Annual report 2024

Fonds de Pensions Nestlé

Nestlé

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In the event of any doubt or difference of interpretation, the French version shall prevail over the German and English versions.

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Message from Philippe Vossen, Chair of the Pension Board

For the first time, the annual report of the Nestlé Pension Fund (hereinafter the “Fund”) is being published in a fully digital format. This has a number of benefits compared with previous publications: in particular, information can be accessed more easily and the Fund’s data is made available in an immediate and transparent way. For example, the digital format means that you can quickly find the most relevant information regarding the Fund’s financial position, or explore specific sections that interest you in greater depth.

As you know, the financial markets are one of the key factors that influence the Fund’s performance. 2024 was a particularly good year in those markets, following on from positive performance in late 2023. There were significant gains for equities, driven by the start of central-bank rate cuts and optimism regarding a soft landing in the world economy, despite an unstable political and geopolitical context. The Fund benefited from those gains, achieving an encouraging return of 9% in 2024. This took its funded status to 119.4% as at 31 December 2024.

Given the Fund’s very good performance in 2024 and its solid financial position at the end of the year, the Pension Board has decided to grant additional interest of 3.75% on top of the minimum interest rate of 1.25%. This additional interest has been credited to the retirement savings capital of all active members insured with the Fund on 31 December 2024. Total interest was therefore 5% for 2024.The Pension Board has also decided to pay a special, one-off lump sum equal to half a monthly pension to the Fund’s pensioners, and that payment was made in January 2025.

However, the current period of relative prosperity and strong financial markets depends on a fragile balance that is increasingly being threatened by developments on various fronts: political, with the instability of governments in Europe; geopolitical, in relation to armed conflicts; and economic, particularly with the new customs tariffs initiated by the United States. This latter factor is likely to cause an economic slowdown or possibly a recession, which has caused financial markets to be highly volatile in 2025. It is therefore reassuring that the Fund ended 2024 with a funded status of close to 120%, and therefore an almost fully constituted investment fluctuation reserve, which should enable it to absorb potential losses arising from any new financial crisis.

To conclude this foreword, I would like to mention the digital developments that the Fund is planning. As well as the digital reporting and communication resources already in place – such as the Fund’s website, the online simulator and the secure space in which active members’ personal documents are stored – a new portal is currently being finalised. The new portal will enable active members to access their personal occupational benefits information at any time using a variety of communication methods, including their smartphones. Eventually, we also want to open the portal up to pensioners so that they can access services related to the payment of their pensions in particular.

I hope you enjoy reading our digital annual report for 2024.

Philippe Vossen

Chair of the Pension Board

Organisation (in 2024)

Pension Board

Employer representatives	
Philippe Vossen (from 1 January 2024) Chair	SPN SA, Vevey
Carole Marchaud	SPN SA, Vevey
Mathieu Rieder	SPN SA, Vevey
Sonia Studer	Nestlé Suisse SA, Vevey
Valérie Krattinger *(until 30 April 2024)*	Nestlé Suisse SA, Vevey
Alessandra Gaspari *(from 1 May 2024)*	Nestlé Suisse SA, Vevey
Jonathan Zimmermann	Nestlé Nespresso SA, Vevey

Member representatives	
Corinne Bonaccorsi	SPN SA, Vevey
Marc-André Zingre	SPN SA, Vevey
Oriane Seydoux	SPN SA, Vevey
Beat Hess	Nestlé Suisse SA, Vevey
Timo Stoyer	Nestlé Suisse SA, Vevey
Dominique Rovero	Nestlé Nespresso SA, Vevey

Pensioners’ representative, in an advisory capacity
André Schumacher

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Investment Committee

Employer representatives	
Mathieu Rieder, Chair	SPN SA, Vevey
Valérie Krattinger *(until 30 April 2024)*	Nestlé Suisse SA, Vevey
Alessandra Gaspari *(from 1 May 2024)*	Nestlé Suisse SA, Vevey

Member representatives	
Oriane Seydoux	SPN SA, Vevey
Beat Hess	Nestlé Suisse SA, Vevey

Management

- **Christophe Sarrasin**, Director
- **Jean-Pascal Coutaz**, Administration
- **Christian von Roten**, Investments

Accredited pension actuary

- **Didier Sauteur**, Aon Suisse SA, Nyon

Investment advisor

- **PPCmetrics SA**, Nyon

Auditors

- **Ernst & Young SA**, Lausanne

Resolutions of the Pension Board and Investment Committee in 2024

In 2024, the Pension Board passed the following key resolutions:

- To grant additional interest of 3.75% on the retirement savings capital of active members, taking the total interest to 5% at 31 December 2024;
- To grant an additional lump sum to pensioners on a special one-off basis, equal to half a monthly pension for 2024;
- To set the interest rate on retirement savings capital at 1.25% for 2025, in line with the Federal Council decision on the minimum LPP/BVG interest rate;
- To appoint Ms Alessandra Gaspari as a representative of the employer on the Fund's Investment Committee;
- To renew the contract with PPCmetrics regarding reporting and controlling in relation to the Fund's investments;
- To adopt a number of minor regulatory amendments to bring the Fund's regulations into line with the recommendations of its accredited pension actuary and its auditor.

During 2024, the Pension Board was informed of the following resolutions passed by the Investment Committee in relation to investments:

- The launch of two new investment programmes, one focusing on private equity and the other focusing on infrastructure. These programmes will compensate for the gradual winding-down of previous programmes and will diversify the Fund's investments in terms of "vintages" by making regular investments in these asset classes.

2024 – Year in review

To understand 2024, a brief recap is required regarding the post-pandemic movements in inflation that have been the main driver of financial markets in the last four years. After a surge in prices that began in late 2020 and resulted in inflation peaking at almost 10% in Europe and the United States in 2022, inflation fell back close to 2% by the end of 2023 because of sharp increases in official central-bank interest rates in 2022 and 2023. As 2024 began, central banks had regained control over inflation and, most importantly, there were hopes that they would start to reduce interest rates again.

The main central banks did indeed cut their key interest rates incrementally throughout 2024, particularly in the United States, the eurozone and Switzerland. Those rate cuts helped drive equity prices to new peaks, especially in the technology sector, which was also supported by investors' hopes regarding artificial intelligence. Economic growth, which had slowed sharply due to high official interest rates in 2023, stabilised last year. However, it remained close to zero in Europe, which continues to face numerous challenges, particularly in its manufacturing sector.

Broadly speaking, real estate also benefited from positive trends in 2024. Prices of Swiss real estate, which makes up more than 16% of the Fund's portfolio, remain supported by housing shortages and immigration. The only investments posting negative returns in the Fund's portfolio last year were bonds – with the notable exceptions of those denominated in Swiss francs – because of concern about government debt levels and a potential rebound in inflation. In 2024, those concerns pushed long-term bond yields higher all around the world, except in Switzerland where they fell.

However, 2024 also brought major political upheavals on both sides of the Atlantic. In Europe, government instability and the growing influence of the far right was cause for concern in France, Germany and Austria. In the United States, the future is uncertain because new customs tariffs could drive up inflation and damage the economy, not just in the United States but worldwide. In geopolitical terms, hopes of a swift end to the armed conflicts in Ukraine and Gaza are being counterbalanced by worries caused by the United States' withdrawal from several international organisations and particularly from its role in guaranteeing the security of Western countries. Caution is required when dealing with this new context and above all when gauging its impact on the economy and the financial markets.

The Fund’s performance

Like most occupational benefits institutions in Switzerland, the Fund benefited from the strong rally in equity markets, posting a gain of 9.0% in 2024 while its strategic benchmark rose by 10.3%. The Fund therefore underperformed its benchmark by 1.3 points. This was due to the Fund’s illiquid investments, particularly those in unlisted equities (also known as private-equity investments), which performed less well than the listed benchmark in 2024. However, over the long term, returns from the Fund’s investments in unlisted equities, net of fees, have beaten the benchmark by around 2 points per year, and so their inclusion in our investment strategy is fully justified.

In assessing the Fund’s performance relative to its peers – i.e. other occupational benefits institutions in Switzerland – we use several indices including the peer-group index put together by our investment consultant PPCmetrics: for more details, please see the definitions in the notes to the table below. The Fund outperformed the median of that peer group by 0.9 points in 2024 and has outperformed it by 0.2 points since performance measurements began on 1 July 2013. As a result, the Fund’s returns put it close to the top quartile of its peer group over that 11.5-year period. For institutional investors such as the Fund, these long-term comparisons are the ones that are most relevant.

Performance in %	1 year	3 years [1]	5 years[1]	10 years[1]
Fund	**9.0**	**-0.3**	**2.8**	**3.6**
Strategic Benchmark[2]	10.3	0.3	3.2	3.9
PPCmetrics peer group - Median Performance [3]	8.1	0.6	2.8	3.4
PPCmetrics peer group - Fund's ranking (standardised out of 100)[3]	28	91	42	29

1) Annualised.
2) This is the only index for which we quote returns before the deduction of fees.
3) The PPCmetrics peer group consists of over 100 occupational benefits funds monitored by our consultant PPCmetrics. The standardised ranking out of 100 compares the Fund’s performance with that of its peers. A ranking of 1 would mean that the Fund is the best performer in its peer group, a ranking of 100 would mean that the Fund is the worst performer, and a ranking of 30 would mean that 29 peers have performed better than the Fund while 70 have performed worse.

Asset allocation

The table below shows the actual allocation of the Fund's financial assets as at 31 December 2024 compared with the strategic allocation. Investments are rebalanced every month in order to remain close to the strategic allocation. Variances are, however, inevitable due to natural fluctuations in financial markets.

Allocation in %	Actual allocation	Strategic allocation
Cash and short-term investments	1.1	2.0
Equities	27.6	28.0
Private-equity investments	12.0	7.0
Bonds	38.6	40.0
Swiss real estate	16.2	16.0
International real estate	2.4	3.0
Infrastructure	1.8	4.0
Hedge funds*	0.2	0.0
Total	**100.0**	**100.0**

** This percentage corresponds to residual investments in hedge funds that cannot be liquidated quickly.*

Responsible investing

In 2018, the Fund adopted a responsible investing policy through which it aims to generate sustainable performance and manage the inherent risks of its investments more effectively by taking into account environmental, social and governance (ESG) criteria. In 2023, that policy was supplemented by a climate policy intended to set out formally the Fund's commitment, through its investments, to the Paris Agreement[1]. These two policies, developed in collaboration with the Nestlé Group, are aligned with the Fund's ESG values and climate commitments.

In 2024, the Fund continued its regular monitoring of the asset managers tasked with managing the Fund's investments, in terms of both financial criteria (returns, risks and costs) and ESG criteria, with the support of specialist consultants. ESG assessments look at how asset managers incorporate ESG criteria explicitly into their investment processes, including their performance regarding shareholder engagement, voting in annual general meetings and the human and material resources they devote to ESG. Over the years, we have seen our asset managers make increasing efforts to factor in ESG criteria. They have expanded their teams working on these matters, exercised their voting rights more consistently and increased their commitments. On that basis, and as in previous years, the ESG policies of the Fund's asset managers were deemed satisfactory in 2024.

The Fund also monitored developments regarding its climate commitments. In its portfolio of listed equities and bonds, the number of companies with which the Fund's asset managers engaged credibly in support of the climate increased. Particular attention was paid to companies on the Climate Action 100+[2] list, in which the Fund invests via its listed equities and corporate bond mandates. According to our analysis, over 90% of those companies have committed publicly to achieving net zero in 2050, along with verified interim targets, or have seen the Fund's asset managers engage with them in a way compatible with the 2050 net zero target.

In addition, the Fund's three unlisted Swiss real estate managers adopted credible interim targets in 2024 in addition to their commitment to reaching net zero in 2050. Finally, the portfolio of infrastructure investments contained a larger proportion of climate solutions in 2024. This trend is likely to continue in 2025 with the launch of a new infrastructure investment programme of which more than two thirds will be allocated to climate solutions and social infrastructure. Among those climate solutions, investments have already been made in companies involved in the development of wind farms in Germany and solar power generation and storage in the United States.

In 2024, the indicators recommended by ASIP[3] were included for the first time in the ESG report produced for the Pension Board. These indicators provide additional information, allowing the Pension Board to monitor the carbon intensity and footprint of the Fund's investment portfolio and to assess whether the application of net-zero policies by investee companies is leading to an improvement in indicators over time.

We regard the Fund's results in terms of the ESG dimension of its investments as encouraging. Those results must now be maintained over the long term. To achieve that, we will continue to collect data and monitor our asset managers carefully.

[1] *The aim of the Paris Agreement (COP 21) is to limit global warming to 2°C (and to 1.5°C if possible) compared with pre-industrial temperatures by reducing greenhouse gas emissions. To achieve that target, the world needs to achieve net zero greenhouse gas emissions by 2050.*

[2] *https://www.climateaction100.org/whos-involved/companies/*

[3] *HOME* | *Association Suisse des Institutions de Prévoyance ASIP*

Funded status and actuarial situation

Actuarial situation

In millions of CHF	31.12.2024	31.12.2023
Total assets	8'248.3	7'755.3
- Liabilities, accrued liabilities and deferred income, other	-45.0	-74.4
- Employer contribution reserves	-71.7	-53.1
Available assets	**8'131.6**	**7'627.8**
Pension liabilities		
- Active members	2'844.7	2'728.2
- Pensioners	3'891.1	3'935.1
Actuarial provisions		
- Provision for longevity	46.7	31.5
- Provision for death and disability risks	27.3	29.9
- Provision for future reduction in the discount rate	0.0	0.0
Total liabilities	**6'809.8**	**6'724.7**
Technical surplus / deficit		
- of which investment fluctuation reserve	1'321.9	903.1
- in % of liabilities	19.4%	13.4%
- of which non-committed funds / deficit	0.0	0.0
- in % of liabilities	0.0%	0.0%
Funded status under the OPP2 / BVV2	**119.4%**	**113.4%**

Available assets

The available assets used to calculate funded status are obtained by subtracting debts, accrued liabilities and deferred income, and the employer contribution reserves, from total assets.

Liabilities

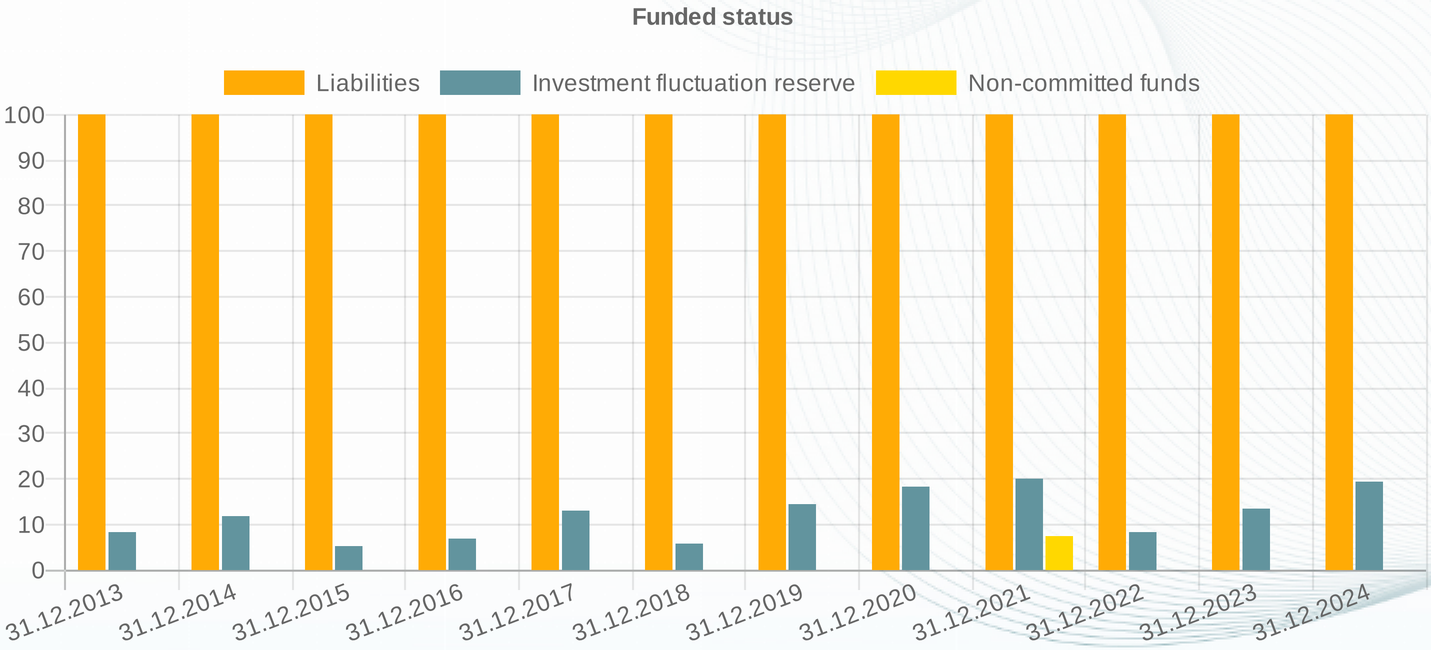
The Fund’s liabilities are made up of:

- **pension liabilities of active members,** which correspond to the sum of their retirement savings accounts ;
- **pension liabilities of pensioners**, which correspond to the total mathematical reserves required to guarantee payment of pensions in payment. Since 31 December 2021, they have been calculated using the 2020 LPP/BVG actuarial tables and a discount rate of 2%;
- **the provision for longevity**, which is intended to cover probable costs related to the increased life expectancy of pensioners that arise when new actuarial tables are introduced. This provision amounted to CHF 46.7 million on 31 December 2024, or 1.2% of pension liabilities;
- **the provision for death and disability risks**, which is intended to smooth fluctuations between the actual cost of death and disability claims recorded during the reporting year and their expected average cost. This provision stood at CHF 27.2 million on 31 December 2024;

Provisions are set aside in accordance with the regulations on actuarial provisions and investment fluctuation reserves.

Funded status

As at 31 December 2024, the funded status was **119.4%**, up from 113.4% as at 31 December 2023. It corresponds to the ratio between available pension assets and pension liabilities. The latter consist of active members’ and pensioners’ liabilities, and actuarial provisions.



Investment fluctuation reserve

The investment fluctuation reserve is intended to smooth fluctuations in investment performance. As at 31 December 2024 it stood at CHF 1,321.9 million, which represents 19.4% of total liabilities as opposed to 13.4% as at 31 December 2023. This is marginally lower than the target value of 20% of liabilities.

Non-committed funds

As the investment fluctuation reserve did not reach its target value as at 31 December 2024, the Fund had no non-committed funds at that date.

Interest rates and pension adjustments

Interest on the retirement savings capital of active members

The Pension Board has decided to grant additional interest of 3.75% on top of the minimum interest rate of 1.25%. This additional interest has been credited to the retirement savings capital of all active members insured with the Fund as at 31 December 2024. Total interest was therefore 5% for 2024.

Total interest on retirement savings capital has averaged 3.09% over the last five years and 2.46% over the last ten years. This remains higher than the average annual LPP/BVG minimum rate of 1.05% over 5 years and 1.12% over 10 years.

Pension adjustments

The Pension Board is legally obligated to decide each year whether to adjust pensions currently being paid, unless the pension regulations provide for them to be systematically indexed to the cost of living as measured by the consumer price index or the inflation rate. In its deliberations, the Board takes several parameters into account, such as the Fund’s performance during the year, its financial health as evidenced by the funded status, and the equitable treatment of active members and pensioners. Although the Pension Board opted not to adjust pensions in payment on 1 January 2025, a decision was taken to pay a special, one-off lump sum equal to half a monthly pension for 2024.

2024 key figures

8'131.6
Available assets (in millions of CHF)

119.4%
Funded Status

+9.0%
Investment performance

5.0%
Interest rate on retirement savings accounts

	31.12.2024	31.12.2023
Funded status	119.4%	113.4 %
Available assets (in mio of CHF)	8'131.6	7'627.8
Liabilities (in mio of CHF)	6'809.8	6'724.7
– Active members' liabilities	2'844.7	2'728.2
– Pensioners' liabilities	3'891.1	3'935.1
– Actuarial provisions	74.0	61.4
Investment fluctuation reserve (in mio of CHF)	1'321.9	903.1
Non-committed funds (in mio of CHF)	0	0
Investment performance (net of costs)	9.0%	5.3%
Asset management fees	0.61%	0.48%
Asset allocation		
– Cash and cash equivalents	1.1%	1.1%
– Bonds	38.6%	41.0%
– Equities	27.6%	28.3%
– Real Estate	18.6%	18.2%
– Infrastructure	1.8%	0.9%
– Alternative investments	12.2%	10.5%
Interest rate on retirement savings accounts	5%	4.5%
Discount rate	2%	2%
Actuarial tables	LPP 2020	LPP 2020
Headcount	14'197	14'363
– Of which active members	8'266	8'447
– Of which pensioners	5'931	5'916

Balance sheet

In millions of CHF	2024	2023
Investments	**8'199.1**	**7'707.7**
Cash and short-term investments	91.9	82.2
Bonds	3'166.1	3'160.1
Equities	2'264.6	2'183.2
Swiss Real Estate	1'327.2	1'246.1
International Real Estate	196.6	154.4
Infrastructure	151.7	66.9
Private equity	982.9	798.6
Hedge funds	18.1	16.2
Receivables and prepaid expenses	**49.3**	**47.6**
Assets and receivables	29.1	33.3
Employer participation	19.6	14.1
Prepayments and accrued income	0.5	0.2
Total assets	**8'248.3**	**7'755.3**

In millions of CHF	2024	2023
Liabilities and accrued expenses	**45.0**	**74.4**
Vested termination benefits and pensions	29.0	51.2
Other payables	1.6	8.7
Accrued liabilities and deferred income	14.3	14.5
Employers' contribution reserve	**71.7**	**53.1**
Pension liabilities and actuarial provisions	6'809.8	6'724.7
Active members' liabilities	2'844.7	2'728.2
Pensioners' liabilities	3'891.1	3'935.1
Provision for longevity	46.7	31.5
Provision for death and disability risks	27.3	29.9
Provision for future reduction in the discount rate	0	0
Investment fluctuation reserve	**1'321.9**	**903.1**
Non-committed funds	**0**	**0**
Total liabilities	**8'248.3**	**7'755.3**

Operating account

In millions of CHF	2024	2023
Ordinary and other contributions	**324.5**	**309.1**
Employers' contributions	151.9	147.9
Withdrawal from the employer contribution reserve	-3.7	-5.2
Additional employer contributions	12.3	19.2
Members' contributions	86.8	84.4
One-time payments and purchases	67.0	62.7
Inflow to the employer contribution reserve	10.2	0.0
Payments from the LPP / BVG Security Fund	0.0	0.0
Entry lump-sum transfers	**34.0**	**95.3**
Entry lump-sum transfers	28.3	30.3
Reimbursements of withdrawals for home ownership and divorce	5.1	4.4
Transfer of reserves from other Pension Funds (Nestlé or others)	0.6	4.0
Transfer from the Fonds de Pensions Complémentaire Nestlé (pensioners)	0.0	56.6
Inflow from contributions and entry lump-sum transfers	**358.4**	**404.4**

In millions of CHF	2024	2023
Regulatory benefits	**-343.8**	**-369.5**
Pensions	-301.6	-305.6
Lump-sum payments and one-time allocations	-42.2	-63.9
Non-regulatory benefits	**-12.8**	**-13.2**
Voluntary pensions – extra-mandatory	-12.8	-13.2
Termination benefits and withdrawals	**-164.3**	**-168.0**
Termination benefits for leavers	-145.5	-143.0
Withdrawals for home ownership and divorce	-18.8	-14.1
Repayments to the Fonds de Pensions Complémentaire Nestlé	0.0	-10.9
Outflow for benefits and withdrawals	**-520.9**	**-550.7**

In millions of CHF	2024	2023
Decrease / (increase) in pension liabilities, actuarial provisions, and contribution reserve	**-99.0**	**98.7**
Active members' liabilities	8.8	-14.3
Pensioners' liabilities	44.0	54.3
Provision for longevity	-15.2	-15.5
Provision for death and disability risks	2.6	2.6
Provision for future reduction in the discount rate	0.0	175.0
Remuneration of retirement savings capital	-125.3	-108.6
Employer contribution reserve	-13.9	5.2
Insurance cost – Contributions to the LPP / BVG Security Fund	**-0.7**	**-0.6**
Net result of insurance activities	**-262.1**	**-48.3**

In millions of CHF	2024	2023
Net return on investments	**683.6**	**388.0**
Gross return on investments	732.6	424.4
Asset management fees	-49.0	-36.4
Other income	**0.0**	**0.0**
Other expenses	**-0.3**	**0.0**
Administration expenses	**-2.4**	**-2.1**
Income surplus / (expense surplus) before adding to / (releasing from) investment fluctuation reserve	**418.8**	**337.6**
Decrease / (increase) in investment fluctuation reserve	-418.8	-337.6
Income surplus / (expense surplus)	**0.0**	**0.0**