broad range of DC experience to the DCC.

Since its establishment, the DCC has:

- developed a set of DC objectives for the Board to measure its progress;
- drafted a governance plan setting out the full range of regular activities; and
- taken on key DC matters from the OBC, including monitoring the performance of the Investing plan administrator (Fidelity) and approving the DC messages for communications to members.

You can find further details on the performance of the Investing plan funds, as well as changes made to the Investing plan investment portfolio over the period, in the Investment report.

**Trustee working parties**
In addition to the formal committee structure, Trustee 'working parties' are used to address particular issues. During the year the following working parties operated to consider the following (with some continuing after the year-end):

- the review of the revised Trust Deed and Rules;
- the review of the Fund's statutory auditor appointment;
- the new appointment of an internal auditor for the Fund;
- the Fund's valuation as at 31 March 2013;
- the Company's proposal for the Fund to transfer in the Unilever UK Supplementary Pension Fund;
- the Trustees' engagement with members;
- the review of Committee functions following their restructuring;
- the formation of a forum to facilitate coordination between the Committees; and
- the appointment of a new Chairman in 2014.

Also during the year, some Trustee Directors represented the Board on:

- finalising the revised service contract with the Fund's administrator (Aon Hewitt Limited); and
- considering the feasibility of moving from paper based meetings to using an electronic based system in future.

## Benefit changes

Towards the end of the previous scheme year and during the early part of this year, the Trustees worked through a plan to implement the 1 July 2012 benefit changes (detailed in last year's Report & Accounts). This included:

- formally amending the Fund's Trust Deed and Rules;
- making the necessary changes to the payroll and pension administration systems; and
- communicating with members about the changes and their options.

Following the 1 July 2012 'go live' date, the Trustees appointed a third party to audit the implementation to receive independent assurance that the changes to the Fund's administration systems and processes were carried out correctly. The audit identified no matters of concern.

## Trustee Knowledge and Understanding (TKU)

By law, trustees of pension schemes are required to have a certain level of knowledge and understanding of pensions. The Pensions Regulator (TPR) sets out what the 'TKU' level should be and how trustees can maintain it. For example, trustees should be able to:

- understand their own schemes and how they work (including having a 'working knowledge' of the scheme's important documentation);
- engage effectively with their advisers; and
- ensure there is a regime for the proper governance of their scheme.

The Fund continues to run a training programme to ensure that Trustees meet the 'TKU' standards which includes:

- an induction programme for new Trustees;
- completing TPR's online trustee toolkit;
- an annual Performance Development Plan process for Trustees to identify any gaps in knowledge, and activities they will undertake to develop their TKU;
- keeping logs of training received during the year for each Trustee and the Board as a whole; and
- an annual Trustee training day and ad-hoc training as needed.

## Change of Scheme Auditor

Following a review, the Trustees decided to appoint a new Scheme Auditor, Grant Thornton UK LLP, from 25 January 2013.

The statement of circumstances made by PriceWaterhouseCoopers LLP, the Fund's previous auditor on their resignation during the year, as required by regulation 5(4) of the Occupational Pension Schemes (Scheme Administration) Regulations 1996, is reproduced below:

The former auditor, PriceWaterhouseCoopers LLP, have provided the Trustees with a declaration that there are no circumstances to report, as required by regulation 5(4) of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (which covers matters that could significantly impact on the members or prospective members or beneficiaries of the Fund), in connection with the change in Scheme auditor during the year.

## Changes to the Trust Deed and Rules

The official document governing the running of the Fund is the Trust Deed and Rules. Changes are made to that document from time to time through a Deed of Amendment.

During the Fund year, four changes were made in this way:

| Date of Amendment | Change |
|---|---|
| **2 April 2012** | Protective measure for members who have Fixed Protection, against the accidental loss of that protection. |
| **30 June 2012** | Changes to active member benefits from 1 July 2012. |
| **12 October 2012** | Change to the basis for commuting pension for members with pension benefits over the Lifetime Allowance to pay the resulting tax charge. |
| **27 March 2013** | Small changes to confirm the Fund would be a 'qualifying scheme' for the purposes of the new 'auto-enrolment' laws. |

Following the Fund year, a further deed of amendment was executed on 27 June 2013 to create a new section of the Fund specifically for the small number of employees not normally eligible for UK pension provision, but who do fall within the scope of the auto enrolment legislation. The Company had to auto enrol such employees into a qualifying scheme by 1 July 2013.

There were also some changes to the employers which participate in the Fund. Due to changes to their business, two of the Fund's smaller employers – Lipton Limited (Lipton) and Total Refrigeration Limited (TRL) – no longer employ any active Fund members. They stopped participating in the Fund from 1 July 2012 and 1 November 2012 respectively and formal Deeds of Cessation executed on 26 February 2013 reflected this.

As a result, the Trustees and the Company agreed that the liabilities of the Fund for Lipton and TRL would be taken on by Unilever PLC. Two formal arrangements called 'Flexible Apportionment Arrangements' (one for Lipton and another for TRL) were entered into to formalise this agreement.

Also Alberto Culver and Simple began participating in the Fund from 1 April 2012. This was formalised by two Deeds of Adherence.

## Contributions paid during the year ended 31 March 2013

Following the introduction of 'salary sacrifice' in May 2005 (the 'Unilever Contribution Arrangement' or 'UCA'), Unilever makes contributions on behalf of those members taking part, on top of its own contributions. Members sacrifice an amount of their salary equal to their regular pension contributions. This results in a National Insurance contribution saving for both members and the Company.

As a result, most members no longer contribute directly to the Fund and the Company pays the full contribution due on those members' behalf. Before 1 July 2012, Career average plan members had to contribute to the Fund through the UCA. From 1 July 2012, in the revised Career average plan, all members can choose whether or not to do so. For the avoidance of doubt, the Fund remains a contributory arrangement.

Following last year's increase, the Government again increased Employer's National Insurance contributions from 6 April 2012, resulting in a revised salary related contracted-out rate of 10.4% (previously 10.1%) for certain bands of earnings. This has resulted in two changes:

- Members' fixed-term voluntary contributions are paid through the UCA and as a result there are tax and National Insurance savings for both members and the Company. Unilever uses its discretion under the Rules to pass on some of its National Insurance saving into the member's Investing plan account. With effect from April 2012 Unilever PLC has exercised its discretion to increase the additional amount it pays to member's accounts from 10.1% to 10.4% to reflect some of its increased National Insurance saving; and
- For members of the Career average plan, Unilever makes a contribution of 12.5% of any pensionable earnings a member receives above the higher level of pensionable earnings. Members can receive this as:
  - a contribution into the Investing plan;
  - cash with salary (less deductions to take account of tax and both employee and employer National Insurance); or
  - a combination of both options.

For members who take the contribution as cash, or choose a combination of cash and Investing plan contribution, there is a deduction from the cash amount to allow for some of the employer's National Insurance. As a result of the increase in Employer's National Insurance contributions from April 2012 the size of the deduction increased and members affected received a slightly smaller cash sum.

## Regular employee-member contributions

| | |
|---|---|
| Final salary plan (up to 30 June 2012) | 7% of pensionable salary above the Lower Earnings Limit; or<br>8.5% of pensionable salary above the Lower Earnings Limit if choosing to keep the pension in payment increase rate in line with inflation up to 5% a year instead of 3% a year. |
| Career average plan | 5% of pensionable earnings between a lower and higher level. From 1 July 2012, members have the option of contributing 6.5% for the pension in payment increase rate in line with inflation up to 5% a year instead of 3% a year.<br>At 1 April 2012, the lower level was £5,537 and the higher level was £45,157. At 1 July 2012 the lower level remained at £5,537 and the higher level increased to £50,400. |

## Unilever's contributions

| | |
|---|---|
| Final salary plan (up to 30 June 2012) | 23.5% of active members' pensionable salaries, less employee contributions. |
| Career average plan | 13.4% of active members' pensionable earnings between the two levels, less employee contributions until 30 June 2012. From 1 July 2012 this changed to:<br>• 20.5% of pensionable earnings between the two levels (less employee contributions) for active members who are ex-Final salary plan members; and<br>• 13.4% of pensionable earnings between the two levels (less employee contributions) for active members who were existing Career average plan members.<br>In addition, Unilever pays 12.5% of pensionable earnings above the higher level, paid into the member's Investing plan account, or salary, or a mix of both.<br>Following the changes to the Fund, Unilever also:<br>• made a contribution of 3% of matched contribution salary (pensionable earnings up to 100% of Work Level 2B salary, currently £46,900) for ex-Final salary plan members to the Investing plan up to 30 June 2013;<br>• matches extra voluntary contributions made by ex-Final salary plan members up to 2% of their matched contribution salary from 1 July 2013; and<br>• matches extra voluntary contributions for all other active members up to 2% of their matched contribution salary from 1 July 2012. |
| Special contributions | £109.7 million broken down as follows:<br>• £104.6 million contributions towards making up the funding deficit. See the Summary of Contributions on page 54.<br>• £1.9 million contribution towards the PPF levy.<br>• £3.2 million augmentation of member benefits. |

## Pension increases

| | |
|---|---|
| Final salary plan | Most pensions in payment (above Guaranteed Minimum Pensions, or GMPs) built up before 1 January 2008 increase on 1 April each year in line with RPI inflation up to 5% a year.<br>Pensions in payment (above GMPs) built up between 1 January 2008 and 30 June 2012 increase on 1 April each year in line with RPI inflation up to 3%, unless the member has chosen to pay towards increases of up to 5%. |
| Career average plan | Pensions in payment built up between 1 January 2008 and 30 June 2012 increase on 1 April each year in line with RPI inflation up to 2.5%.<br>Pensions in payment built up from 1 July 2012 increase on 1 April each year in line with inflation up to 3%, unless the member has chosen to pay towards increases of up to 5%. |

The general increase to pensions in payment on 1 April 2013 was 3.3 %, the increase in the Retail Prices Index from January 2012 to January 2013 (April 2012 3.9%). This increase was applied as above with no discretionary increases from the Company. The minimum increase applied to some benefits was 0% and the maximum was 3.3%.

Deferred pensions increased by 3.3% for accrued Final salary and Career average benefits.

## Transfer values

Transfer values are worked out in line with Section 97 of the Pension Schemes Act 1993 as amended by The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008, which came into force on 1 October 2008.

During the Fund year, Unilever's discretionary practice was to waive the early retirement reductions applicable at ages 60 to 65 for relevant members who met certain conditions. Transfer value calculations included an allowance for this only where the member concerned was already eligible for the discretionary practice to apply.

Transfer value calculations did not allow for discretionary increases above the guaranteed amounts.

During the previous Fund year, the Trustees were advised that Cash Equivalent Transfer Values (CETVs) had become overinflated because of the reduction in long term gilt yields. Following actuarial advice, in March 2012 the Trustees agreed that CETVs should be calculated with reference to July 2011 market conditions (before the fall in long term gilt yields).

The Trustees' advisers continue to monitor monthly market conditions and the Trustees have agreed to continue calculating CETVs using the July 2011 conditions. While the low gilt yields were considered unusual in 2011, we have recognised that they may remain low for some time. The Trustees will formally consider the position again based upon the work done as part of the 2013 valuation.

The Fund is a "registered pension scheme" for the purposes of the Finance Act 2004 and therefore exempt from tax.

No refunds have made to the employer during the year (2012: nil).

The Trustees confirm that the accounts have been prepared and audited in accordance with the regulations made under Section 41 (1) and (6) of the Pensions Act 1995.

The Trustees' Report, Statement of Trustees' Responsibilities, Investment Report and Financial statements were approved at a meeting of the Board on 10 October 2013.

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On behalf of the Trustees

**E AIREY**

Chairman

10 October 2013

**A ROWELL**

Secretary

## Statement of Trustees' responsibilities

The accounts are the responsibility of the Trustees. Pension Scheme regulations require the Trustees to make available to Fund members, beneficiaries and certain other parties, audited accounts for each Fund year which:

- show a true and fair view, in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), of the financial transactions of the Fund during the Fund year and of the amount and disposition at the end of the Fund year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year; and
- contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the accounts have been prepared in accordance with the Statement of Recommended Practice "Financial Reports of Pension Schemes".

The Trustees have supervised the preparation of the accounts and have agreed suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis.

The Trustees are also responsible for making available certain other information about the Fund in the form of an Annual Report.

The Trustees are responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates of contributions (other than voluntary contributions) payable towards the Fund by or on behalf of the employer and the active members of the Fund and the dates on or before which such contributions are to be paid. The Trustees are also responsible for keeping records in respect of contributions received in respect of any active member of the Fund and for monitoring whether contributions are made to the Fund by the employer in accordance with the Schedule of Contributions. Where breaches of the schedule occur, the Trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and to members.

The Trustees also have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustees are also responsible for the maintenance and integrity of the Unilever UK Pension Fund's website (www.uukpf.co.uk). Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

# Investment report

**This investment report sets out details of the investment strategy and covers its implementation. It also includes the investment returns achieved by the Fund during the year in comparison to the appropriate benchmark - a summary of the investment managers currently in place for each asset class, and changes made during the year.**

The investment environment, in stark contrast to the previous year, was positive. Return seeking assets generally had a very strong year, with developed equity markets, emerging market equities, emerging market debt, investment grade credit and high yield bonds (in combination around two thirds of the Fund's assets) all achieving returns in double figures. In contrast, outside the Euro Zone, Government bonds, where the Fund has a small allocation, only managed low to middling single-figure returns. The IFC continues to review investment performance and risk on a regular basis. More information on the economic background is at the end of the investment report.

This Report also provides an overview of the Investing plan. Fidelity can provide members with performance details of their underlying investments on request.

## 1) Information relating to DB assets

### Governance

The Trustees regularly review the Fund's investment governance processes, taking account of any relevant industry consultations as well as appropriate best practice and principles. The Fund has its own Environmental, Social and Governance (ESG) and voting policies. These are reviewed regularly, and the processes are enhanced as and when considered appropriate.

During the year, the Trustees asked Univest Company to provide additional services related to proxy voting, engagement and screening. Univest Company has delegated the performance of the additional services to Hermes Equity Ownership Services Limited for the execution of proxy voting and engagement and has delegated the execution of screening to Sustainalytics B.V.. Together, these firms provide the Trustee with ESG research and screening of equity portfolios. Hermes EOS will represent the Fund in engaging with companies whose stocks we hold and who are assessed to have either poor governance practices or inadequate policies on social or environmental issues. It also votes on stock holdings in line with agreed corporate governance policies. The aim is to enhance the Fund's position as a responsible shareholder and, ultimately, to improve risk adjusted financial returns.

Following the consideration of its position in light of the Financial Reporting Council (FRC) UK Stewardship Code, the Fund remains fully supportive of the Code and seeks to apply its Principles. The Trustees recently agreed an updated and enhanced Stewardship Statement.

### Investment Strategy

As a mature section of the Fund, with a small number of active members compared to pensioners and deferred members, the Fund has an investment strategy that ultimately aims for self-sufficiency (that is, where it is not dependent on the Company for potential deficit contributions), and which, as progress is made towards achieving this, reduces the level of risk as the funding level improves. The initial phase of this strategy is to target a return of gilts plus at least 3% a year while taking an appropriate level of risk. The strategy was set by the Trustees after fully considering the funding objectives, the level of risk inherent in targeting a return in excess of gilts, an assessment of the strength of the Unilever covenant to support the Fund, and also the Company's views on the investment strategy.

During the year, we reduced the Fund's strategic equity allocation by 7.5% to enhance the investment policy and rely less on equity returns, and we allocated this amount equally to Emerging ent

Market Debt and High Yield Bonds. At the same time we reviewed the global equity managers to reflect a better balance of investment styles, and to shift the regional equity allocation towards the stronger economies.

There is currently still a high proportion of return seeking assets in this section of the Fund. These return seeking assets do not behave in the same way as the liabilities. The de-risking plan will continue increasing the amount of assets that match the liabilities as market conditions and funding levels allow (inflation hedging was increased during the year for example). Return seeking asset classes will decrease over time as funding levels improve.

Details of the strategy, together with other important investment information for the Fund, is set out in a Statement of Investment Principles ("SIP") as required by Section 35 of the Pensions Act 1995 and Section 244 of the Pensions Act 2004. The current SIP was approved by the Trustee Board on 16 April 2013 to take account of the agreed changes over the year.

An allocation to Mezzanine Debt was agreed in April 2013 and is therefore included in the approved SIP. It is the Trustees policy to review the SIP every three years and immediately after any significant change in investment policy. A copy of the SIP is available from the Fund Secretary on request.

The Fund's strategic asset allocation at 31 March 2013, together with the comparative position at 31 March 2012, is set out below.

| | 2013 (%) | 2012 (%) |
|---|---|---|
| UK equities | **6.3** | 9.0 |
| Europe ex-UK equities | **7.5** | 11.5 |
| US equities | **21.2** | 23.0 |
| Japan / Pacific ex-Japan / Emerging Market equities | **15.0** | 14.0 |
| **Total Equities** | **50.0** | **57.5** |
| Index Linked Gilts | **5.0** | 5.0 |
| Investment Grade Corporate Bonds | **14.0** | 14.0 |
| High Yield Bonds | **3.7** | 0.0 |
| Emerging Market Debt | **3.8** | 0.0 |
| **Total Bonds** | **26.5** | **19.0** |
| **Property** | **10.0** | **10.0** |
| **Private equity** | **6.0** | **6.0** |
| **Hedge funds** | **7.5** | **7.5** |
| **Cash** | **-** | **-** |
| **Total** | **100.0** | **100.0** |

As a result of market movements, the Fund's actual asset distribution may differ from the strategic allocation target at any time. We check the actual asset allocation monthly (more frequently in periods of high market volatility) and take action to keep it within agreed ranges.

The Fund's investments (excluding DC and AVC investments) by type of asset as at 31 March 2013 was as follows:

| | 31 March 2013 | | 31 March 2012 | |
|---|---|---|---|---|
| | £ million | % | £ million | % |
| **Bonds** | | | | |
| UK public | **1.9** | **0.0** | 0.0 | 0.0 |
| UK private | **170.1** | **2.6** | 176.9 | 3.0 |
| Global ex-UK private | **583.5** | **8.9** | 585.4 | 10.1 |
| Indexed linked securities * | **600.5** | **9.2** | 453.2 | 7.8 |
| Emerging Market Debt | **197.3** | **3.0** | 0.0 | 0.0 |
| Global High Yield | **204.8** | **3.1** | 0.0 | 0.0 |
| **Equities** | | | | |
| UK | **506.5** | **7.8** | 627.9 | 10.8 |
| Global ex-UK | **2,617.2** | **40.1** | 2,428.0 | 41.7 |
| **Derivative contracts (net)** | **67.0** | **1.0** | 24.3 | 0.4 |
| **Private equity** | **487.8** | **7.5** | 443.1 | 7.6 |
| **Hedge funds** | **420.0** | **6.4** | 378.4 | 6.5 |
| **UK property** | **538.5** | **8.3** | 536.7 | 9.2 |
| **Cash, deposits and other investments** | **135.9** | **2.1** | 165.8 | 2.9 |
| | **6,531.0** | **100.0** | **5,819.7** | **100.0** |

* includes assets held as part of the Liability Driven Investment (LDI) mandate

The above breakdown shows the market value of the assets reported in the accounts with pooled investment vehicles included within the asset class of the underlying assets. However, the Fund's actual exposure to different types of assets is slightly different due to the Fund's use of derivatives. When re-analysed in this way, i.e. allowing for the use of derivatives, the effective exposure to the following asset classes changes as follows (see right):

| | 31 March 2013 | |
|---|---|---|
| | £ million | % |
| **Equities** | | |
| Global ex-UK | 2,797.4 | 42.9 |
| **All other assets (unchanged)** | 3,765.8 | 57.8 |
| **Cash, deposits and other investments** | (44.3) | (0.7) |
| | **6,518.9** | **100.0** |

## Investment returns

**Investment returns relative to liabilities:**
The Trustees are responsible for the investment strategy, and monitor the investment returns of the Fund against a proxy for the Fund's liabilities provided by Aon Hewitt. This gives a measure of changes in the funding level which is separately reported to members annually (see right):

**Investment returns relative to market returns:**
The actual investment returns for each asset class are also measured quarterly against the market return (benchmark) in order to assess the performance of the investment managers. A summary of actual returns by asset class compared against the benchmark for the one, three and five year periods to 31 March 2013 are as follows (see right):

| | Asset return % | Change in liabilities % | Asset Return less change in liabilities % |
|---|---|---|---|
| Year ended 31 March 2013 | 15.7 | 7.4 | 8.3 |
| Since Inception (1 July 2008) (Annualised) | 8.2 | 7.2 | 1.0 |

| | Actual return pa % | Benchmark return pa % | Difference to benchmark pa % |
|---|---|---|---|
| **Year ended 31 March 2013** | | | |
| Equity | 19.8 | 17.2 | 2.6 |
| Bonds | 11.9 | 10.6 | 1.3 |
| Property | 4.4 | 4.8 | -0.4 |
| Hedge Funds | 10.9 | 8.9 | 2.0 |
| **Three years ended 31 March 2013** | | | |
| Equity | 9.4 | 8.3 | 1.1 |
| Bonds | 9.9 | 9.1 | 0.8 |
| Property | 9.3 | 8.4 | 0.9 |
| Hedge Funds | 4.4 | 0.2 | 4.2 |
| **Five years ended 31 March 2013** | | | |
| Equity | 8.4 | 7.8 | 0.6 |
| Bonds * *** | 11.2 | 9.1 | 2.1 |
| Property** | 2.6 | 2.4 | 0.2 |
| Hedge Funds | 7.7 | 3.7 | 4.0 |

* Includes High Yield Debt, Emerging Market Debt and excludes LDI
**Includes HLV property
*** Estimation

Since inception, the annualised Internal Rate of Return (IRR) of the portfolio has been 15.2% (2012: 15.2%) against the benchmark of 12.0% (2012: 11.8%). As indicated above, the IFC reviews performance for each individual manager against the specific benchmarks allocated to them.

Investment managers are paid fees in line with contractual agreements, related to the market value of the assets under management, and, for some, their performance too. Their performance is reviewed quarterly by the IFC. Due to the way fund performance is reported, pooled fund returns are shown net of fees, but returns from segregated managers are shown gross of fees.

## Investment management structure

The Fund appoints some of its managers directly and some indirectly through pooled arrangements (see right).

| Asset class | Managers |
|---|---|
| **Bonds** | BlackRock Advisors (UK) Limited |
| | M & G Investment Management Limited |
| | Northern Trust Luxembourg Management Company SA (see 'Univest') |
| **Equities** | Cantillon Capital Management LLP |
| | Investec Asset Management Limited |
| | Lazard Asset Management Limited |
| | Northern Trust Luxembourg Management Company SA (see 'Univest') |
| | River and Mercantile Asset Management LLP |
| | Schroder Investment Management Limited |
| **Property** | CB Richard Ellis Global Investors Ltd |
| | Colliers International (independent quarterly valuations) |
| **Private equity** | Pantheon Ventures (UK) LLP |
| **Hedge funds** | Univest IV and V (see 'Univest') |

## Univest pooled arrangements

The Fund invests a proportion of its equity and bond assets in the Unilever Pooled Investment Vehicle (Univest). Established in Luxembourg, Univest is set up as an umbrella vehicle, a 'Fonds Commun de Placement' (FCP), and it is managed by the Northern Trust Luxembourg Management Company SA. Northern Trust Luxembourg Management Company acts as a "Manager of Managers" and the Univest pooled vehicle consists of a range of sub-funds, each with investment managers separately appointed by the Univest Investment Committee. Its Investment Committee also oversees the operation of Univest.

The investments in hedge funds and emerging market debt are also made through Univest vehicles, Univest III, Univest IV and Univest V. These are investment funds established in Luxembourg, each qualifying as a 'Société d'investissement à capital variable' (SICAV).

The purpose of the Univest vehicles is to optimise the investments of Unilever pension funds worldwide, taking advantage of economies of scale, diversification and expertise. The investment in the Univest vehicles has been made by the Trustees on an "arms length" basis and the funds' investment performance is formally monitored in the same way as all the Fund's other investments.

## The Univest Company

The Univest Company B.V. (Univest Company) was established to provide internal investment support for Unilever pension plans, and brings the in-house Unilever pension investment expertise together into one central unit.

The Univest Company is a wholly-owned subsidiary of Unilever N.V., and is constituted and regulated in the Netherlands. It recovers its costs from the pension plans to which it provides investment support.

The relationship between the Trustees and the Univest Company is governed by a service level agreement negotiated between them, and formal reporting is provided quarterly.

## Investment holdings

**Concentration of investment**
As at 31 March 2013 there were three individual holdings that represented more than 5% of the Fund's total assets (see right):

Fund investments are invested in accordance with the Occupational Pension Schemes (Investment) Regulations 2005 (SI 2005/3378). The Fund is a Registered Pension Scheme under the Finance Act 2004.

**Top Ten Global Equity Holdings**
The ten largest holdings in equities were as follows (see right):

The above table represents both the shares held as direct investments, and the attributable holdings in the Univest Pooled Vehicle, which are included on a 'look through' basis.

| Pooled Investment Vehicles | Value £ million | % |
|---|---|---|
| Univest Global Bond Fund | 439.4 | 6.7 |
| Univest IV Hedge Fund | 352.5 | 5.4 |
| Univest Emerging Market Sub-Fund | 328.7 | 5.0 |

| Name | Value (£ million) | % of Total Equities |
|---|---|---|
| Unilever PLC | 29.5 | 0.9 |
| Google Inc | 27.0 | 0.9 |
| Oracle Corp | 25.8 | 0.8 |
| Pfizer Inc | 23.1 | 0.7 |
| Sanofi | 20.5 | 0.7 |
| Samsung Electronic | 18.5 | 0.6 |
| HSBC Holdings | 17.4 | 0.6 |
| Nestle SA | 17.2 | 0.6 |
| Vodafone Group | 17.1 | 0.6 |
| AIA Group | 17.1 | 0.5 |
| **Total** | **213.2** | **6.9** |

## Employer related investments

On 31 March 2013 the Fund held 877,881 shares in Unilever PLC with a market value of £24.4 million (31 March 2012: £22.5 million). There were no direct holdings in Unilever NV (31 March 2012: £nil), Hindustan Unilever (31 March 2012: £nil), or Unilever Indonesia (31 March 2012: £nil).

In terms of the indirect investment through the Univest pooled vehicle, the Fund had an interest in:

- 182,848 shares in Unilever PLC with a market value of £5.1 million (2012: £3.2 million) through its investment in the UK Equity sub-fund;
- 31,684 shares in Unilever NV with a market value of £0.9 million (2012: £1.2 million) through its investment in the Europe ex-UK sub-fund; and
- 195,825 shares in Hindustan Unilever with a market value of £1.1 million (2012: £1.0 million) and 80,652 shares in Unilever Indonesia with a market value of £0.1 million (2012: £nil) through its investment in the Emerging Market sub-fund.

Together these direct and indirect investments represent 0.9% of the equity portfolio. This is comfortably within the maximum 5% of the current market value of the resources of the Fund specified in the Occupational Pension Schemes (Investment) Regulations 2005 (SI 2005/3378). Shares in Unilever are purchased at the discretion of the fund managers with no direction from the Trustees or the Company, apart from a requirement to limit any investment to a maximum of 5% of the manager's total investments.

## Derivative contracts

The Trustees have authorised the use of derivatives contracts by their investment managers to achieve:

- the timely implementation of significant moves in the Fund's asset allocation;
- efficient portfolio management; and
- more efficient asset/liability management through its Liability-Driven Investment (LDI) mandate with BlackRock Advisors.

## LDI

The Trustees commenced the LDI mandate in 2010, with the aim of hedging the Fund's liabilities against interest rate and inflation risk, using a range of derivatives for this purpose.

As part of the wider de-risking programme where investment risk is reduced on achieving specific improvements in the funding level, a trigger based hedging framework is in place that is looking at a 40% hedge ratio for interest and inflation exposure. The 40% hedge ratio comes from the analysis that there would be no particular improvement in the expected return per unit of risk from hedging more than 40% with the current target of gilts plus at least 3% a year.

The trigger based framework is based on swap rates, break-even inflation rates and 10 year forward rates.

The interest rate hedge is close to the initial 10% of liabilities hedge as no increase under the current framework took place given that current interest rates are still low. Interest rates would have to go up by more than 1% for the current interest rate hedge to increase. The inflation rate hedge is around 29% of liabilities following increases of the hedge in August 2011 and September/October 2012 due to lower inflation expectations at the time. Inflation rates would have to drop by 0.75% for the inflation hedge to increase further.

To manage counterparty risk, all derivatives used are collateralised on a daily basis; any increases in the hedging ratio will increase collateral requirements. Collateral arrangements are managed by BlackRock.

Equity holdings of £204 million have been used as a source of capital to fund the LDI mandate, and therefore the mandate has the secondary role of maintaining the Fund's equity exposure. The equity portfolio is invested passively to gain exposure to unhedged US equity markets, either achieved through investment in a passive equity fund or the use of equity derivatives.

## Foreign Exchange

In December 2008 the Trustees introduced a currency hedging programme to mitigate the currency risk of overseas investments relative to Sterling liabilities.  A hedge ratio of 75% is currently in place for the exposure to six currencies in the global equity mandates, the Univest North American, Europe ex-UK, Japan, Pacific ex-Japan,  and Emerging Markets equity sub funds, the Univest Global high yield sub fund, and the Univest II, IV and V vehicles.  The hedge programme is managed passively through Northern Trust.

Details of the Fund's derivative contracts are in Note 10 of the accounts.

## Marketability of investments

At the end of the year over £4 billion of investments were quoted on recognised stock exchanges, so are considered to be marketable on a short term basis. Investments in hedge funds can usually be realised if six to twelve months notice is given.  It may take longer to dispose of direct property and private equity investments.

## Global custody arrangements

The Northern Trust Company acts as Global Custodian for the Fund. Wherever possible, the Fund's segregated investments are held in a nominated account at The Northern Trust Company in the name of the Trustees of the Fund.  Reports are received each month covering the assets held by the Custodian and transactions in the month.  The Custodian is independent of the fund managers and provides a check on the recording and valuation of the segregated assets of the Fund.  Pooled investment vehicles have their own custody arrangements.

## 2) Information relating to the Investing plan

### Governance and Strategy

During 2007/8 the Trustees established the Investing plan, a defined contribution section of the Fund, which provides money purchase benefits in addition to the Career average plan and the Final salary plan. The Investing plan is also a vehicle for voluntary contributions for members.

In the Investing plan, members can invest in a range of funds with different risk and return characteristics, which are set out in the Rules. The Trustees have responsibility for establishing the investment arrangements to meet these different risk and return characteristics, and have done so to date through a series of blended funds with FIL Pensions management Limited ("Fidelity"). As such, the Trustees have delegated the day to day management of this section to Fidelity. Members can choose where to invest their contributions from the range of managed funds. The default arrangement, if members make no choice, is for contributions to be invested in the Moderate Growth Fund, with automatic switching to start at age 55 into the Cash Fund at the rate of 10% each year.

In July 2012, the Trustees and the Company introduced two new funds into the Investing plan range - the Global Equity Fund and the Emerging Markets Fund.

At the same time, the Trustees decided to diversify the three Growth funds, further. This includes adding an emerging markets equity element into each of the three Growth funds, as well as an element to protect part of the Growth funds from the effects of changes in the currency exchange rates. These latter changes affect the Cautious Growth, Moderate Growth and Aggressive Growth Funds.

### Investment performance

The split of the Investing plan assets and total numbers of members investing in each fund at 31 March 2013 are shown in the table below:

| Fund name | Fund value at 31/03/13 (£000) | % of Total assets | Number of members |
|---|---|---|---|
| Moderate Growth Fund | **24,170** | 83.18 | 6,034 |
| Cash Fund | **2,324** | 8.00 | 816 |
| Aggressive Growth Fund | **1,553** | 5.35 | 133 |
| Income/ Bond Fund | **384** | 1.32 | 46 |
| Cautious Growth Fund | **229** | 0.79 | 32 |
| Global Equity Fund | **218** | 0.75 | 42 |
| Emerging Markets Fund | **176** | 0.61 | 55 |

You can find further details of the Investing plan funds in the fund fact sheets, available to download from Fidelity's PlanViewer system, or from the Fund website (www.uukpf.co.uk).

The investment returns of the various managed funds for the year ended 31 March 2013 are as follows (these figures are net of fees):

| | Actual return % | Benchmark return % | Difference to benchmark % |
|---|---|---|---|
| Cash Fund | 0.3 | 0.4 | -0.1 |
| Income/Bond Fund | 10.6 | 10.8 | -0.2 |
| Cautious Growth Fund | 11.9 | 13.0 | -1.1 |
| Moderate Growth Fund | 14.0 | 15.9 | -1.9 |
| Aggressive Growth Fund | 15.6 | 16.8 | -1.2 |
| Global Equity Fund | 13.5* | 17.2* | -3.7* |
| Emerging Markets Fund | 10.3* | 10.9* | -0.6* |

*The Global Equity and Emerging Markets Funds were launched in July 2012 so full year figures are not available. The figures shown are six-month returns to 31 March 2013.

The moderate growth fund is the default fund for the Investing plan and the performance numbers above show a difference of 1.9% between the actual fund return and the benchmark. Because the actual returns are net of all fees but the benchmark does not allow for costs, roughly 30% of the difference is due to costs. There is a small (15%) actively managed component of the Moderate Growth Fund and this component underperformed relative to its benchmark over the year and accounted for roughly a further 30% of the difference. Much of the remainder of the difference resulted from the restructuring of this fund that occurred in June 2012, not least because the restructuring (which involved a change in benchmark) occurred during the month of June 2012 whilst the fund's benchmark was not changed until the end of the month. It is important to note that 85% of the underlying fund components are passively managed and each component delivered a return broadly in line with its respective benchmark over the year, thereby performing in line with expectations. In combination, the three investment managers in the Global Equity Fund underperformed in the six month period to 31 March 2013. However, the measurement period is only short and some difference in performance relative to benchmark should be expected in this fund given it is actively managed. Over longer periods, whilst this cannot be guaranteed, the fund is expected to deliver returns in excess of the benchmark.

The Cautious and Aggressive Growth Funds also underperformed relative to their benchmarks. For the Cautious Growth Fund, the most significant reasons are costs and the actively managed component, similar to the Moderate Growth Fund. For the Aggressive Growth Fund, costs and restructuring are the most significant reasons.

The Trustees are responsible for the make-up of the funds and the DCC reviews the range and types of investment options yearly, taking investment advice where appropriate, and recommending any changes to the Board.

The DCC also reviews the performance of the funds quarterly.

## 3) Economic and market background

In light of the seemingly concerted effort from the US, UK, Japanese and European Central Banks to use quantitative easing to avoid a liquidity crisis, concerns over a systematic failure of financial markets appear to have lessened. Investors adopted a more upbeat mood towards risky assets over the year to 31 March 2013 which benefited the Fund. Despite the absence of any meaningful and consistent improvement in economic fundamentals, equity markets, where the Fund still has 50% of its assets, have been outperforming other investments with returns in double figures.

The global economic background remained largely unchanged, with data suggesting a sluggish growth and, at best, a slow grinding recovery. Consensus economic forecasts marginally fell, with 2.6% real global GDP growth expected in 2013. (Source: Consensus Economics April 2013).

Significant divergence in economic growth was seen in different regions. With the conclusion of the US Presidential Election in November 2012 and the deal on the fiscal cliff being reached by the US congress at the start of 2013, the forecast on the US economic growth had been somewhat more positive than the other developed markets while still slow and cautious. The recovery in the UK continued to falter with Moody's downgrade of the UK Credit rating to Aa1 in February 2013. The significant depreciation of Sterling against the US dollar and the Euro over the first quarter of 2013 highlighted the continued concerns over the weakness of the UK economy and its future growth prospects. As the Euro area officially fell back in recession in the second half of 2012, Germany managed to avoid recession and continued to post relatively strong growth compared to Italy and Spain. More recently, the uncertainty of the Italian election and the botched ECB rescue of Cyprus once again weighed on the concerns over the Euro.

The emerging markets, where the Fund increased both its equity and bond allocations over the year, continued to be a major engine of global economic growth. However, stock markets remained concerned over the slower than expected growth in China as export demand from Europe declined, although this may be seen in hindsight as a helpful cooling-off process.

### Equity Markets

At a global level, the FTSE World Total Return index rose 17.5% while the FTSE AW Emerging Markets Total Return index rose 7.4%. At a regional level European markets, as measured by the FTSE World Europe ex UK index, increased 18.0%. UK and US stocks also recorded strong growth. The FTSE All Share index grew 16.8% while the FTSE USA Total Return index rose 20.1%.

All equity market performance figures are in Sterling terms over the 12 month period to 31 March 2013.

### Bonds

UK Government Bonds as measured by the FTSE Gilts All Stocks Index returned 5.3%. Long dated issues as measured by the corresponding Over 15 Year Index returned 8.1%. The yield for the FTSE Gilts All Stocks index fell over the year from 2.8% to 2.5%.

Off the back of the announcement that there would be no change to the Retail Price Inflation (RPI) measure in early January 2013, index-linked gilts rallied strongly as RPI inflation expectations increased. The Fund's inflation hedging programme delivered strong returns in this period. The FTSE All Stocks Index Linked Gilts index returned 10.2%, with the corresponding 15 year index returning 12.1%. This resulted in the real yield on all index-linked gilts falling to negative levels.

Corporate debt as measured by the BofA Merrill Lynch Sterling Non-Gilts index continued to give a strong positive return. Over the year to 31 March 2013 corporate debt returned 12.0%.

Bond market performance figures are in Sterling terms over the 12 month period to 31 March 2013.

## Property

Over the 12 month period to 31 March 2013, the IPD UK All Property Index returned 2.5% in sterling terms. The three main sectors of the UK Property market each recorded positive returns over the period (retail: 0.7%; office: 4.3%; and industrial: 4.0%).

## Hedge Funds

The HFRI Fund of Funds Composite Index returned 10.4% and the major underlying indices all exhibited positive performance. The Macro index returned 5.9%, while Relative Value index returned 16.0%. Equity Hedge and Event Driven indices returned 11.3% and 13.4% respectively. Hedge fund returns are in sterling terms over the 12 month period to 31 March 2013.

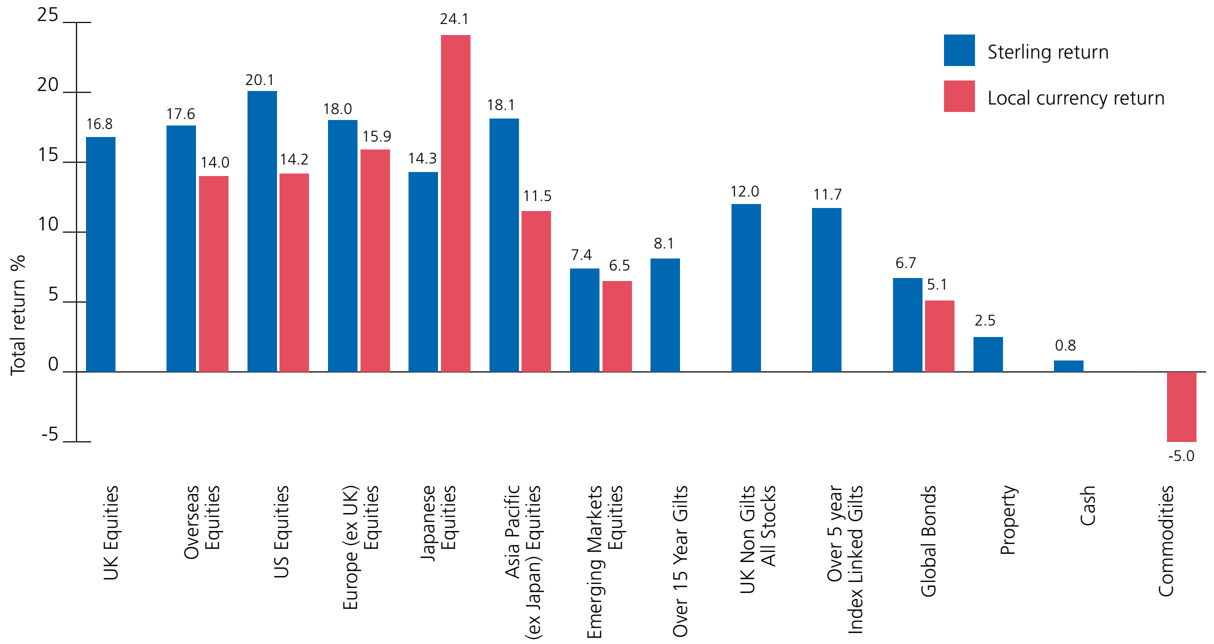
## Currencies

Over the 12 month period to 31 March 2013, Sterling rose 8.6% against the Yen from ¥131.49 to ¥142.76 but depreciated against the US Dollar by 5.0% from $1.598 to $1.518 and by 1.4% against the Euro from €1.20 to €1.18.

The chart below shows the 12 month market index return returns to 31 March 2013, illustrating the performance of the market as a whole, in Sterling and in local currency terms. Given the Fund's currency hedging policy, the Fund is largely insulated from additional volatility caused by exchange rate movements against Sterling.

Statistics sourced from Thomson Reuters Datastream unless otherwise specified.

**Performance by asset class over the 12 months to 31 March 2013**




Data supplied by Mercer.

# Finance

## ACTUARY'S REPORT

**My most recent formal valuation of the Fund was as at 31 March 2010. The principles for the valuation were agreed between the Trustees and Unilever PLC in a Statement of Funding Principles dated 24 March 2011, and I issued my report on the valuation on 29 March 2011.**

On the basis of the assumptions set out in the Statement of Funding Principles, at 31 March 2010 there was a shortfall of assets relative to liabilities of £680 million, corresponding to a funding level of 89%.

The long term rate of joint contributions for the Final salary plan, payable by members and the Company amounted to 23.5% of pensionable pay on the agreed assumptions. For the Career average plan, the joint contribution rate amounted to 13.4% of Covered Earnings (which are pensionable earnings between the two Career average plan levels). Most contributing members have entered into a "salary sacrifice" arrangement as an alternative to paying contributions.

As part of the valuation I am required to estimate the position of the Fund if it had been discontinued on the valuation date, based on an estimate of the terms that would have been offered by insurance companies to take on the liability. On this basis, the Fund was 72% funded at 31 March 2010.

The Company agreed to pay contributions to the Fund in line with the above rates plus additional contributions of £50 million each year until 31 March 2018. Allowing for these additional contributions and future investment returns as agreed by the Company and the Trustees, the shortfall was expected to be eliminated by 31 March 2018. On 30 June 2012 benefits stopped building up in the Final salary plan and with effect from 1 July 2012 all active members began to build up benefits in the Career average plan. The Company is paying contributions at the rate of 20.5% of Covered Earnings for those members who were Final salary plan members on 30 June 2012 and 13.4% of Covered Earnings all other members. Different contribution rates are payable to the Investing plan.

The next formal valuation uses Fund information at 31 March 2013. In addition to an actuarial report as at each intermediate anniversary of the valuation date, an update has been carried out as at each 31 December, up to and including 31 December 2012. Under this update approach, the Company and Trustees have agreed that changes to the level of Company contributions can be triggered. The update carried out as at 31 December 2011 triggered an additional Company contribution of £78 million, and the update as at 31 December 2012 triggered an additional Company contribution of £57 million.

I am now working on the 31 March 2013 valuation and will report the results in next year's Report and Statement of Accounts.

Note: Copies of the Statement of Funding Principles, the Actuarial Valuation Report, the Annual Actuarial Update Reports, the Recovery Plan and the Schedule of Contributions are available on request.

**R J Whitelam**
Aon Hewitt Limited

10 October 2013

## INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE UNILEVER UK PENSION FUND

**We have audited the financial statements of the Unilever UK Pension Fund for the year ended 31 March 2013 which comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).**

**Respective responsibilities of the Trustee and Auditor**
As explained more fully in the Statement of Trustee's Responsibilities on page 21, the Fund's Trustee is responsible for the preparation of financial statements which show a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustee; and the overall presentation of the financial statements. In addition, we read all the financial and nonfinancial information in the rest of the annual report, which comprises the Trustee's Report, Statement of Trustee's Responsibilities, Investment Report, Actuary's Report, 10 Year Statistics Table and Membership Statistics, to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion**
In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Fund during the year ended 31 March 2013, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3 of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995.

**Grant Thornton UK LLP**
Statutory Auditor, Chartered Accountants London

10 October 2013

## FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2013

| | Note | Year ended 31 Mar 2013 £ million | Year ended 31 Mar 2012 (Restated) £ million |
|---|---|---|---|
| **Contributions and benefits** | | | |
| Contributions receivable | 4 | **168.0** | 178.7 |
| Transfers in | 5 | **0.6** | 0.1 |
| | | **168.6** | 178.8 |
| Benefits payable | 6 | **(298.1)** | (294.3) |
| Payments to and on account of leavers | 7 | **(10.8)** | (10.0) |
| Administration expenses | | **(7.2)** | (7.3) |
| | | **(316.1)** | (311.6) |
| **Net withdrawals from dealings with members** | | **(147.5)** | **(132.8)** |
| **Returns on investments** | | | |
| Investment income | 8 | **131.4** | 125.7 |
| Change in market value of: | | | |
| Defined benefit section investments | 10 | **745.1** | 77.0 |
| Defined contribution section investments | 11 | **2.7** | 0.4 |
| Investment expenses | 9 | **(14.5)** | (14.1) |
| **Net returns on investments** | | **864.7** | 189.0 |
| **Net increase in the Fund during the year** | | **717.2** | 56.2 |
| **Net assets of the Fund at beginning of the year** | | **5,841.2** | 5,785.0 |
| **Net assets of the Fund at end of the year** | | **6,558.4** | 5,841.2 |

The notes on pages 38 to 48 form part of these accounts

# NET ASSETS STATEMENT AS AT 31 MARCH 2013

| | Note | 31 Mar 2013 £ million | 31 Mar 2012 £ million |
|---|---|---|---|
| **Defined benefit section** | | | |
| Investments assets | | **6,662.2** | 5,875.2 |
| Investment liabilities | | **(111.2)** | (36.1) |
| **Net investment assets** | 10 | **6,551.0** | 5,839.1 |
| Current assets | 12 | **3.2** | 0.6 |
| Current liabilities | 13 | **(24.9)** | (10.1) |
| | | **6,529.3** | 5,829.6 |
| **Defined contribution section** | | | |
| Investments assets | 11 | **29.1** | 11.6 |
| Net assets of the Fund at end of year | | **6,558.4** | 5,841.2 |

These accounts summarise the transactions and net assets of the Fund. They do not take account of liabilities to pay pensions and other benefits in the future. The actuarial position of the Fund, which does take account of such liabilities, is dealt with in the Actuary's Report on page 34 and the actuarial certificate on page 52 and these accounts should be read in conjunction with them.

For Unilever UK Pension Fund Trustees Limited

**E AIREY**
Chairman

**A ROWELL**
Secretary

10 October 2013

The notes on pages 38 to 48 form part of these accounts

# Notes to the Accounts

## 1) Basis of Preparation

The accounts have been prepared in accordance with the:

- Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996; and
- the Statement of Recommended Practice for Financial Reports of Pension Schemes (revised May 2007) (the "SORP").

## 2) Restatement of previous year

Swap payments reported in the previous year under investment expenses have been reanalysed to net them off from swap receipts, to recognise the legal right of set-off in the respective contracts. This has resulted in a decrease in 2012 investment income and investment expenses of £59.7 million. This affects the Fund Account and notes 8 and 9.

Investment consultancy amounts previously categorised within "Administration expenses" are now shown under "investment expenses" in line with the SORP. This has resulted in an increase in investment management expenses and a decrease in administration expenses of £1.3 million for the year ended 31 March 2012. This affects the Fund Account and note 9.

There is no change to the overall net assets position as a result of these re-categorisations.

## 3) Accounting policies

The following are the key accounting policies that have been applied in the preparation of the accounts. The policies are the same as the previous year except where indicated.

**a) Investments**
Investments are included at their fair value as set out below.

Quoted equities, index-linked and fixed interest securities are valued on the basis of the bid price or last traded price on the relevant stock exchange, depending on the convention of the stock exchange where they are quoted, at the end of the year.

Accrued interest is included in investment income receivable within "other investment assets" but not in the market value of fixed interest and index-linked securities.

Private equity investments are valued by the investment manager, Pantheon Ventures. The valuation is based on the latest investor reports and accounts provided by the fund managers of the underlying funds, adjusted for transactions arising after the date of such reports. Pantheon considers the reasonableness of these valuations in the light of other available knowledge and corroborative evidence. Quoted investments within the private equity portfolio are valued at bid price on the relevant stock exchange. A discount may be applied where trading restrictions apply to such securities. Other unquoted securities including investments in hedge funds are included at the Trustees' estimate of fair value based on the valuations provided by the fund managers.

Pooled investment vehicles are valued at the closing bid price, if both bid and offer prices are published, or, if single priced, at the single closing price.

Properties are valued quarterly by Colliers (independent chartered surveyors) on an open market basis as defined by the Royal Institute of Chartered Surveyors. There is no provision for property depreciation or amortisation as this is already factored into the valuation.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Derivative contracts' changes in fair value are included in the change in market value. The fair value, being the unrealised profit or loss on the contracts, is shown as a separate line within the investment assets and liabilities note.

Futures contracts' fair value is determined using exchange prices at the reporting date. The fair value is the unrealised profit or loss at the current bid or offer market quoted price of the contract. Outstanding amounts relating to the initial margin (representing collateral on the contracts) and any variation margin which is due to or from the broker are included in "Amounts due to or from brokers" within 'cash and other investment assets/liabilities'. The amounts included in the change in market value are the realised gains and losses on closed futures contracts and the unrealised gains and losses on open futures contracts.

Forward foreign exchange contracts are valued on the basis of an equal and opposite contract being purchased at the year end date.

The fair value of the swap contracts are calculated using discounted cash flow pricing models based on the current value of future expected net cash flows arising over the remaining contract period, taking into account the time value of money. Interest builds up monthly in line with the terms of the contract. The amounts included in the change in market value are the realised gains and losses on closed contracts and the unrealised gains and losses on open contracts. Net receipts and payments on swap contracts are reported net within investment income.

Additional voluntary contribution and defined contribution investment assets are valued at the valuation as advised by the relevant investment manager.

Transaction costs are included in the cost of investments purchased or deducted from the proceeds of investments sold. Where some part of these costs are subsequently recovered, the proceeds are included in the change in market value of investments.

Realised and unrealised gains/losses arising from changes in market values are taken directly to the Fund Account.

Securities that were on loan at the end of the year are included in the net asset statement to reflect the Fund's ongoing economic interest in such securities.

**b) Foreign currency translation**

The value of overseas securities is translated into sterling at the rates of exchange ruling at the end of the period. The resulting exchange differences arising in the period are included in changes in market values of investments and taken direct to the Fund Account.

Where contracts for forward sales of foreign currency have been entered into as a hedge against exposure on foreign currency investments, any unrealised profit or loss at the year end, measured by the difference between spot rate and contract rate, is included in the change in market values of investments, together with realised gains and losses on forward contracts maturing during the year.

**c) Investment income**

Dividends and interest from investments are accounted for on an ex-dividend accruals basis. Interest on deposits, fixed interest and index-linked investments, net property rents and other investment income are accounted for on an accruals basis.

Where income is not distributed by pooled investment vehicles, the income arising on underlying assets is accounted for within the change in market value of investments. Income distributed by pooled investment vehicles is accounted for on an accruals basis.

**d) Contributions**

Normal contributions, both from the members and from the employer, are accounted for as they fall due under the Schedule of Contributions.

Deficit, additional and augmentation contributions from the employer are accounted for in line with the Schedule of Contributions or other agreement under which they are paid.

Additional voluntary contributions from members are accounted for in the month they are deducted from the payroll.

**e) Benefits payable**

Benefit payments are accounted for on an accruals basis when they fall due. Where members can choose whether to take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised.

Other benefits are accounted for on an accruals basis on the date of retirement, death or leaving the Fund as appropriate.

**f) Transfer values**

Transfer values represent capital sums received or paid. Transfer values are accounted for when the liability is accepted by the receiving scheme.

**g) Expenses**

Administration and Investment management fees are accounted for on an accruals basis.

## 4. Contributions receivable

| | Year ended 31 Mar 2013 £ million | Year ended 31 Mar 2012 £ million |
|---|---|---|
| **Employers:** | | |
| Normal – Defined Benefit | **43.0** | 56.5 |
| Normal – Defined Contribution | **14.4** | 3.1 |
| Deficit contributions | **104.6** | 110.0 |
| Augmentations – Part time workers | **–** | 0.2 |
| Additional contributions – PPF Levy | **1.9** | 1.5 |
| Augmentations | **3.2** | 5.7 |
| | **167.1** | 177.0 |
| **Members:** | | |
| Normal | **–** | 0.1 |
| Additional voluntary | **0.9** | 1.6 |
| | **0.9** | 1.7 |
| Total contributions | **168.0** | 178.7 |

Deficit contributions consist of:

- a regular £43.4m (£50m required under the schedule of contributions (less utilisation of £6.6m of contributions received in advance);
- £18m being the balance of the AUR contribution due for the year ended 31 December 2011;
- £53.3m towards the AUR due for the year ended 31 December 2012; less
- contributions of £10.1m received prior to 1 April 2011 shown in the prior-year accounts within net assets and disclosed in the Summary of Contributions as being available at the Company's direction to offset against future contributions due. This amount has been reclassified in the current year within deferred income.

Further information is in the Summary of Contributions on page 54.

## 5. Transfers in

| | Year ended 31 Mar 2013 £ million | Year ended 31 Mar 2012 £ million |
|---|---|---|
| Individual transfers in from other schemes | **0.6** | 0.1 |
| | **0.6** | 0.1 |

## 6. Benefits payable

| | Year ended 31 Mar 2013 £ million | Year ended 31 Mar 2012 £ million |
|---|---|---|
| Pensions | **(278.2)** | (272.0) |
| Purchase of annuities | **(0.2)** | – |
| Lump sum retirement benefits | **(16.8)** | (20.4) |
| Lump sum death benefits | **(2.9)** | (1.9) |
| | **(298.1)** | (294.3) |

## 7. Payments to and on account of leavers

| | Year ended 31 Mar 2013 £ million | Year ended 31 Mar 2012 £ million |
|---|---|---|
| Individual transfers to other schemes | **(10.8)** | (10.0) |
| | **(10.8)** | (10.0) |

## 8. Investment income

| | Year ended 31 Mar 2013 £ million | Year ended 31 Mar 2012 £ million |
|---|---|---|
| Income from fixed interest securities | **17.1** | 17.6 |
| Income from Index Linked Bonds | **2.1** | 5.1 |
| Gross dividends from equity shares | **50.9** | 52.0 |
| Income from private equity investments | **1.0** | 1.5 |
| Income from pooled investments | **50.2** | 49.7 |
| Interest on short term deposits | **0.4** | 0.5 |
| Property rents less expenses | **18.7** | 19.9 |
| Other income | **(7.0)** | (18.5) |
| | **133.4** | 127.8 |
| Irrecoverable withholding tax on dividends | **(2.0)** | (2.1) |
| | **131.4** | 125.7 |

Other income in the current year includes the net of swap receipts and payments. Other income for the prior year has been restated to include swap payments of £59.7 million that were previously shown under investment expenses.

## 9. Investment Expenses

| | Year ended 31 Mar 2013 £ million | Year ended 31 Mar 2012 £ million |
|---|---|---|
| Investment Management & Custody | **(13.3)** | (12.8) |
| Investment Consultancy | **(1.2)** | (1.3) |
| | **(14.5)** | (14.1) |

Swap payments of £59.7 million reported last year under investment expenses are now shown netted against swap receipts under investment income.

Investment consultancy fees of £1.3 million were reported last year as part of administration expenses.

The above costs reflect the fees incurred on direct investments. The fees incurred in respect of pooled investment vehicles are reflected in the prices of such funds. For the year, the estimated impact if such fees were incurred directly would have been an increase in expenses and an increase in change in market value of £21.4m (2012: £20.7m).

## 10. Investment assets and liabilities

| **Net investment assets** | Market value at 1 Apr 12 £ million | Purchases at cost and Derivative Payments £ million | Proceeds of sales and Derivative Receipts £ million | Change in market value £ million | Market value at 31 Mar 13 £ million |
|---|---|---|---|---|---|
| Fixed interest securities | 325.0 | 1,102.5 | (1,140.7) | 29.3 | **316.1** |
| Index linked securities | 453.2 | 1,845.1 | (2,035.4) | 12.7 | **275.6** |
| Quoted equities | 1,766.7 | 925.7 | (1,101.4) | 275.5 | **1,866.5** |
| Private equity funds | 443.1 | 72.6 | (78.6) | 50.7 | **487.8** |
| Hedge funds | 378.4 | - | - | 41.6 | **420.0** |
| Pooled investment vehicles | 1,904.9 | 1,226.5 | (794.3) | 271.6 | **2,608.7** |
| Derivative contracts | 24.3 | 387.6 | (409.8) | 64.9 | **67.0** |
| Property | 358.3 | - | - | (4.9) | **353.4** |
| AVC investments | 19.4 | 0.3 | (1.4) | 1.7 | **20.0** |
| | 5,673.3 | 5,560.3 | (5,561.6) | 743.1 | **6,415.1** |
| Cash and other investment assets | 195.9 | | | 2.0 | **226.7** |
| Cash and other investment liabilities | (30.1) | | | - | **(90.8)** |
| | 5,839.1 | | | 745.1 | **6,551.0** |

Direct transaction costs incurred in the year including brokerage charges, stamp duty on property purchases and other costs amounted to £3.1 million (2012: £3.6 million). In addition to these costs, indirect transaction costs are incurred through the bid-offer spread on investments within the pooled investment vehicles, the amount of which is not made available to the Trustees.

| Fixed interest securities | 31 Mar 2013 £ million | 31 Mar 2012 £ million |
|---|---|---|
| UK public sector quoted | **1.9** | - |
| UK other quoted | **170.1** | 176.9 |
| Overseas other quoted | **144.1** | 148.1 |
| | **316.1** | 325.0 |
| **Index linked securities** | | |
| UK public sector quoted | **274.2** | 451.9 |
| Overseas quoted | **1.4** | 1.3 |
| | **275.6** | 453.2 |
| **Quoted equities** | | |
| UK | **213.7** | 228.0 |
| Overseas | **1,652.8** | 1,538.7 |
| | **1,866.5** | 1,766.7 |
| **Private equity funds** | | |
| Managed UK | **0.3** | 0.5 |
| Managed overseas | **487.5** | 442.6 |
| | **487.8** | 443.1 |
| **Pooled investment vehicles** | | |
| Managed funds non-property – managed overseas | **2,423.6** | 1,726.5 |
| Unit trust – property – managed UK | **185.1** | 178.4 |
| | **2,608.7** | 1,904.9 |

The property unit trust investments include £31.5 million invested in the CBRE (ex-UK) Alpha Fund for which the first redemption date was 31 December 2012, and on each following 31 December.

Overseas managed funds are located in Luxembourg and Guernsey.

| Derivatives contracts | 31 Mar 2013 Assets £million | 31 Mar 2013 Liabilities £ million | 31 Mar 2012 Assets £ million | 31 Mar 2012 Liabilities £ million |
|---|---|---|---|---|
| Futures contracts | **-** | - | 3.7 | - |
| Swaps | **83.7** | **(13.3)** | 19.4 | (2.5) |
| Forward foreign currency contracts | **3.7** | **(7.1)** | 7.2 | (3.5) |
| | **87.4** | **(20.4)** | **30.3** | (6.0) |
| Net derivatives | **67.0** | | 24.3 | |

The objectives and reasons for holding derivatives are shown in the investment report on page 28.

All derivatives held at the 31 March 2013 are "over-the-counter".

| Swaps | Expires | Nominal value £million | 31 Mar 2013 Assets £ million | 31 Mar 2013 Liabilities £ million |
|---|---|---|---|---|
| Inflation Swap – RPI | 2013-14 | 1,425.3 | 62.5 | - |
| | 2020-24 | 722.0 | - | (12.1) |
| | 2025-29 | 201.7 | 0.1 | (0.3) |
| | 2030-34 | 281.2 | - | (0.9) |
| | 2040-44 | 38.0 | 1.7 | - |
| | 2045-49 | 33.0 | 1.9 | - |
| | 2050-54 | 29.2 | 2.0 | - |
| | 2055-59 | 26.6 | 1.9 | - |
| | 2060-64 | 5.1 | 0.4 | - |
| Equity exposure | 2013-14 | 0.1 | 13.2 | - |
| | | | **83.7** | **(13.3)** |

In respect of derivatives at the year end, the Fund held collateral in the form of government bonds totalling £61.4 million and pledged collateral totalling £nil (2012: Held £14.7 million and pledged £10.3 million).

### Forward foreign currency contracts

| Settlement Date | Currency Bought | Currency Bought million | Currency Sold | Currency Bought million | 31 Mar 2013 Assets £million | 31 Mar 2013 Liabilities £million |
|---|---|---|---|---|---|---|
| 1 to 3 months | EUR | 9.1 | USD | 12.2 | 0.2 | (0.5) |
| Up to 1 month | GBP | 103.4 | AUD | 151.0 | - | (0.3) |
| Up to 1 month | GBP | 103.3 | CAD | 160.6 | - | (0.7) |
| Up to 1 month | GBP | 316.9 | EURO | 372.9 | 1.6 | (0.1) |
| Up to 1 month | GBP | 180.8 | JPY | 26,217.2 | - | (2.8) |
| Up to 1 month | GBP | 1,812.7 | USD | 2,754.9 | - | (1.7) |
| 1 to 3 months | USD | 28.3 | EURO | 21.9 | 0.9 | (0.8) |
| 1 to 3 months | USD | 231.3 | GBP | 151.7 | 0.8 | - |
| 1 to 3 months | USD | 10.3 | JPY | 962.1 | 0.2 | (0.1) |
| Up to 1 month | Various | 84.5 | Various | 148.9 | - | (0.1) |
| | | | | | **3.7** | **(7.1)** |

### Property

Property is valued in accordance with the accounting policy. An independent valuation took place as at 31 March 2013. All property leases are subject to rent review within five years. All direct property investments are in the UK.

### AVC investments

The Fund continues to provide the facility for members who were paying Additional Voluntary Contributions (AVCs) prior to 1 January 2008 to purchase additional benefits on a money purchase basis. The money purchase AVCs are separately invested for the benefit of individual members who can choose from a range of investment options. Members are advised individually about the value of their money purchase investments by the AVC provider. Other members are able to purchase additional money purchase benefits via the Investing plan.

| The aggregate amounts of AVC investments are as follows: | 31 Mar 2013 £ million | 31 Mar 2012 £ million |
|---|---|---|
| Santander | **0.5** | 0.5 |
| Equitable Life | **3.6** | 3.7 |
| Prudential | **0.8** | 0.8 |
| Standard Life | **4.0** | 3.7 |
| Zurich Assurance | **11.1** | 10.7 |
| | **20.0** | 19.4 |

| **Cash and other investment assets** | 31 Mar 2013 £ million | 31 Mar 2012 £ million |
|---|---|---|
| Cash deposits | **164.9** | 160.0 |
| Cash margin | **0.2** | 14.6 |
| Amounts due from brokers | **45.2** | 3.1 |
| Accrued income | **16.4** | 18.2 |
| | **226.7** | 195.9 |

Cash deposits consist of £81.6m (2012: £63.7m) of cash with investment managers, £76.0m (2012: £90.0m) of cash held in same-day access pooled cash funds, and £7.3m (2012: £6.3m) of cash in overnight deposits.

| **Cash and other investment liabilities** | 31 Mar 2013 £ million | 31 Mar 2012 £ million |
|---|---|---|
| Bank overdraft | **(0.3)** | (0.9) |
| Cash margin | **(0.2)** | (17.8) |
| Amounts due to brokers | **(85.8)** | (6.8) |
| Deferred income | **(4.5)** | (4.6) |
| | **(90.8)** | (30.1) |

### Stocklending

The Fund participates in a stock lending programme managed by the Custodian, The Northern Trust Company. The value of securities on loan (all equities) at 31 March 2013 was £162.8 million (31 March 2012: £186.3 million) in exchange for which the Custodian held collateral worth £174.7 million (31 March 2012: £197.2 million). The collateral consists of eligible securities and forms part of Northern Trust's UK Core Collateral pool.

## 11. Investment assets

### Defined contribution section

Further information on the defined contribution section is contained in the investment report on page 30. Most investments held in the Investing plan are specifically designated to individual members.

| Pooled investment vehicles | Year ended 31 Mar 2013 £ million | Year ended 31 Mar 2012 £ million |
|---|---|---|
| UK managed funds | | |
| Balance at beginning of year | **11.6** | 7.7 |
| Purchases at cost | **15.8** | 4.6 |
| Proceeds from sales | **(1.0)** | (1.1) |
| Change in market value | **2.7** | 0.4 |
| Balance at end of year | **29.1** | 11.6 |

Defined contribution assets include £105,000 (2012: £35,000) of assets not designated to members.

## 12. Current assets

| | Year ended 31 Mar 2013 £ million | Year ended 31 Mar 2012 £ million |
|---|---|---|
| Contributions receivable | **0.7** | - |
| Sundry debtors | **2.5** | 0.6 |
| | **3.2** | 0.6 |

Contributions receivable relate to augmentations for EU benefits and termination benefits and were all paid when due in accordance with the Schedule of Contributions.

## 13. Current liabilities

| Pooled investment vehicles | Year ended 31 Mar 2013 £ million | Year ended 31 Mar 2012 £ million |
|---|---|---|
| Deferred income | (10.1) | - |
| Sundry creditors | (14.8) | (10.1) |
| | **(24.9)** | **(10.1)** |

Deferred income consists of contributions received in advance. An agreement is in place with the Company that allows the Company to direct how these amounts should be used.

## 14. Commitments

At the end of the year the Fund had capital commitments relating to private equity investments of £263.5 million (31 March 2012: £286.3 million), indirect property investments of £1.1 million (31 March 2012: £1.1 million) and mezzanine debt of £200 million (31 March 2012: £nil).

## 15. Related party transactions

In 2008 the Fund appointed an independent Chairman. In 2012/13 the Chairman was paid £70,000 and each Trustee no longer employed by a participating Employer received an honorarium of £7,000. Total fees paid in the year ended 31 March 2013 were £121,000 (2012: £101,000). Certain Trustees receive a normal retirement pension from the Fund.

Within administration costs, £1.7 million was paid to Unilever UK Central Resources Limited in respect of the services provided by Unilever UK Pensions (2012: £2.1 million), and £0.3 million (2012: £0.6 million), in respect of services provided by the Univest Company.

There were no significant amounts due to/from the Company at 31 March 2013. However, included in Sundry debtors is an amount of £nil (2012: £37,000) relating to unfunded pensions due from the Company but paid by the Fund. There were no amounts due from the Company to cover annuity receipts paid to them by the providers in error (2012: £50,000).

The Fund received £55,000 in rent (2012: £55,000) from Unilever UK Holdings Ltd, who are a tenant at one of the Fund's property investments. This tenancy is on a commercial arms-length basis on standard terms and is managed by the Fund's property manager.

There are no direct fees paid by the Fund for the Univest Pooled Funds, but costs are incurred by these funds and are reflected in the unit pricing. As explained in the Investment Report on page 22, the Univest pooled vehicle consists of a range of sub-funds, each with separately appointed investment managers appointed by the Univest Investment Committee. Information on the Funds invested in Univest pools is in Note 10 on pages 42 to 46.

Information on Employer Related Investments is in the investment report on page 22.

## Schedule of Contributions

### 1. Introduction

This schedule of contributions has been prepared by Unilever UK Pension Fund Trustees Limited (the "Trustees") to satisfy the requirements of Section 227 of the Pensions Act 2004, after obtaining the advice of Richard Whitelam, the Scheme Actuary, and after obtaining the agreement of Unilever PLC, the Principal Company. It comes into effect on the date it is certified by the Scheme Actuary and covers the period from the date it is certified to 31 March 2018.

Words and expressions used in this schedule, and highlighted in italics, have the same meaning as in the Trust Deed and Rules of the Unilever UK Pension Fund (the UUKPF).

### 2. Participating Employers

This schedule covers contributions to the UUKPF from all Employers who participate in the UUKPF from time to time.

### 3. Employer Contributions – future accrual of benefits

Each Employer will contribute in respect of its employees to the UUKPF at the rate of:

#### Active Members who are 1 July 2012 Switched Contributors

a. 20.5% of Covered CARE Earnings;

   **less** any Employee Contributions as set out in paragraph 8;

   **plus** 12.5% or such other percentage as is provided for under Part E Rule C1, of Covered DC Earnings;

   **plus** such amount as required under Part E Rule C6 (Employer Matched Contributions), except during the Transitional Period (starting on 1st July, 2012 and ending on 30th June, 2013) when contributions are due under Part E Rule C7.

#### Active Members who are not 1 July 2012 Switched Contributors

b. 13.4% of Covered CARE Earnings;

   **less** any Employee Contributions as set out in paragraph 8;

   **plus** 12.5%, or such other percentage as is provided for under Part E Rule C1, of Covered DC Earnings;

   **plus** such amount as required under Part E Rule C6 (Employer Matched Contributions).

#### All Members

c. Contributions required in accordance with Part D, Rule H1(a)(iii) for Contributors who are in Pensionable UCA service;
d. An additional 1.5% of Covered CARE Earnings for LPI5 CARE Buyback Contributors who are in Pensionable UCA 5% LPI CARE Buyback service;
e. Contributions payable in respect of members who are in Pensionable UCA Service who would otherwise be paying Additional Voluntary Contributions under Part E Rule C2 or Member Matched Contributions under Part E Rule C5; and
f. Whatever contributions as the Principal Company so decides in respect of Part E Rule C1(b)(ii)(A).

The above rates include all expenses of the UUKPF, but exclude the risk and scheme based PPF levies, for which Unilever UK Central Resources Limited, or such other Employer(s) as the Principal Company otherwise directs, will make an additional contribution within 30 days of the Trustee requesting such payment once the levy invoice has been agreed each year.

For members seconded overseas who continue in Pensionable Service, contributions will be based on the most recent notional home Pensionable Pay figure at 1 April reported to Unilever UK Pensions Department except for members whose UUKPF benefits are materially offset by benefits earned overseas in which case no contributions are payable. Payment of contributions in respect of certain members seconded overseas may be delayed with the agreement of the Scheme Actuary.

For weekly paid members, changes in contribution rates will be introduced from the first full week of the relevant calendar year, or fund year, as the case may be.

Each participating employer will ensure that the Trustees receive contributions within 19 days of the end of the calendar month to which the contributions relate except for members seconded overseas where the contributions are quarterly and the deadline is within 19 days of the end of the calendar quarter to which the contributions relate. The date of receipt will be taken as the date on which the contributions become available for the Trustees to use.

**4. Employer Contributions – shortfall in funding**

In respect of the shortfall in funding in accordance with the recovery plan dated 30 March 2011 following the actuarial valuation as at 31 March 2010, the Principal Company will additionally contribute (or procure to be contributed) to the UUKPF amounts such that at each anniversary of the valuation date, the cumulative amount of these contributions is no less than it would have been had contributions been paid at the rate of £50 million per annum from the valuation date, less any existing pre-payment (originally intended to fund the transfer of previously unfunded benefits into the UUKPF and valued at £57.6 million at 1 April 2010) that the Principal Company directs shall not be used for its originally intended purpose, and should therefore be included in the assets available to meet the statutory funding objective. For the avoidance of doubt, such a reallocation at the Principal Company's direction shall be considered a payment of additional employer contributions for the purpose of this paragraph, and any subsequent transfer of unfunded benefits into the UUKPF, in excess of any remaining pre-payment, must be funded by contributions in accordance with the relevant paragraphs of this Schedule of Contributions.

**5. Adjustments to Employer Contributions under agreed Annual Update and Re-assessment (AUR) approach**

Following the UUKPF's actuarial valuation as at 31 March 2010, and in advance of the next formal valuation, the Trustees will obtain an actuarial report on developments affecting the funding level as at each intermediate anniversary of the valuation date conforming with Part 3 of the Pensions Act 2004.

In addition to and separate from the actuarial report, there will be an annual update and re-assessment (AUR) as at each 31 December until the next formal valuation has been completed, which may give rise to adjustments to the required employer contributions under an AUR approach agreed between the Principal Company and Trustees.

Under this AUR approach:

- additional contributions can become payable if the IAS19 funding level* develops less favourably than anticipated.
- employer contributions can be reduced or suspended if the IAS 19 funding level* develops more favourably than anticipated, and there is a surplus on the technical provisions basis.

*as determined using the principles and assumptions of Unilever in relation to the UUKPF at the date in question, subject to adjustments in accordance with the AUR approach agreed between the Principal Company and Trustees.

This AUR approach will cease once the next formal valuation has been completed. A revised or the same AUR approach may operate thereafter, if agreed at that time by the Trustees and the Principal Company.

**6. Payments to Cover Augmentations or Benefits Granted Under Part B Rule C2.**

The participating employers will pay additional amounts to cover the costs of benefit augmentations or benefits granted under Part B Rule C2 as advised by the Scheme Actuary. The amounts will be paid in accordance with timescales advised by the Scheme Actuary.

**7. Section 75 Debts**

Where an "employer cessation event" occurs in relation to an employer participating in the UUKPF, legislation provides that the employer is liable for its share of the buy-out deficiency, determined in accordance with Section 75 of the Pensions Act 1995, at that time. This is known as a Section 75 debt and is specified in Section 75 of the Pensions Act 1995 and corresponding regulations. If an amount is determined to be payable under the application of Section 75 and the corresponding regulations, then:

a. where it arises as a result of internal reorganisation (i.e. where the employees concerned remain employed by a company somewhere within the Unilever Group), the amount payable will be considered (but only for the purposes of calculating the employers' future liability for contributions under this schedule) as advance payment of the employer contributions set out in 3 above or any additional contributions envisaged by 4 above and not an additional amount.

b. where it arises as a result of a disposal of the employer by the Unilever Group such that the employer ceases to be within any part of the Unilever Group, the amount payable will be in addition to the employer contributions set out in 3 above or any additional contributions envisaged by 4 above.

The employer in relation to which the "employer cessation event" occurs will pay the amount payable within 30 days of being notified by the Scheme Actuary of the amount after it has been determined in accordance with Section 75 of the Pensions Act 1995.

**8. Employee Contributions**

Employees who are active members of the UUKPF, except those to whom Part D Rule C1(a)(iv) applies and members seconded overseas, will contribute to the UUKPF at the rate of:

a. 5% of Covered CARE Earnings for Contributors, or such higher rate as the Principal Company shall inform the Trustee under Part D Rule C1(a);

b. An additional 1.5% of Covered CARE Earnings for LPI5 CARE Buyback Contributors who are not in Pensionable UCA 5% LPI CARE Buyback service;

c. Contributions required in accordance with Part D, Rule H1(a)(iii) for Contributors who are not in Pensionable UCA service.

Employee contributions for members to whom Part D Rule C1(a)(iv) applies, (i.e. members who participate in the Unilever Contribution Arrangement or who have completed 40 years or 45 years pensionable service (which ever applies to the member in question)), and members seconded overseas will be nil.

For weekly paid members, changes in contribution rates will be introduced from the first full week of the relevant calendar year or Fund year, as the case may be.

These amounts do not include members' Additional Voluntary Contributions and Member Matched Contributions.

The participating employers will ensure that the Trustees receive the contributions payable by their employees within 19 days of the end of the calendar month in which the contributions were deducted from the employees' salaries.

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Signed on behalf of the employers:

**Sagar Padhiar**
Attorney, Unilever PLC

22 June 2012.

Note: Unilever PLC is acting as the representative of all participating employers in this matter.

Signed on behalf of Unilever UK Pension Fund Trustees Limited:

**Andrew Rowell**
Secretary

25 June 2012

## Actuarial Certification of the Schedule of Contributions

**Adequacy of rates of contributions**

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2010 to be met by the end of the period specified in the recovery plan dated 30 March 2011.

**Adherence to statement of funding principles**

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 24 March 2011.

   The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the UUKPF's liabilities by the purchase of annuities, if the UUKPF were wound up.

| | |
|---|---|
| Name: | **Richard Whitelam** |
| Address: | **10 Devonshire Square, London EC2M 4YP** |
| Date: | **30 June 2012** |
| Qualification: | **Fellow of the Institute and Faculty of Actuaries** |
| Name of employer: | **Aon Hewitt Ltd** |

## Independent Auditor's Statement About Contributions to the Trustee of the Unilever UK Pension Fund

We have examined the Summary of Contributions to the Unilever UK Pension Fund in respect of the Fund year ended 31 March 2013 which is set out on page 54.

**Respective responsibilities of the Trustee and Auditor**
As explained more fully in the Statement of Trustee's Responsibilities on page 21, the Fund's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contribution showing the rates and due dates of certain contributions payable towards the Fund by or on behalf of the employer and the active members of the Fund. The Trustee is also responsible for keeping records in respect of contributions received in respect of the active members of the Fund and for monitoring whether contributions are made to the Fund by the employer in accordance with the Schedule of Contributions.

It is our responsibility to provide a statement about contributions paid under the Schedules of Contributions and to report our opinion to you.

**Scope of work on the Statement about Contributions**
Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the Summary of Contributions have in all material respects been paid at least in accordance with the Schedules of Contributions. This includes examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Fund and the timing of those payments under the Schedules of Contributions.

**Statement about contributions payable under the Schedules of Contributions**
In our opinion, contributions for the Fund year ended 31 March 2013 as reported in the Summary of Contributions and payable under the Schedules of Contributions have, in all material respects, been paid at least in accordance with:

- the Schedule of Contributions certified by the Scheme Actuary on 31 March 2011 for the period 1 April 2012 to 30 June 2012; and
- the Schedule of Contributions certified by the Scheme Actuary on 30 June 2012 for the period 1 July 2012 to 31 March 2013.

**Grant Thornton UK LLP**
Statutory Auditor, Chartered Accountants

London

10 October 2013

## Summary of Contributions Payable for the Year Ended 31 March 2013

During the year, the contributions payable to the Fund were as follows:

| Required by the Schedules of Contributions | Members £ million | Employer £ million |
|---|---|---|
| Normal | - | 57.4 |
| Deficit contributions | - | 104.6 |
| Additional contributions – PPF Levy | - | 1.9 |
| Augmentations | - | 3.2 |
| **Total** | **-** | **167.1** |
| **Other contributions payable** | | |
| Additional voluntary contributions | 0.9 | - |
| Total reported in Fund Account | 0.9 | 167.1 |

The Schedules of Contributions both recognise that additional contributions of £200 million paid by the Company during the year ended 31 March 2009 were available to be offset against future contributions that may become due under the Schedule of Contributions and other benefits that are currently unfunded. The balance remaining at 31 March 2013 was £10.1 million (2012: £16.7 million), and this is reported as deferred income (this is reported within net current assets in the prior year comparatives).

An amount of £6.6 million was used in the year to meet amounts due under flexible apportionment agreements (for more information see page 17), but under these arrangements such a receipt can also be treated as advance funding by the Company, and this was agreed with the Trustees. This amount was subsequently used by the Company to offset against the amount due in respect of the £50 million deficit funding contribution for the year ended 31 March 2013 and therefore the Company paid a £43.4 million regular deficit contribution.

The Company requested the Trustees to use £18 million of the £70 million contribution paid in December 2012 to meet the balance of the Annual Update and Re-assessment due for the calendar year ended 31 December 2011. The balance of this amount (£52 million) was to be deemed to be advance funding of contributions, and therefore is available to offset against the AUR due for the year ended 31 December 2012 (see below).

The AUR carried out during the year identified that the IAS19 funding level (which is the funding level of key relevance to the Company) was less favourable than expected. Under the Schedules of Contributions an additional contribution of £57 million became due by 31 December 2013. The Company utilised £52 million of contributions paid in December 2012 to meet part of this obligation at 31 March 2013. The Company also requested overpaid contributions of £1.3 million be offset against the AUR due.

The balance of £3.7 million is due by 31 December 2013.

Signed on behalf of the Trustees:

**E AIREY**
Chairman
10 October 2013

**A ROWELL**
Secretary

## Ten Year statistics table

| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total membership[1]** | | | | | | | | | | |
| Active members | **7,652** | 7,237 | 6,977 | 6,451 | 6,556 | 6,939 | 7,239 | 8,813 | 9,792 | 10,833 |
| Deferred members | **34,026** | 35,541 | 37,249 | 38,421 | 40,059 | 41,335 | 43,001 | 42,189 | 42,166 | 42,497 |
| Pensioner members | **42,895** | 43,380 | 43,632 | 44,055 | 44,080 | 44,271 | 44,418 | 44,917 | 45,216 | 45,310 |
| Total | **84,573** | 86,158 | 87,858 | 88,927 | 90,695 | 92,545 | 94,658 | 95,919 | 97,174 | 98,640 |
| **Net assets at Fund year end (£m)[2]** | **6,558.4** | 5,841.2 | 5,785.0 | 5,493.8 | 4,281.7 | 5,060.7 | 5,083.7 | 4,763.0 | 3,812.0 | 3,547.0 |
| **Funding details[3]** | | | | | | | | | | |
| Value of assets for funding purposes (£m) | **–** | 5,813 | 5,740 | 5,410 | 4,040 | 5,040 | 5,060 | – | 3,789 | – |
| Technical Provisions (£m) | **–** | 7,344 | 6,320 | 6,090 | 5,840 | 5,870 | 5,420 | – | 4,780 | – |
| Funding surplus / (deficit) (£m) | **–** | (1,531) | (580) | (680) | (1,800) | (830) | (360) | – | (991) | – |
| Funding ratio | **–** | 79% | 91% | 89% | 69% | 86% | 93% | – | 79% | – |
| **Contributions receivable (£m)** | | | | | | | | | | |
| Employer | | | | | | | | | | |
| - Regular[4] | **57.4** | 59.6 | 57.9 | 57.2 | 59.3 | 56.2 | 59.0 | 57.0 | 45.0 | 30.0 |
| - Additional | **5.1** | 7.4 | 16.6 | 31.5 | 211.9 | 6.0 | 54.3 | – | – | 16.0 |
| - Deficit recovery | **104.6** | 110.0 | 10.0 | 64.0 | 110.2 | 277.5 | 170.0 | 170.0 | 62.0 | – |
| Member[5] | **–** | 0.1 | 0.1 | 0.2 | 0.3 | 0.5 | 0.7 | 3.0 | 13.0 | 8.0 |
| AVCs[6] | **0.9** | 1.6 | 1.1 | 1.7 | 1.8 | 1.9 | 2.0 | 1.0 | 2.0 | 2.0 |
| Total | **168.0** | 178.7 | 85.7 | 154.6 | 383.5 | 342.1 | 286.0 | 231.0 | 122.0 | 56.0 |
| **Investment income (£m)** | **131.4** | 125.7 | 138.7 | 141.1 | 170.8 | 148.5 | 140.0 | 120.0 | 104.0 | 95.0 |
| **Benefits (£m)[7]** | **298.1** | (294.3) | (283.6) | (279.7) | (274.8) | (266.3) | (251.0) | (245.0) | (241.0) | (234.0) |
| **DC and AVC assets (£M)[8]** | **49.1** | 31.0 | 27.6 | 24.3 | 21.1 | 23.3 | 21.7 | 23.3 | 23.1 | 27.0 |

## Commentary on the Ten Year statistics table

| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Investments – actual asset allocation (% at 31 March)[9]** | | | | | | | | | | |
| Bonds | | | | | | | | | | |
| - UK Public | **–** | – | 0.1 | 4.3 | 7.8 | 8.6 | 8.3 | 8.7 | 7.0 | 8.0 |
| - UK Private | **2.6** | 3.0 | 2.6 | 3.6 | 7.6 | 7.7 | 7.6 | 6.8 | 7.0 | 7.0 |
| - Overseas Public | **–** | – | – | – | – | – | 0.2 | 0.3 | – | 1.0 |
| - Overseas Private | **9.0** | 10.1 | 10.0 | 4.2 | 0.6 | 0.2 | 0.2 | 0.1 | 1.0 | – |
| - Indexed Linked | **9.2** | 7.8 | 7.3 | 3.7 | 0.0 | 0.3 | – | – | – | – |
| Securities | | | | | | | | | | |
| - Emerging Market Debt | **3.0** | – | – | – | – | – | – | – | – | – |
| - Global High Yield | **3.1** | – | – | – | – | – | – | – | – | – |
| Equities | | | | | | | | | | |
| - UK | **7.8** | 10.8 | 10.7 | 11.9 | 9.1 | 10.7 | 12.4 | 24.9 | 25.0 | 25.0 |
| - Overseas | **40.2** | 41.7 | 44.0 | 49.3 | 46.5 | 48.7 | 49.4 | 44.2 | 42.0 | 43.0 |
| Private equity funds | **7.3** | 7.6 | 6.9 | 6.6 | 7.1 | 5.5 | 4.6 | 4.8 | 6.0 | 6.0 |
| Hedge funds | **6.4** | 6.5 | 6.5 | 6.7 | 7.9 | 5.1 | 4.9 | – | – | – |
| UK property | **8.3** | 9.2 | 9.4 | 7.3 | 7.5 | 8.4 | 9.2 | 8.5 | 9.0 | 8.0 |
| Cash, deposits and other investments | **3.1** | 3.3 | 2.5 | 2.4 | 5.9 | 4.8 | 3.2 | 1.7 | 3.0 | 2.0 |
| **Overall Fund performance (over 12 months to 31 March)[10]** | | | | | | | | | | |
| Total | **15.7%** | 3.6% | 9.7% | 32.4% | (17.2)% | (1.2)% | 6.0% | 25.7% | 11.9% | 21.6% |

**The Trustees consider that a 10 year view of trends is a useful timescale for assessing the development of the Fund. The following commentary provides explanations for the key changes over the last 10 years.**

## 1) Total membership.

Over the last 10 years the membership profile of the Fund has changed reflecting the changing headcount in the Company's UK businesses. This has come about as a result of sales, outsourcings and/or restructurings over the years. Whilst the total and active (employed) membership numbers have decreased, the pensioner membership numbers have, however, remained relatively stable. The reduction in active members has been offset by an increase in the number of deferred members over the full 10 year period, although the number of deferred members has been falling since 2008. Active membership increased in the scheme year due to internal growth with subsequent recruitment, and the transition of 285 employees following the acquisitions of Alberto Culver and Simple.

From 2006, the membership figures include Unilever Protection Benefit (UPB) members (those members who stopped building up pension benefits in the Final salary plan as they reached the "Lifetime Allowance" limit for tax efficient pension saving). From 2008, the figures include membership of the Career average plan following the closure of the Final salary plan to new entrants from 1 January 2008. All remaining active Final salary plan members became members of the Career average plan from 1 July 2012.

## 2) Net assets at the Fund year end.

The net assets at the Fund year end are taken from the Fund Account from the Scheme Annual Report and Accounts for the year in question.

## 3) Funding details.

Funding information is shown for years in which there was a formal actuarial valuation (2005, 2007 and 2010) and years in which there has been an interim actuarial update (2008, 2009, 2011 and 2012). Before 2008 interim updates were not required. The estimated funding position in the 2012 interim actuarial update is in a Summary Funding Statement (as part of the annual 'Fund Focus' newsletter to members), issued at the end of 2012. The 2013 valuation is underway and we will issue the results in a Summary Funding Statement in 2014. There will also be a summary in next year's Report & Accounts.

The 'value of assets for funding purposes' shown will differ from the 'net assets at Fund year end' in the row above it for a number of reasons. For example, Additional Voluntary Contributions (AVC) investments are excluded from the valuation of assets for funding purposes. See the actuarial report for each year for more details. The value of assets for funding purposes also excludes defined contribution assets and contributions paid in advance by the Company.

The Fund (excluding the investment assets in the Investing plan and other AVC providers) is set up as a common pool of money into which all members (active, deferred or pensioner) have contributed (or continue to contribute) together with Company contributions, which the Trustees invest to help it grow. Benefits are paid out of this pool of money.

The Trustees are required to agree a funding target with the Company which they aim to meet. The target, known as "Technical Provisions", is tailored to the Fund's circumstances and needs. It is based on assumptions about future events, the Trustees' investment strategy and the Company's covenant. It also assumes that the Fund will continue into the future and that Unilever PLC and other employers will continue in business and support the Fund.

The assumptions used vary over time to reflect different expectations over future events such as long term interest rates, expectations for long term price inflation and life expectancy. As such, it is difficult to compare the Technical Provisions measures on a like-for-like basis over time.

Nonetheless, at each valuation date they do represent the assessed value of the past service liabilities built up to that date, with an allowance for 'prudence', assuming that the Fund continues on an ongoing basis. 'Prudence' in this context is a more cautious approach to the assessment of the value of the liabilities, resulting in a higher value than a 'best estimate' approach. Each year, Fund Focus normally contains an annual funding statement with more information on funding matters.

The difference between the Fund's assets and liabilities at any given time is known as the 'funding surplus' (if the difference is positive) or the 'funding deficit' (if the difference is negative). When carrying out valuations and funding updates, the Scheme Actuary works out the value of assets the Fund needs to cover its funding target (or Technical Provisions). Then he takes the value of the Fund's assets from the accounts and compares the assets with the Technical Provisions. This gives the funding level.

Over the 10 year period, the funding level has changed reflecting a number of circumstances, including negative investment returns over certain time periods and changes in some of the underlying valuation assumptions (for example lower expected long term interest rates, and a greater allowance for extended life expectancy). At each valuation (undertaken at least every 3 years, with the latest as at 31 March 2013 currently underway) the Company and the Trustees agree new funding arrangements, including measures to address any funding deficit.

The 2012 (and 2011) figures have not been adjusted for the changes to the Fund from 1 July 2012 for active members or for the Company's notification to the Trustee and members of how it currently intends to exercise some of its discretionary powers. We will take the treatment of these into account when assessing the Technical Provisions as part of the 2013 valuation.

## 4) Regular employer contributions

The Company and the Trustees, on the advice of the Scheme Actuary, decide the regular employer contributions. This is the amount needed to provide for the future build up of pension benefits for active members.

**Salary sacrifice**

In 2005, the Fund introduced a 'salary sacrifice' contribution arrangement. As technically salary sacrifice contributions are employer contributions there is an apparent reduction in member contributions from 2005 onwards shown in the 10 year table. For more information on the salary sacrifice arrangements see page 17.

## 5) Member contributions

Some Final salary plan members chose not to contribute to the Fund through the UCA. The figures shown between 2005 and 2012 therefore represent the normal contributions made by these members. Transfers-in from other schemes are not included in these figures.

Prior to 1 July 2012, Career average plan members had to contribute to the Fund through the UCA. From 1 July 2012, under the revised Career average plan all members are able to choose whether or not to do so.

## 6) AVCs

These are Additional Voluntary Contributions (AVCs) made to the Investing plan or to legacy AVC providers. From July 2012 they will also include Company matched contributions.

## 7) Benefits.

The amounts stated represent the benefits paid out to members during the year in question. These include retirement pensions, lump sums paid on retirement, and lump sum death benefits.

## 8) DC investments

The DC and AVC assets shown in the table consist of additional (or extra) voluntary contributions paid by members, as well as, since 1 January 2008, the Company 12.5% contribution made to the Investing plan for members earning above the Career average plan higher level.

Before 1 January 2008, additional voluntary contributions were made by active members to a number of different providers. These providers included Zurich, Standard Life, and Equitable Life.

The Investing plan was introduced in January 2008 for member extra voluntary contributions as well as the Unilever 12.5% contribution. The legacy AVC providers were closed to new joiners at that time; however members who were already paying contributions to those providers were able to continue to do so.

In July 2012, the Final salary plan was closed to future accrual and members of that plan moved to the Career average plan. The Company made a contribution of 3% of pensionable earnings (up to a certain level) to the Investing plan for all Final salary plan members from 1 July 2012 to 30 June 2013.

Please refer to the Investment report for more details on the Investing plan.

## 9) Investments – actual asset allocation

The Trustees are responsible for the investment strategy adopted by the Fund (but are required to consult with the Company before determining that strategy). Periodically, the Trustees review their strategy and in particular their strategic asset allocations to different asset classes. The Trustees, having determined the midpoints of their strategic asset allocation weightings to different asset classes, then allow ranges for their asset allocation in order to avoid continual re-balancing around the midpoint. The table provides details of the actual split of the Fund's assets between the different asset classes which will be, therefore, close to the targeted midpoints of the strategic asset allocation. The asset allocation targets are regularly reviewed and, as the table demonstrates, there have been significant shifts over the period. For example:

- a significant diversification of the Fund's bond portfolio from only investing in UK public bonds (gilts) at the start of the period, to other fixed and indexed linked bonds;
- some reduction in the exposure to equity markets and a significant diversification away from the UK over the ten-year period; and
- the introduction of investments in hedge funds (through a very diversified 'manager of managers' approach).

## 10) Overall Fund performance

Details are provided of the annual return of the Fund's assets. The returns were very volatile over the period reflecting the turbulent market conditions. Whilst the Trustees do monitor performance relative to an appropriate benchmark for a particular investment mandate, the Trustees are most concerned about the performance relative to the growth of the liabilities, as it is the difference between the value of the liabilities and the value of the assets which determines the funding level of the Fund. See note 3.

The Trustees have spent considerable time reviewing their strategic approach to investments, as mentioned in note 9, with the IFC monitoring the performance of individual managers (in particular those who are employed on an 'active' basis with the target of outperforming either alternative equivalent investment managers or relevant market indices). In each Fund Annual Report significant information is provided regarding the Fund's investment arrangements in the Investment report. For this Annual Report the Investment report is on pages 22 to 33.

## Membership statistics

| Final salary ordinary active members: | 2012/13 | 2011/12 |
|---|---|---|
| Normal contributory members at 1 April | 4,746 | 5,085 |
| Less adjustments from opening position1 | (131) | (3) |
| New members (returning from the EU) | - | 8 |
| Members becoming EU expats | - | (8) |
| Members leaving service or opting-out and preserving benefits | (126) | (222) |
| Member's becoming Career average active | (4,433) | - |
| Members becoming UPB active | (27) | (5) |
| Retirements at or before normal retirement age | (28) | (103) |
| Deaths | (1) | (6) |
| **Number at 31 March** | **-** | **4,746** |
| **Final salary UPB active members:** | | |
| UPB active members at 1 April | 24 | 25 |
| Normal contributory members who became UPB active members | 27 | 5 |
| Members becoming UPB deferred pensioners | (50) | - |
| Member leaving service and preserving benefits | - | (1) |
| Retirements at or before normal retirement age | (1) | (5) |
| **Number at 31 March** | **-** | **24** |
| **Career average active members** | | |
| Career average active members at 1 April | 2,467 | 1,867 |
| Less adjustments from opening position[1] | (14) | (4) |
| New members | 1,084 | 761 |
| New members returning from the EU | 9 | - |
| New members transferring from Final Salary | 4,433 | - |
| Members leaving service taking a refund of contributions | (90) | (65) |
| Member leaving service and preserving benefits | (183) | (89) |
| Retirements at or before normal retirement age | (48) | (2) |
| Deaths | (6) | (1) |
| **Number at 31 March** | **7,652** | **2,467** |

| Final salary ordinary deferred pensioners: | 2012/13 | 2011/12 |
|---|---|---|
| Deferred pensioners at 1 April | 35,378 | 37,186 |
| Less adjustments from opening position[1] | (276) | (275) |
| New leavers with preserved benefits | 126 | 222 |
| Transfers out | (48) | (73) |
| Retirements | (1,480) | (1,605) |
| Deaths | (74) | (77) |
| Active members becoming deferred when became EU expats | - | 8 |
| Deferred members returning to active status on leaving the EU | (9) | (8) |
| **Number at 31 March** | **33,617** | **35,378** |
| **Final salary UPB deferred pensioners:** | | |
| UPB deferred pensioners at 1 April | 11 | 11 |
| Less adjustments from opening position[1] | 4 | - |
| New leavers with preserved benefits | 50 | 1 |
| Retirements | (4) | (1) |
| **Number at 31 March** | **61** | **11** |
| **Career average deferred pensioners:** | | |
| Deferred pensioners at 1 April | 152 | 52 |
| Plus adjustments from opening position[1] | 17 | 13 |
| New leavers with preserved benefits | 183 | 89 |
| Retirements | (1) | - |
| Transfers out | (3) | (2) |
| **Number at 31 March** | **348** | **152** |
| **Final salary and Career average pensioners:** | | |
| Pensioners at 1 April | 43,380 | 43,632 |
| Plus/(less) adjustments from opening position[1] | 25 | (9) |
| New retirements[2] | 1,562 | 1,716 |
| New spouses | 534 | 531 |
| New dependants | 4 | 1 |
| New children | 7 | 7 |
| Deaths | (1,946) | (1,866) |
| Termination of child pensions | (7) | (15) |
| Other terminations / cessations | (664) | (617) |
| **Number at 31 March[3]** | **42,895** | **43,380** |

[1] These relate to movements with an effective date before 1 April, but because of pipeline delays they were processed after the accounts for last year were finalised.
[2] Two Career average pensioners included.
[3] Four Career average pensioners included.

As at 31 March 2013 there were 5,928 (2012: 1,027) active or deferred members with Investing plan accounts with Fidelity. These are not additional members - they will also have defined benefit membership.

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