Nestlé Super Plan in the Employer Division of the Russell Investments Master Trust

Actuarial Valuation as at 1 July 2023

15 December 2023

Table of Contents

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Section 1: Purpose and Summary

At 1 July 2023, the Nestlé Super Plan in the Employer Division of the Russell Investments Master Trust ("the Plan") provides 1,134 members with benefits which are of the *"defined benefit"* type where benefits are defined by salary and period of membership. The Plan also has 52 lifetime and contingent pensioners and 856 accumulation members. Additional accumulation benefits are also provided for most defined benefit members. The Plan ceased offering new lifetime pensions from 1 February 2023. Other than this, we are not aware of any other changes to the Plan's benefits since the last valuation.

With such a Plan, a regular actuarial review is necessary to:

- examine the sufficiency of the assets in relation to accrued benefit entitlements;
- test the adequacy of the current Company contribution rate in respect of providing defined benefits;
- examine the suitability of the Plan's insurance and investment arrangements;
- satisfy clause 15.6 of the Trust Deed of the Russell Investments Master Trust and Rule B.5(a) of the Plan Rules; and
- meet legislative and prudential requirements, in particular paragraph 23 of Prudential Standard 160 Defined Benefit Matters ("SPS160").

This report has been prepared for the Trustee, Total Risk Management Pty Limited, in my capacity as RSE Actuary to the Plan. The effective date of this actuarial valuation is 1 July 2023.

The Plan commenced on 1 March 2017 following the successor fund transfer of some members of the Nestlé Australia Group Superannuation Fund ("the previous fund"). John Burnett, of Towers Watson Australia Pty Ltd, carried out the last valuation of the Plan as at 1 July 2020 with the results set out in a report dated 18 December 2020.

This report has been prepared in accordance with Professional Standards 400, 402, 404 and 410 and Practice Guideline 499.01 issued by the Institute of Actuaries of Australia.

Reliance statement and data

This report is provided subject to the terms set out herein and in our Master Consulting Services Agreement dated 13 March 2017. This report is provided solely for the Trustee's use and for the specific purposes indicated above. It may not be suitable for use in any other context or for any other purpose.

Except where we expressly agree in writing, this report should not be disclosed or provided to any third party, other than as provided below. In the absence of such consent and an express assumption of responsibility, no responsibility whatsoever is accepted by us for any consequences arising from any third party relying on this report or any advice relating to its contents.

The Trustee may make a copy of this report available to its auditors, to the employer who contributes to the Plan and to any person to whom the Trustee may be required to provide a copy under relevant legislation, but we make no representation as to the suitability of this report for any purpose other than that for which it was originally provided and accept no responsibility or liability to the Trustee's auditors or the participating employer or any other parties in this regard. The Trustee should draw attention to the provisions of this paragraph when passing this report to these or any other parties.

Audited financial information in relation to the Plan was not available at the valuation date and we have relied on the information provided to us by Russell Investments and Link Group in determining the net value of assets adopted in this valuation. Should this information prove incorrect, we will need to review the recommendations we have made in this report.

In preparing this valuation, we have relied upon information and data provided to us orally and in writing by the Trustee and other persons or organisations designated by the Trustee. We have relied on all the data and information provided, including Plan provisions, membership data and asset information, as being complete and accurate. We have not independently verified the accuracy or completeness of the data or information provided, but we have performed limited checks for consistency.

In our opinion, all calculations are in accordance with requirements of applicable legislative requirements with the procedures followed and the results presented conforming to applicable actuarial standards of practice.

Company contributions

The recommended contributions payable by the Company as a result of this valuation are those currently being paid as a result of the previous valuation, as follows:

	Recommended Company Contribution
Defined Benefit Members	
Award	• 9.5% of Fund salary • Award contributions paid in accordance with the EBA unless those contributions are paid to another external fund • Contribution to the Additional Employer Account as follows: – at a rate equal to the prevailing SG rate less the Award contribution rate on components of OTE Base[1] not in the member's Fund Salary – any additional amounts to meet the Company's SG obligations[2]
Non-Award	• 12.5% of Fund salary • Contribution to the Additional Employer Account as follows: – at a rate equal to the prevailing SG rate on components of OTE Base[1] not in the member's Fund Salary – any additional amounts to meet the Company's SG obligations[2]
Accumulation Members	• minimum of the prevailing SG rate on OTE Base[1]

[1] Ordinary Time Earnings Base (OTE Base) is defined in Section 23 of the Superannuation Guarantee (Administration) Act 1992 ("SG Act") and is equal to Ordinary Time Earnings as defined under Section 6 of the SG Act plus salary sacrificed ordinary time earnings amounts.

[2] for example in respect of differences in OTE Base and Fund Salary in any given quarter due to timing of salary increases

In addition member contributions made by salary sacrifice should be paid.

These contribution rates include allowances for expenses and tax.

As outlined in Section 7 of this report, there is some scope for lower Company contribution rates to be adopted if the Trustee or Company wish to consider this further when we discuss this report.

The insurance costs for Category C accumulation members are presently being met from the defined benefit reserves which currently remain adequate for this to continue at present. Should reserves reduce significantly or the relative size of the insurance premiums increase significantly as accumulation membership continues to grow relative to the defined benefit membership, then the Company may need to start making specific contributions for the insurance costs of Category C members.

Please refer to Section 8 of this report for details of the sensitivity of the Plan's financial position to changes in future experience when compared to the assumptions on which these recommendations are based.

Subsequent events

Investment returns for the four months to 31 October 2023 of -3.0% for the defined benefit assets and -3.4% for the pension assets were lower than the expected returns of 2.3% and 2.6%, respectively. This experience is expected to have reduced the Plan's surplus and has been allowed for in the projected indices shown in Section 7.

Funding status measures

Vested Benefits

Vested benefits are the benefits payable if all members voluntarily resigned from service. As at the valuation date, the Plan was in a satisfactory financial position as the net assets of the Plan are adequate to cover the vested benefits.

The ratio of the Plan's assets to vested benefits (defined benefits and pensions only) is 110.9% at 1 July 2023 as outlined further in Section 6 of this report.

Assuming:

- the benefits described in the Plan Rules remain unchanged;
- Company contributions are paid at the recommended rates; and
- the future experience of the Plan is in accordance with the assumptions made in this actuarial valuation,

then the assets of the Plan are expected to remain in excess of the vested benefits at 1 July 2026.
On this basis, the financial position of the Plan is expected to remain satisfactory.

Present Value of Accrued Benefits

The present value of accrued benefits is the actuarial value (using the assumptions and methodology detailed in this report) of the expected future benefits payable from the Plan to the current members and their dependants in respect of Plan membership completed up to the date of the actuarial investigation.

The Plan's net assets are adequate to cover the present value of the accrued benefits of all members of the Plan at the valuation date. The ratio of the Plan's assets to the present value of accrued benefits (defined benefits and pensions only) is 110.9% at 1 July 2023 as outlined further in Section 6 of this report.

Minimum Benefits

At 1 July 2023, the net assets of the Plan exceeded the estimated minimum benefits and the Plan was in a solvent financial position on this basis. The ratio of the Plan's defined benefit assets to the total estimated minimum benefits (defined benefits and pensions only) was 133.2% at this date as outlined further in Section 6 of this report. We note that minimum benefits are not currently configured on the Plan's administration system and have been estimated for the purposes of this report.

Shortfall Limit

The Trustee has set the Shortfall Limit for the Plan at 99%. Given the nature of the defined benefit assets and liabilities, we consider this Shortfall Limit remains appropriate for the Plan.

Superannuation Guarantee

The Company's Superannuation Guarantee obligation is either fully or partly met for all Members by the minimum benefits provided under the Plan. The required Benefit Certificate is dated 4 August 2022.

The latest Funding and Solvency Certificate issued to the Trustee was dated 5 December 2022 and corresponds to this Benefit Certificate.

The purpose of these certificates is to specify the required Company contributions needed to fund the minimum benefits used to offset the Superannuation Guarantee charge. To my knowledge, all necessary funding and solvency certificates have been issued to the Trustee during the three years to 1 July 2023. A superannuation fund is *"solvent"* if the net value of the assets exceeds the minimum Superannuation Guarantee benefits.

At 1 July 2023, the Plan is solvent on the basis outlined above and based on the assumptions in relation to the vested benefits, it is unlikely that an actuary will not be able to certify the solvency of the Plan in three years' time on this basis.

Lifetime pensions

The Plan pays defined benefit pensions. At the valuation date there were 52 lifetime pensioners. At the valuation date there is a high probability that the Plan will be able to pay these pensions as required under the Plan's governing rules.

The Plan ceased offering new lifetime pensions from 1 February 2023.

Investments

As at 1 July 2023, the assets supporting the Plan's defined benefit liabilities are invested in the Russell Balanced Growth investment option, whilst the assets supporting lifetime pension liabilities are invested in the untaxed Russell Balanced Growth option. Both of these funds have around 70%-80% invested in growth assets such as shares and property and the remainder in defensive assets such as bonds.

The investment policy is discussed in Section 3 of this report which should be read in full. The investment policy is considered suitable to the Plan's liabilities based on membership at 1 July 2023.

Insurance

The current insurance arrangements are outlined in Section 5 of this report. These arrangements are considered adequate on the basis outlined in Section 5 and no changes are recommended.

Material risks

The material risks associated with the provision of defined benefits and pensions are discussed in Section 8 which should be read in full.

We have not recommended any additional actions be taken to manage these risks that are not already in place through the regular review of investment strategy and financial monitoring of the Plan.

Next valuation and financial monitoring

The next actuarial valuation should be held no later than 1 July 2026. Vested Benefits coverage should be monitored in detail at 1 July each year.

J. Downham

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RSE Actuary

D: CR | TR: FB | ER, CR: JD

15 December 2023

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Section 2: Background and Data

The Nestlé Super Plan ('the Plan') is a sub-plan in the Employer Division of the Russell Investments Master Trust. The Plan is a successor fund to the Nestlé Australia Group Superannuation Fund ('previous fund') which transferred to the Russell Investments Master Trust on 1 March 2017.

The Plan is governed by the Trust Deed for the Russell Investment Master Trust dated 26 June 2003 as amended and by the Employer Application Deed dated 24 February 2017 which contains the Plan Rules. It is a regulated complying superannuation fund under the SIS Act and for taxation purposes.

A summary of the main provisions of the Plan Rules relating to the benefits of defined benefit members is included as Appendix A to this report. The Principal Employer may vary the Employer Application Deed with Trustee approval and subject to further conditions set out in the Employer Application Deed.

In general terms, the employer contributes for defined benefit members as requested by the Trustee based on actuarial advice and the employer contributes for accumulation members at contribution rates agreed with the Trustee. The employer may cease or reduce contributions for defined benefit and accumulation members as outlined in the Employer Application Deed. The employer is not required to contribute for pensioners but may do so. Further details on all contribution arrangements are set out in the Employer Application Deed.

Previous recommendations

At the last valuation as at 1 July 2020, it was recommended that the Company contributes at:

- 9.5% of salaries for defined benefit award members;
- 12.5% of salaries for defined benefit non-award members;
- Contributions in respect of accumulation members;
- Ordinary time earnings (OTE) contributions in respect of non-award members at the SG rate on components of OTE not in members' salaries;
- Award/SG contributions in respect of award members; and
- Member contributions made by salary sacrifice.

These contribution rates include allowances for expenses and tax. Contributions that are in line with these recommendations have been made over the valuation period.

Changes to benefits since the last valuation of the Plan

We have been advised that the Plan ceased offering new lifetime pensions from 1 February 2023. Other than this, we are not aware of any other changes to the Plan's benefits since the last valuation.

Since 1 July 2020 the SG rate has steadily increased from 9.5% to 11.0% at 1 July 2023. At 1 July 2024, the SG rate is legislated to increase to 11.5% and then increase to 12% from 1 July 2025. The Company currently meets its SG obligations for defined benefit members by comparing the contributions it makes to the Plan for individual members (including the 3% award contribution where relevant) against contributions determined as the SG Rate on Ordinary Time Earnings Base (OTE Base). The Company makes additional contributions for members where the SG Rate on OTE Base is higher than contributions paid. As the legislated SG rate increases, the Company's requirement to Make additional contributions will also increase. Given these additional contributions are made to an accumulation account we have not made allowance for them in this valuation. However, we would be happy to assist the Company to assess how its costs for these additional contributions are increasing with the changing SG rate.

Sources of information

We have relied on the administrative records at 1 July 2023 as currently stored on Link Group's administration system and as provided to us by Russell Investments.

We have relied on the transaction and asset information provided to us by Russell Investments. Although this information has not been subject to audit at the employer division level, the Russell Investments Master Trust is subject to regular audit as a whole.

In our view it would be helpful if financial statements were prepared on an accruals basis for both defined benefit and accumulation sections of the Plan at 1 July each year.

Data

The membership details are summarised in Appendix B.

In brief there were 2,042 members as at 1 July 2023, of which 52 were lifetime pensioners, 1,134 were defined benefit members and 856 were accumulation members.

Details of the membership changes over the valuation period are shown in Appendix C of this report.

We have checked a sample of the defined benefit membership data for internal consistency and are satisfied as to the accuracy of this sample as at 1 July 2023.

Section 3: Assets

As an employer plan of the Russell Investments Master Trust, there are no audited financial accounts prepared for the Nestle Super Plan. However, we have been provided with asset values and cashflows for the defined benefit section of the Plan as at 1 July 2023.

This investigation is focused on the Plan's defined benefits. As such, assets and benefits in respect of accumulation liabilities have been excluded, including accounts held in respect of pure accumulation members and also pure accumulation accounts held in respect of defined benefit members (which includes all accounts other than the retirement account, prior defined savings account and offset accounts). As at 1 July 2023, these accumulation amounts totalled $256,914,000 based on the information provided to us.

Therefore, the net assets attributable to the Plan for the purpose of this review are in respect of active defined benefits and lifetime pensioners only. The Operational Risk Financial Requirement (ORFR) reserve is excluded from the defined benefit assets adopted in this report.

A resultant asset value of $220,150,000 was used in this valuation to determine contribution recommendations and Funding Status Measures, which includes adjustments to the Plan's defined benefit asset value advised for benefits and contributions tax payable and defined benefit members' prior defined savings accounts (where applicable).

Accumulation benefits

Defined benefit members have their Retirement Account invested in the Balanced Growth investment option and the Trustee credits the actual investment returns from this investment option (net of investment fees and taxes). This crediting rate policy is considered suitable.

Members can choose from a range of investment options available in the Russell Investments Master Trust for their accumulation accounts other than the Retirement Account. These investment options are unitised and distribute investment returns to members through movements in unit prices.

Investment strategy supporting defined benefits

The Plan's active defined benefit assets are invested in the Russell Balanced Growth investment option. The following table shows the benchmark asset allocation for the Russell Balanced Growth investment option as at 1 July 2023.

Asset Class	Benchmark Asset Allocation as at 1 July 2023
Australian Shares	26.50%
Overseas Shares	34.50%
Property	10.00%
Alternatives	0.00%
Infrastructure	6.50%
Commodities	0.00%
Total Growth Assets	77.50%
Fixed Interest	13.50%
Cash and Liquid Assets	9.00%
Total Income Assets	22.50%
Total	**100.00%**

The assets supporting the Plan's pension liabilities are invested in the untaxed Russell Balanced Growth investment option as at 1 July 2023, which has the asset allocation shown below.

Asset Class	Benchmark Asset Allocation as at 1 July 2023
Australian Shares	31.50%
Overseas Shares	28.00%
Property	7.50%
Alternatives	0.00%
Infrastructure	4.00%
Commodities	0.00%
Total Growth Assets	71.00%
Fixed Interest	27.05%
Cash and Liquid Assets	1.95%
Total Income Assets	29.00%
Total	**100.00%**

Nature of defined benefit liabilities

The level of defined benefit liabilities does not bear the same direct relationship with assets as exists with accumulation liabilities (where assets and liabilities are generally matched).

For the defined benefit members of this Plan, the core retirement benefit is the greater of:

- a defined benefit (linked to final average salary), and
- an accumulation benefit (linked to investment returns).

In this case, higher investment returns increase the accumulation benefit which helps to either reduce or eliminate the amount of any defined benefit guarantee top-up required. Lower investment returns have the opposite effect.

As a result, it is the Company which bears the investment risk of lower investment returns as the level of contributions required to fund any defined benefit guarantee top-up requirements will depend on the level of investment returns achieved. An investment strategy which is framed to take a long-term view will often adopt relatively high levels of equity investment in order to:

1. secure attractive long-term investment returns;
2. provide an opportunity for capital appreciation and dividend growth, which gives some protection against inflation (as benefits are linked to salary growth which is also influenced by inflation).

The main constraint in this situation occurs if potential fluctuations in asset values mean the total asset value could fall below the level of vested benefits, placing the Plan in an unsatisfactory financial position.

While the impact of a sudden sharp fall in asset values can be limited by maintaining a buffer of assets over and above the level of vested benefits, the level of the buffer may never be sufficiently high to safeguard against all investment outcomes. However, the buffer should be at a level where the risk of the asset values falling below the level of vested benefits under a particular investment strategy is acceptable to the Trustee and the Company.

In this regard a lower buffer may be acceptable where the Company is willing and able to accept short-term variations in contributions as part of underwriting the defined benefits of the Plan. In this case, short-term variations in Company contributions may result from:

1. reducing a buffer that has grown too large;
2. re-building a buffer that has fallen or become negative.

An alternative for a plan which does not have a sufficient asset buffer above the level of vested benefits is to adopt a more conservative investment strategy. While this may reduce short-term fluctuations in asset values, it is also likely to reduce long-term returns and hence result in increased Company contributions in the long-term. In summary, a balance needs to be achieved between these short-term and long-term considerations in funding these defined benefit liabilities.

Suitability of investment strategy for defined benefit members

The benchmark allocation to growth assets within the Russell Balanced Growth option as at 1 July 2023 has marginally reduced since the previous valuation, when the target level of total growth assets was 79.50%.

The defined benefit membership of the Plan is closed to new members. As a result, the age profile of the defined benefit membership is expected to increase over time. At 1 July 2023, the average age was 50.2 years old (47.7 years old at 1 July 2020), so the investment timeframe is still relatively long-term at present. We understand many of these members are long-standing employees expected to remain until retirement age unless there is a high incidence of members retiring early or being paid early for other reasons.

At the valuation date, the Plan held a buffer of assets supporting the defined benefits as the assets were more than sufficient to cover the Plan's vested benefits. On the basis that Vested Benefits coverage and funding requirements will continue to be reviewed at least annually at 1 July each year, the current investment strategy for defined benefit members is considered to be suitable.

While the current investment strategy is considered suitable, it should continue to be reviewed regularly (at least triennially) by the Trustee in the light of changes in membership and the age profile which is likely to see a steadily increasing average age. It is also important that the Trustee regularly monitors the investment managers' performance and we recommend that this continues.

Suitability of investment strategy for lifetime pensions

Until 1 February 2023, members of the previous plan on 28 February 2017 were able to apply to convert their lump-sum benefit to a lifetime pension as outlined in the Plan Rules. At 1 July 2023 the average age of current pensioners was 84.2 years old. Given there are no new pensioners joining this group (other than new reversionary pensioners following the death of an existing primary pensioner), the investment timeframe will steadily reduce for this group of long-standing pensioners.

The Plan has sufficient liquidity to make pension payments from regular cash flows or the ready sale of the Plan's assets from time to time. The assets held by the Plan are considered to be suitable for meeting the future expected benefit payments for the pension members of the Plan.

The asset allocation to growth assets has reduced to around 70% at 1 July 2023 (was around 80% at 1 July 2020). Given the relative size of the Plan's current surplus and the small proportion of the Plan represented by pension liabilities, the current allocation to growth assets is considered suitable.

Should the Trustee and/or Company wish, a lower exposure to growth assets could be considered in order to reduce the variability in the asset values likely to emerge over a shortening investment timeframe. However, as this will also reduce the expected return on assets, this will result in a higher level of pension assets being required to support the pension liability.

Section 4: Plan Experience and Actuarial Assumptions

To carry out an actuarial valuation, it is necessary to decide on:

- the value of the assets for the purposes of long-term assessment;
- the assumptions as to the factors which will affect the cost of the benefits to be provided by the Plan in the future; and
- the funding method to be adopted.

We outline the first two of these items in this section and outline and set out the funding method in Section 7 of this report.

Actuarial value of defined benefit assets

For the purposes of this valuation, we have valued assets at their market values as included in the unaudited financial information provided to us by Russell Investments which we have relied upon and made adjustments for benefits and tax payable as advised to us. In addition, we have excluded the ORFR reserve and included the value of defined benefit members' prior defined savings account (where applicable) for consistency with the liabilities presented in this report.

At 1 July 2023, the net market value of the Plan's assets in respect of defined benefit and lifetime pensioner liabilities was $220,150,384 ($220.15 million).

We note that accumulation assets and liabilities at 1 July 2023, which totalled $256,914,450 have been excluded from results presented in this report.

Summary of membership experience

An analysis of the defined benefit membership of the Plan by age, completed membership and salary is included in Appendix B and Appendix E of this report.

Defined benefit membership of the Plan has been closed to new members since 1 March 2017. Since the previous valuation at 1 July 2020, the active defined benefit membership has decreased from 1,703 to 1,134 members.

The average attained age for defined benefit members has increased from 47.7 to 50.2 years. The average completed membership for defined benefit members has increased from 15.1 years to 18.3 years.

Fund Salary of the defined benefit members who have been members of this Plan over the 3-year valuation period has increased on average by 3.2% p.a.

Plan experience and valuation assumptions

It is important when setting the valuation assumptions to examine the experience of the Plan to see whether the previous assumptions have been borne out in practice. A summary of the major items of experience over the inter-valuation period is provided in the following paragraphs.

Investment return on defined benefit assets

The assumption for investment returns at the last valuation was 4.7% p.a. (net of expenses and taxes) for active defined benefit members and 4.7% p.a. (net of expenses and gross of taxes) for lifetime pensioners. The investment returns over the period to 1 July 2023 in respect of the defined benefit assets have been as follows:

Period	Investment Return (Actives)	Investment Return (Lifetime Pensioners)
1 July 2020 – 30 June 2021	18.4%	21.4%
1 July 2021 – 30 June 2022	-4.5%	-7.1%
1 July 2022 – 30 June 2023	9.4%	11.2%
Average over the three years (p.a.)	7.3%	7.8%

The average investment return was 2.6% p.a. higher than the assumed rate for active defined benefit members and 3.1% higher than the assumed rate for lifetime pensioners. This has had a positive effect on the Plan's financial position.

For this valuation, we have adopted a higher long-term future investment return equal to 7.0% p.a. (net of expenses and taxes) for current members and 7.9% p.a. (net of expenses but gross of tax) for lifetime pensioners. This assumption is consistent with the Trustee's investment strategy for the defined benefit assets and the future expected investment returns from Willis Towers Watson's investment model, after considering the duration of the active and lifetime pensioner liabilities.

Salary inflation

The assumed rate of salary inflation was 2.6% p.a. at the last valuation, plus an age-based scale of promotional salary increases. The average rate of growth of Fund Salary for those members in this Plan over the three-year period was 3.2% p.a. The actual increase was marginally higher than assumed, after accounting for expected rates of promotional salary increases.

For this valuation, we have increased the assumed rate of salary inflation to 3.8% p.a. having regard to long-term salary inflation expectations. In addition, the age-based scale of promotional salary increases has been maintained.

Overall, we have widened the *"gap"* between the investment return (net of tax) and base salary inflation assumption from 2.1% p.a. to 3.2% p.a. over the long term.

Rates at which members leave service and retire

A total of 335 defined benefit members exited the Plan due to resignation since the last valuation, compared to 103 expected resignations. We are unable to separately identify voluntary and involuntary resignations (if/where relevant) from the data but note that the expected resignations were in respect of voluntary exits only.

In some cases, the resignation benefit is less than the actuarial reserve held in the Plan for a member, so that if more members resign than were expected it leads to some excess assets in the Plan. The actuarial assumptions should not overestimate future resignations as a safeguard against overestimating any excess generated by resignations.

However, as the majority of the Plan's benefits relate to account balances and the total of these excesses of actuarial reserves over resignation benefits is likely to be small, resignation assumptions differing from experience will not have a major impact on the Plan.

There were 230 defined benefit retirements compared to 313 expected. Given the largely accumulation nature of the liabilities, the retirement assumptions do not have a significant impact on the results.

We have retained the assumptions used at the previous valuation. Assumptions relating to defined benefit members are outlined in Appendix D.

Rates at which members leave due to Death or Total and Permanent Disablement (TPD)

There was 1 death and 3 total and permanent disablements since the last valuation, compared with 5 deaths and 8 disablements expected over the same period.

The small number of actual and expected death & TPD exits over the period are not statistically significant enough to warrant altering the current assumptions, and so we have retained the assumptions used in the previous valuation. Assumptions relating to defined benefit members are outlined in Appendix D.

New members

The Plan's defined benefit membership was closed to new entrants from 1 March 2017. All new members join an Accumulation category.

Pension increases

Pension increases since 1 July 2020 have been in line with CPI as follows:

Increase effective	Pension Increase	CPI*
1 January 2021	1.6%	0.7%
1 January 2022	1.2%	3.0%
1 January 2023	8.2%	7.3%
Average over three years (pa)	3.6%	3.6%

* These are the inflation rates for the year ending 30 September prior to the 1 January increase date.

We have increased our pension increase assumption from the previous valuation of 1.6% p.a. to 2.8% p.a. at this valuation to reflect our long-term price inflation assumption at the valuation date.

Pensioner mortality

For this valuation, we have assumed that pensioners experience mortality at the rates in the Australian Life Tables (ALT) 2015-17, adjusted as follows:

- Member and spouse pensioner mortality of 90% of ALT 2015-17 with assumed mortality improvement of 1.5% p.a. from 30 June 2016, the mid-point of the 2015 to 2017 mortality investigation period.
- Incapacity pensioner mortality of 130% of ALT 2015-17 with assumed mortality improvement of 1.5% p.a. from 30 June 2016, the mid-point of the 2015 to 2017 mortality investigation period.

The base mortality table referenced and the adjustments to the base table remain unchanged from the previous valuation as at 1 July 2020 and remain based on the most recently available Australian Life Tables

Expenses and insurance premiums

Expenses of investment management and some administration costs have been allowed for by assuming a net rate of investment return. Other expenses are met by deductions from the accounts of members.

We have based our assumption on insurance premiums on the premium rates that have applied to the Plan effective 1 October 2022.

For this valuation, we have retained our assumption for Temporary Salary Continuance insurance in respect of defined benefit members of 0.44% of Fund Salary. We have decreased the allowance for Death & TPD insurance premiums to 0.60% (from 0.8%) of Fund Salary in respect of defined benefit members. The decrease is largely driven by the decrease in premium rates effective 1 October 2022.

In addition, we note that the Company meets the insurance costs of accumulation members within Category C, including Death & TPD and Temporary Salary Continuance. Based on the current Category C membership at 1 July 2023, we estimate the cost of these premiums to be approximately $390,000 (or 0.31% of defined benefit members’ Fund Salaries). This has increased since 1 July 2020 (when it was $231,000 or 0.14% of defined benefit members’ Fund Salaries) mainly due to the Category C section of the Plan increasing in size relative to the defined benefit section given new members to the Plan entering Category C.

The insurance costs for Category C members are currently being met from the defined benefit reserves which are adequate for this to happen at present. Should reserves reduce significantly or the relative size of the insurance premiums increase significantly as accumulation membership continues to grow, then the Company may need to start making specific contributions for the insurance costs of Category C members.

Pension option

Until 1 February 2023, members of the previous plan at 28 February 2017 had the option to convert their lump sum benefits to a lifetime pension. Two new pensions have commenced since the last valuation.

From 1 February 2023 members no longer have the option to take their benefit in the form of a lifetime pension. As such, no allowance has been made for the pension option to be elected. This is consistent with the assumption at the previous valuation.

Summary of valuation assumptions

A summary of our valuation assumptions is set out in Appendix D of this report.

Section 5: Insurance Arrangements

Adequacy of insurance

The Plan's insurer is TAL. The insurance coverage of the Plan is considered adequate if the assets of the Plan are sufficient to cover the Death and TPD benefits of the Plan after any insured components have been allowed for.

The current level of insurance in respect of defined benefit members is calculated as:

Insured Benefit = Death and TPD Benefit less Vested Benefit

Members have been underwritten for any cover required above the Plan's Automatic Acceptance Limit or had their insurance (and benefit) restricted to this amount where they elected not to be underwritten or were declined.

The following table shows the adequacy of the Death and TPD insurance cover for the Plan in respect of defined benefit members at 1 July 2023:

	$'000
Lump Sum Death and Disablement Benefits (A)	450,671
Less Aggregate Group Life Insurance (B)	260,051
Exposure (A – B)	190,621
Net Assets (excluding pension assets)	212,184

The Net Assets (excluding pension assets) as at 1 July 2023 of $212.2 million are sufficient to meet the exposure of $190.6 million. The above formula is therefore considered to be satisfactory while vested benefits remain fully funded which is currently the position.

The basic level of temporary Salary Continuance insurance for defined benefit members, which is funded by the Company, is fully insured.

We understand that the Plan has $121,000 of self-insured benefits relating to historical cover for one member. This would be met from the Plan's defined benefit reserves if the benefits were to be paid, which there is capacity to do given the current level of surplus within the Plan.

On the basis outlined above, the current insurance arrangements for defined benefit members are considered adequate and no changes are recommended.

Section 6: Solvency and Funding Status Measures

There are several methods used to assess the current financial situation of the Plan. These measures are dealt with below.

Vested Benefits

Under superannuation law and SPS 160, a fund (or a section of a fund) is in a *"satisfactory"* financial position if the assets of the fund cover the vested benefit entitlements of the members of the fund.

The Vested Benefits represent the benefit entitlements of members should they voluntarily leave the Plan and the value of the pension benefits for members who have already left service. Where the member is entitled to a defined benefit pension or to exercise an option, then the value of that benefit or option has been determined using the assumptions adopted for this valuation. The Vested Benefits Index is a test of the Plan's solvency if all members voluntarily resigned (if under 55) or retired (if over 55) on the review date.

The following table shows the progression of the Vested Benefits Index over the review period.

	Last Valuation – 1 July 2020 Defined Benefits Only* ($'000)	**This Valuation – 1 July 2023 Defined Benefits Only* ($'000)**
Market Value of Assets	$224,190	$220,150
Vested Benefits	$210,972	$198,467
Vested Benefits Index	106.3%	110.9%

* The "Defined Benefits Only" figures illustrate the financial position of the Plan in respect of the defined benefit liabilities (net of any relevant offset accounts). The defined benefit liabilities shown include lifetime pension liabilities of $7,966,000 at 1 July 2023. Amounts in respect of accumulation liabilities have been excluded from the Value of Assets and the Vested Benefits respectively.

As at 1 July 2023 the Plan was in a satisfactory financial position as the net Market Value of the assets of the Plan was more than vested benefits. The ratio of the Plan's assets supporting defined benefits to the vested defined benefits was 110.9% at 1 July 2023. At the previous valuation at 1 July 2020, this ratio was 106.3%.

Value of Accrued Benefits

The Actuarial Value of Accrued Benefits Index (AVABI) is the ratio of the Plan's assets to the Actuarial Value of Accrued Benefits (AVAB) and provides an indication of the funding status of the Plan.

AVAB represents the value in today's dollars of future benefits based on membership completed to the review date, allowing for future salary increases, investment earnings and expected incidence of payment. *"Accrued Benefits"* has the meaning given in Regulation 9.27 of the SIS Regulations.

AVABI is used as a measure to assess the funding status of a superannuation fund from time to time. Different superannuation funds can be expected to have different levels of AVABI depending on the age and employment history of the members and how benefits are structured.

A fully funded position is represented by a ratio of 100%. At this level, if the Plan were closed to new entrants and no further benefits were allowed to accrue to current members, assets are expected to be sufficient to meet all future benefit payments if the actuarial assumptions are borne out in practice.

The following table shows the progression of the Actuarial Value of Accrued Benefits Index over the review period.

	Last Valuation – 1 July 2020 Defined Benefits Only* ($'000)	This Valuation – 1 July 2023 Defined Benefits Only* ($'000)
Market Value of Assets	$224,190	$220,150
Actuarial Value of Accrued Benefits	$210,507	$198,432
Actuarial Value of Accrued Benefits Index	106.5%	110.9%

* The "Defined Benefits Only" figures illustrate the financial position of the Plan in respect of the defined benefit liabilities (net of any relevant offset accounts). The defined benefit liabilities shown include lifetime pension liabilities of $7,966,000 at 1 July 2023. As a result, an amount in respect of accumulation liabilities has been excluded from the Value of Assets and the Actuarial Value of Accrued Benefits respectively.

The ratio of the Plan's assets supporting defined benefits to the Actuarial Value of Accrued Benefits was 110.9% at 1 July 2023. At the previous valuation at 1 July 2020, this ratio was 106.5%.

Pension buy-out basis

We note that if the current pension liabilities were to be transferred to a third party such as a life insurer, the assets required to be transferred could be significantly higher than the amount of the pension liability of $7,966,000 included in the previous sub-sections of this report. This is because of the capital adequacy requirements of life insurers, as well as the different underlying investment portfolio and expense basis.

We have obtained indicative quotes (at November 2023) for buying annuities in the market for the Plan's pensions which indicate that the market value of the annuities could be around 17% higher than the Plan's liability using the valuation basis in this report. We discuss this further in Section 8 of this report.

Minimum Benefits

The Company's Superannuation Guarantee (SG) obligation is either fully or partly met for all members by the minimum benefits provided under the Plan. The required Benefit Certificate is dated 4 August 2022.

A Funding and Solvency Certificate dated 5 December 2022 has been issued to the Trustee corresponding to the above mentioned Benefit Certificate. The purpose of this certificate is to specify the required company contributions needed to fund the minimum benefits used to offset the SG charge.

The following table shows the estimated value of the Minimum Requisite Benefits (MRBs), together with the Minimum Requisite Benefits Index (the ratio of net assets to the Plan's MRBs) at the review date, 1 July 2023:

	This Valuation – 1 July 2023 Defined Benefits Only* ($'000)
Net Assets	$220,150
Minimum Requisite Benefits	$165,264
Minimum Requisite Benefits Index	133.2%

* The "Defined Benefits Only" figures illustrate the financial position of the Plan in respect of the defined benefit liabilities (net of any relevant offset accounts), and including lifetime pension liabilities. As a result, an amount in respect of accumulation liabilities has been excluded from the Net Assets and the Minimum Benefits respectively.

We note that the Minimum Requisite Benefits are not currently configured on the Plan's administration system and therefore have not been provided to us by the Plan's administrator for the purpose of this valuation. As such, we have estimated the approximate value of the Minimum Requisite Benefits for the Plan's defined benefit members for the purpose of this valuation.

At 1 July 2023, the net assets of the Plan exceeded the estimated MRBs and the Plan was in a solvent financial position on this basis. The ratio of the Plan's net assets supporting defined benefits to the corresponding minimum requisite benefits we have estimated was 133.2% at 1 July 2023. At the previous valuation at 1 July 2020 this ratio was estimated to be 128.0%.

Shortfall Limit

The Trustee has set the Shortfall Limit for the Plan as 99%. The shortfall limit is defined in paragraph 10 of SPS 160 as:

"… the extent to which an RSE licensee considers that a fund can be in an unsatisfactory financial position with the RSE licensee still being able to reasonably expect that, because of corrections to temporary negative market fluctuations in the value of fund assets, the fund can be restored to a satisfactory financial position within one year."

Should the financial position of the Plan breach the Shortfall Limit, additional interim actuarial investigations will be required with rectification plans to be put in place to address the unsatisfactory financial position.

Given the nature of the defined benefit assets and liabilities, we consider this Shortfall Limit remains appropriate for the Plan.

Benefits payable on termination

Clause A.7 of the Trust Deed and Clause 6 of the Plan Rules set out the provisions which apply on termination of the Plan which should be referred to for the full details involved.

In general terms, the net assets of the Plan (after setting aside amounts for fees and any other liabilities) are applied:

a. Firstly and in equal order of priority, to meet benefits that have become payable including benefits payable to pensioners and retained members. Pensioners receive the commuted value of their pension.

b. Secondly and in equal order of priority, after the Trustee determines the portion of the remaining assets referable to defined benefit members and accumulation members. These assets are then apportioned to these members by the Trustee for defined benefit members in the proportion of the individual actuarial reserve in the Plan and for accumulation members in proportion of the balance of accounts.

As benefits for current members may be reduced proportionally if required to reflect the assets available, the Plan is never unable to cover benefits payable on termination of the Plan.

The net assets adopted at the valuation are based on the unit prices of investment units which are used within the Russell Investment Master Trust to transact inflow and outflow from the Plan in the normal course of events. However it should be noted a lower price may be applied if the Plan is terminated.

Benefits payable on retrenchment

The defined benefits payable on retrenchment are equivalent to the vested defined benefits which are 110.9% covered by the Plan's assets at 1 July 2023.

Benefits payable on transfer within the Group

Where a member leaves the Plan and joins another plan in the Nestlé Group then transfer amounts are set out in Rule 7.5 of the Plan Rules, including the transfer of actuarial reserves for defined benefit members. Total actuarial reserves in respect of defined benefits are 110.9% covered by the Plan's assets at 1 July 2023.

Summary

The levels of the indices have improved over the review period, mainly due to strong investment returns. At 1 July 2023, assets continued to be sufficient to cover vested benefits, as outlined above. The Plan was therefore in a satisfactory financial position at the valuation date.

Section 7: Contribution Results

Current and projected position

It should be emphasised that the funding indices shown in Section 6 relate to the current position at the review date. A projection of the Plan's assets and liabilities is required to assess the expected adequacy of Company contribution rates to provide defined benefits in the future. Such a projection has been carried out using the funding method described below and assumptions discussed in Section 4 and set out in Appendix D. The results of the valuation are summarised in this section.

Funding method

The previous valuation was carried out using the Projected Unit Credit funding method and we have retained it for this valuation. However, with the defined benefit category closed to new members from 1 March 2017, we have also considered other funding methods as the average age of the closed defined benefit group is increasing.

The Company contribution determined by the Projected Unit Credit method consists of two parts.

The first part is the "Normal Cost". The total Normal Cost is equal to the actuarial present value of the benefits accruing to the members in respect of the one year of membership following the valuation date, plus the cost of insurance premiums and administration and taxation expenses for that year.

The Normal Cost is directly dependent on the average attained age of the Plan membership. If the average attained age of the membership increases, it would be expected that the Normal Cost, expressed as a percentage of total salaries would also increase.

The Company's Normal Cost is derived by deducting the value of contributions by members (including member contributions paid by the Company) expected to be paid over the next year from the total Normal Cost.

The second part is the Company contribution required to amortise any surplus or deficiency in respect of the actuarial present value of benefits arising from membership completed up to the valuation date.

The surplus or deficit in respect of completed membership is calculated as the difference between:

i. the actuarial value of the Plan's assets, and

ii. the actuarial present value of all benefits accrued to the date of the valuation (this is computed allowing for salary increases and the probability of leaving service due to withdrawal, death, disability or retirement)

The total Company contribution for the year is the Company's Normal Cost less (plus) any amortisation of surplus (deficit).

While adopting the Projected Unit credit funding method for this valuation, the contribution rate required to maintain vested benefits coverage above 100% in three years' time based on the valuation assumptions has also been considered.

Normal Cost for defined benefit members

We have calculated the average normal cost of benefits accruing across all defined benefit members including allowance for tax, as 11.2% of salaries (compared to 11.5% in the previous valuation), broken down as follows:

	Award Members	Non-Award Members
Contributions to Retirement Account	7.84%	7.84%
Special Account Contributions	0.00%	3.30%
Cost of Core Benefit*	0.00%	0.00%
Insurance Cost*	1.04%	1.04%
Total Cost	**8.88%**	**12.18%**

* Average across all members.

These costs compare to rates of 9.11% and 12.46% respectively calculated in the previous investigation. The decrease in these rates is primarily due to a decrease in the cost of insurance (from 1.24% to 1.04%). The cost of the core benefit has also reduced from 0.03% to 0.00% due to the strong investment returns over the review period reducing the likelihood of the core benefit applying for individual members over the next year.

The insurance costs shown above relate to premiums for defined benefit members. In addition, the insurance costs for Accumulation members are currently being met by the DB assets and are approximately 0.31% of the DB salaries (or approximately $390,000 pa). As the Accumulation membership is expected to grow, in due course we suggest that separate contribution arrangements are put in place to meet the insurance costs of the Accumulation members.

Adjustment to Normal Cost

Some adjustment to the Employer contribution rate may be appropriate in the light of the Plan's present surplus of assets compared to accrued liabilities. The valuation result reveals a surplus of net market value of assets to the value of the accrued liabilities of $21.7 million. This result is set out below.

	1 July 2023 $'000
Accrued Benefit Liabilities (defined benefit members)*	
Retirement Accounts	192,139
Offset Account	(1,938)
Excess of core benefit over Retirement Account	265
Lifetime pensioners	7,966
Total Value of Accrued Benefit Liabilities (A)	**198,432**
Market Value of Assets (B)	**220,150**
Surplus/Deficit (B-A)	**21,718**

The table above shows that the defined benefit component of accrued benefit liabilities (ie the Excess of core benefit over Retirement Account) remains relatively small compared to the other parts of the Plan at $8.2 million.

This consists of the lifetime pension liability of $8.0 million and an additional liability of $0.26 million where the defined benefits are expected to exceed the Retirement Accounts of members. This additional liability is sensitive to the level of Retirement Accounts as outlined further in Section 8.

At 1 July 2023 there is scope to utilise some of the surplus shown above to reduce the Normal Cost level of contributions. However we would like to discuss this further with the Trustee and Company before reducing contributions.

Total Company Cost for defined benefit members

The results shown above indicate that the Plan is in a satisfactory financial position, with a surplus of $21.7 million at the investigation date (measured as the excess of the market value of assets over the present value of accrued benefits). On a vested benefits basis (see Section 6) the surplus is also $21.7 million.

The Normal Cost for defined benefit award members is 8.88% of salaries while for defined benefit non-award members it is 12.18% of salaries, as outlined earlier in this Section.

In previous years, Nestlé has indicated that it wishes to contribute at one rate for award members and another rate for non-award members, with a 3% difference in the rates. We presume the Company's preference for this arrangement continues. The Normal Costs apportioned on this basis are approximately 9.1% of members' salaries for award members and 12.1% for non-award members. These compare to the current rates of 9.5% and 12.5% respectively.

As a result of this valuation, it is recommended that employer contributions for defined benefit members continue to be made at 9.5% of members' salaries for award members and 12.5% for non-award members, until completion of the next actuarial investigation due as at 1 July 2026.

As outlined above, there is some scope for lower Company contribution rates to be adopted for defined benefit members if the Trustee or Company wish to consider this further when we discuss this report. This relates to the surplus of $21.7 million at 1 July 2023.

Alternative Funding Method

While we believe that the Projected Unit Credit method remains a reasonable approach for determining contribution rates for the Plan, we have also considered the Attained Age normal method which takes a longer-term view (rather than just one year).

Under the Attained Age normal method, the normal cost is calculated as the cost of benefits accruing to members in respect of all future membership plus other relevant costs (such as insurance). An adjustment to allow for the amortisation of surplus or deficit existing in the Plan in respect of benefits accrued at the valuation date can then be made to the normal cost.

Under the alternative funding method, the non-award normal cost is approximately 12.3% of members' salaries. Therefore, the contribution rate of 12.5% is expected to still remain adequate under this alternative method.

Recommended Company Contributions

The recommended contributions payable by the Company as a result of this valuation are:

	Recommended Company Contribution
Defined Benefit Members	
Award	• 9.5% of Fund salary • Award contributions paid in accordance with the EBA unless those contributions are paid to another external fund • Contribution to the Additional Employer Account as follows: – at a rate equal to the prevailing SG rate less the Award contribution rate on components of OTE Base[1] not in the member's Fund Salary – any additional amounts to meet the Company's SG obligations[2]
Non-Award	• 12.5% of Fund salary • Contribution to the Additional Employer Account as follows: – at a rate equal to the prevailing SG rate on components of OTE Base[1] not in the member's Fund Salary – Any additional amounts to meet the Company's SG obligations[2]
Accumulation Members	• minimum of the prevailing SG rate on OTE Base[1]

[1] Ordinary Time Earnings Base (OTE Base) is defined in Section 23 of the Superannuation Guarantee (Administration) Act 1992 ("SG Act") and is equal to Ordinary Time Earnings as defined under Section 6 of the SG Act plus salary sacrificed ordinary time earnings amounts.

[2] for example in respect of differences in OTE Base and Fund Salary in any given quarter due to timing of salary increases

In addition member contributions made by salary sacrifice should also be paid.

These contribution rates include allowances for expenses and tax.

The current surplus provides some scope for lower Company contribution rates to be adopted for defined benefit members if the Trustee or Company wish to consider this further when we discuss this report.

The insurance costs for Category C members are presently being met from the defined benefit reserves which currently remain adequate for this to happen to present. Should reserves reduce significantly or the relative size of the insurance premiums increase significantly as accumulation membership continues to grow relative to the defined benefit membership, then the Company may need to start making specific contributions for the insurance costs of Category C members. The funding position, in particular the coverage of vested benefits by Plan assets, should be monitored at least at 1 July each year. The above contribution recommendations should be reviewed if any changes are made to the investment strategy adopted for defined benefit or pension assets.

Subsequent events

Investment returns for the four months to 31 October 2023 of -3.0% for defined benefit assets and -3.4% for pension assets were lower than the expected return of 2.3% and 2.6%, respectively, over the same period. This experience is expected to have reduced the Plan's surplus and has been allowed for in the projected indices shown next.

Projected indices

For defined benefit members (including lifetime pensioners) we have tested the impact of the adoption of the recommended Company contribution rates above by projecting the cash flows and the build-up of the Plan's defined benefit assets over the next three years, and comparing these assets to the projected levels of the Vested Benefits for defined benefit members. The projection of assets allows for actual investment returns for the period 1 July 2023 to 31 October 2023, then assumed investment returns thereafter.

Projected Date	DB Assets ($'000)	DB Vested Benefits ($'000)	DB VBI (%)
1 July 2023	220,150	198,467	110.9%
1 July 2024	200,587	179,937	111.5%
1 July 2025	205,169	183,704	111.7%
1 July 2026	206,745	184,348	112.1%

If the recommended Company contribution rates shown in this Section are paid, then we expect the Vested Benefits Index (VBI) to remain above 100% over the three years to 1 July 2026, assuming the valuation assumptions are borne out in practice. Over the next 3 years after 1 July 2026, if our assumptions are borne out in practice, we expect the DB VBI to steadily increase to around 113.7%.

Future review

The financial status of the Plan is sensitive to actual financial experience (principally, investment returns and salary increases) and membership movements. We therefore recommend that the Vested Benefits Index is reviewed at least annually at 1 July each year to monitor the financial position, and also at any time if the defined benefit membership reduces significantly, in order to confirm that the Plan maintains coverage of vested benefits.

We understand that APRA has provided relief to the Plan from having annual actuarial valuations. As such, the next actuarial valuation should be held no later than 1 July 2026.

Section 8: Sensitivity Analysis and Material Risks

Sensitivity analysis – longer-term

For the purpose of this actuarial valuation the “gap” between the investment return and salary inflation assumption is 3.2% p.a. Other assumptions could be used and the table below shows the impact of varying the “gap” between these assumptions on the Plan’s financial position and the Normal Cost for defined benefit members. No changes have been made to the demographic assumptions adopted for this valuation in the scenarios below.

As the defined benefit liabilities are the greater of an accumulation benefit and a defined benefit and as the accumulation benefit is typically the higher benefit for most members at this valuation date, the results shown in the table below are relatively insensitive to the valuation basis.

	This Valuation Basis	Scenario 1	Scenario 2
The “gap” between investment return and salary inflation assumptions	3.2% p.a.	4.2% p.a.	2.2% p.a.
Actuarial Value of Accrued Benefits Index for defined benefits only	110.9%	111.2%	110.6%
Normal Cost – Award members	8.9%	8.9%	8.9%
Non-award members	12.2%	12.2%	12.2%

It should be noted that the variations selected in the sensitivity analysis above do not indicate upper or lower bounds of all possible outcomes. Further analysis can be carried out if required.

Sensitivity analysis – shorter-term

The following table gives an indication of the sensitivity of the Plan’s financial position (measured using vested benefits of defined benefit members) based on a modelled range of investment returns in the year to 30 June 2024.

	Net of Tax Return (year to 30 June 2024)*	Projected Vested Benefits Index for Defined Benefit members at 30 June 2024
95th percentile return	24.4%	112.5%
75th percentile return	14.7%	112.3%
50th percentile return	7.9%	112.0%
25th percentile return	1.0%	111.6%
5th percentile return	-7.3%	110.3%

* This reflects short-term returns expected under Willis Towers Watson’s investment model rather than the longer-term expected returns used elsewhere in this valuation.

The variations selected in the projections for the year to 30 June 2024 also do not indicate upper or lower bounds of all possible outcomes.

Material risks

In this section we discuss the material risks relating to active defined benefit members and current pensioners. While many of these risks cannot be fully eliminated, appropriate controls have been put in place which reduce and monitor these risks. The Plan's Funding and Solvency certificate also sets out a list of notifiable events which the Trustee should consider as part of their ongoing monitoring.

Defined benefits of active members

Material risks for providing these defined benefits include:

- Investment returns may be lower than assumed in this valuation. If this occurs in the short-term it may require supplementary contributions to be paid in addition to regular contributions. The Plan's financial position should be monitored at least annually at 1 July. If this occurs in the longer-term it may require supplementary contributions to be paid and for regular contributions to increase. This will be monitored as part of the Plan's regular actuarial valuations.
- Growth in Fund Salary could be higher than assumed in this valuation. This will gradually affect the level of Final Average Salary used in the defined benefit formula. To the extent that the defined benefit then exceeds the member's retirement account, this will increase the funding required. This is mainly monitored as part of the Plan's regular actuarial valuations but can also be considered as part of monitoring the annual financial position at 1 July each year.

Lifetime pensions

The Plan ceased offering new lifetime pensions from 1 February 2023. However, there is a relatively small group of 52 pensioners with the pension liability at 1 July 2023 valued at $8.0 million. Risks relating to these members include:

- Pensioners may live longer than we have assumed. This is currently monitored at least annually at 1 July. It is addressed by regularly revaluing the pension liabilities for actual survivorship and continuing to update the mortality tables adopted to reflect the most recent gains in longevity.
- The pension assets supporting the pensions could earn lower investment returns than expected. We have increased the assumed investment return to 7.9% p.a. on the pension assets at this valuation which has reduced the reserve held. The pension assets are predominantly held in growth assets. Should pension assets fall below the value of the pension liability, it is expected this will be addressed by any defined benefit reserves and if required, by further employer contributions.
- Pensions could be indexed by more than we have assumed. This is managed by the Trustee considering the impact on the Plan's long term financial position before granting any discretionary pension increases.

Other risk control measures could be considered in relation to the pensions such as purchasing lifetime annuities from an annuity provider. However, there is not a deep market for such annuities in Australia which may make the annuities relatively expensive.

In Section 6 we commented on the possible financial impact if annuities were purchased to provide the pensions payable. This indicative cost is estimated to be around 17% higher than the current reserve held within the Plan (as at November 2023) and the extent of this variation will also depend on how the Plan's underlying pension assets are being invested. Annuity rates change regularly and therefore the actual cost of purchasing annuities may be higher or lower than this estimate.

The Company investigated buying-out the Plan’s pensions in 2022 and subsequently decided to not pursue this alternative at the time. The Trustee and Company could consider the possible scenarios under which the purchasing of annuities at a future date may be revisited and how any financial strain at the time may be addressed.

Appendix A: Summary of Benefits

The summary below refers to the benefit design of Category B applying to the defined benefit members as at 1 July 2023. Details of accumulation categories are set out in the Plan Rules.

Definitions

Normal Retirement Date

The members' 65th birthday

Core Benefit

Core Multiple times Final Average Salary, where Core Multiple is 8 1/3% times years (& partial years) of Plan service as a Category B member.

Surcharge Account

The accumulation of surcharge amounts paid in respect of a member together with interest at the Plan's Credited Interest Rate. (The Part of the Surcharge Account that is related to the Retirement Account is invested in the Balanced Growth option.)

Final Average Salary

The average Fund Salary over the last three years of employment, determined by a formula set out in the Plan Rules.

Fund Salary

The member's annual base salary (excluding allowances, overtime, bonuses, etc.) at 1 January in each year.

Plan's Credited Interest Rate

The rates determined by the Trustee each year, such rates being equal to the actual investment earnings (which may be positive or negative) on the defined benefit assets net of tax and expenses.

Rollover Account

The accumulation of any amounts rolled into the Plan together with investment earnings.

Retirement Account

The accumulation of Company contributions of 6 2/3% of Fund Salary (with no deduction for 15% contributions tax), less administration costs debited to this account together with interest at the Plan's Credited Interest Rate.

Savings Account

The accumulation of member contributions (if any), including Company contributions e.g. salary sacrifice, which are deemed to be member contributions, less contributions tax, as appropriate, together with investment earnings.

Special Account

The accumulation of Company Special Account Contributions less contributions tax together with investment earnings, where such Company contributions are made, at the following levels:

- for members who are non-award employees, 3% of salary;
- for award members, nil (other than the exception below);

Some of these members receive minimum Special Account contributions to recognise the benefits they were entitled to under previous funds.

Qualifying members (by salary) are also entitled to additional Special Account Contributions of up to 2.4% of salary depending on age. For some senior executive employees, the scale is increased so that an additional Special Account Contribution Rate of up to 4.7% of salary may apply. During 2010, Nestle decided to freeze members' special account contribution rates and not provide new members with a rate greater than 3% of salary.

Award Account

The accumulation of Award and OTE contributions (if any), less contributions tax, together with investment earnings.

Spouse Account

The accumulation of spouse contributions (if any) to the Plan less contributions tax, as appropriate, together with investment earnings.

Member contributions – defined benefit members

Members may elect to contribute any whole percentage of Fund Salary to the Savings Account (including nil). All members may choose whether or not to make these contributions on a salary sacrifice basis. In addition, the Company may make other contributions which are deemed to be member contributions e.g. when a member is transferred to an overseas Nestlé company on a short–term basis.

Company contributions – defined benefit members

The Company contributes the balance of cost required to provide the defined benefits.

Summary of benefits – defined benefit members

Retirement Benefit

Retirement may take place on or after age 55 if the member has had at least 5 years' service.
Up to age 70, a lump sum benefit is payable equal to the sum of the member's:

(i) Savings Account;

(ii) Special Account;

(iii) Rollover Account;

(iv) Award Account;

(v) the greater of the member's:

(1) Core Benefit; and

(2) Retirement Account

less the member's Surcharge Account.

On retirement or death after age 70 the benefit payable is equal to the benefit at age 70 together with investment earnings.

Total and Permanent Disablement Benefit

A lump sum benefit is payable equal to the sum of the member's:

(i) Savings Account;

(ii) Special Account;

(iii) Rollover Account;

(iv) Award Account;

(v) the greater of:

(1) the sum of:

(i) 2 times Fund Salary;

(ii) 8⅓% times future prospective years of Plan Membership from date of TPD to age 65;

subject to a minimum of the member's Retirement Account; and

(2) a minimum dollar amount of the death/TPD benefit calculated at 31 March 2002 (incorporating any earlier guarantees from membership of previous funds) but excluding accounts (i) to (iv) at 31 March 2002 indexed each 1 January;

less the member's Surcharge Account.

Death in Service Benefit

On the death of a member while in service prior to age 65, the lump sum payable is equal to TPD benefit is payable. Minimum death benefits apply to members of a former fund on 30 June 1997.

On the death of a member on or after age 65, the lump sum benefit payable is equal to the Retirement benefit.

Total Disablement Income Benefit

The income benefit payable on temporary disablement is the greater of: 60% of Fund Salary and 10% of lump sum TPD benefit, subject to a maximum benefit of 75% of Fund Salary.

There is optional cover of an additional 15% of Fund Salary available.

This benefit is payable after a 90 day waiting period for up to a maximum period of 24 months. Other conditions also apply.

Leaving Service Benefit

A lump sum benefit is payable equal to the sum of the member's:

(i) Savings Account;

(ii) Special Account;

(iii) Rollover Account;

(iv) Award Account;

(v) Retirement Account;

less the member's Surcharge Account.

Treatment of Accrued Benefits in previous fund

Some members who transferred in from a previous accumulation fund have received additional credits to their Savings Account, Retirement Account and Special Account.

Some members who transferred in from a previous defined benefit fund have received an additional multiple for their Core Multiple and an additional credit to their Savings Account. Since the additional multiple is in respect of both member and company contributions to the previous fund, any amount including a component in respect of the additional multiple is reduced by the initial additional credit to the member's Savings Account (together with interest). Some of these members also receive Special Contributions having regard to the benefits that were being provided in the previous fund.

Pensioners

The Plan is paying pensions to the following types of pensioners at 1 July 2023:

a. Complying pensions, where the pension has been purchased on a commercial basis from the Plan and the Plan is required to provide increases in the pension and to continue payments on the basis described in advice to the member.

b. Traditional pensions, where the pension is being paid in terms of the rules of the Plan Rules.

Some of the pensions have reversionary pensions attached to them equal to 60% of the original member's pension.

Commutation to a lump sum

Pensioners may apply to commute their pension as outlined in the Plan Rules.

Appendix B: Details of Membership

Nestlé Super Plan

Details of Membership as at 1 July 2023

Category	Number of Members	Total FTE Fund Salary $000's	Average FTE Fund Salary $	Average Age	Average Completed M'ship
Defined benefit (Section B)	1,134	127,319	112,274	50.2	18.3
Accumulation - Permanent (Section C)	650	70,762	108,865	38.4	3.7
Accumulation - Spouse (Section D)	10	N/A	N/A	56.1	0.0
Accumulation – Retained (Section E & General Employer)	3	N/A	N/A	51.6	0.0
Accumulation – Temporary (Section F)	193	N/A*	N/A	34.1	1.4
Total	**1,990**	**195,889**	**109,803**	**44.9**	**11.8**

* Salaries are not available for all members in Section F.

Approaching retirements

In the next three years, 77 defined benefit members are expected to reach their Normal Retirement Date.

As at 1 July 2023, there are 56 defined benefit members who have passed their Normal Retirement Date. Their defined benefit retirement benefits as at 1 July 2023 were $14.4 million.

Lifetime pensions

In addition to these members, there are 52 pensioners who can be divided into the following smaller groupings:

	Number of Pensioners	Total Annual Pension Amount $	Average Age (yrs)
Member	15	366,890	84.8
Incapacity	4	45,131	90.1
Spouse	33	583,433	83.2
Total	**52**	**995,454**	**84.2**

Appendix C: Changes in Membership

Nestlé Super Plan
Changes in membership for the period

1 July 2020 to 1 July 2023

Category	Membership at 1 July 2020	Membership at 1 July 2023
Defined benefit	1,703	1,134
Accumulation:		
Permanent Employees (Section C)	495	650
Temporary Employees (Section F)	114	193
Spouse	14	10
Retained	17	3
Pensioners:		
Member	16	15
Incapacity	7	4
Spouse	35	33
Contingent	1	0
Total	**2,402**	**1,990**

Appendix D: Valuation Method and Assumptions

Valuation Method	Projected Unit Credit funding
Asset Value	Market value taken from unaudited accounts at the valuation date
Investment Returns	7.00% p.a. compound (net of investment expenses and taxes) on assets supporting defined benefits. 7.90% p.a. compound (net of investment expenses) on assets supporting pensioners
Inflationary Salary Increase	3.80% p.a. compound

Promotional Salary Increase Rate

Examples of rates of promotional salary increase assumed per year:

Age Last Birthday	Rates of Promotional Salary Increase (% pa)
25	1.6
30	1.0
35	0.5
40	0.2
45	-
50	-
55	-

Rates of Mortality, Total and Permanent Disability (TPD), and Leaving Service.

Examples of rates at which members leave the Plan per year per 10,000 members:

Age Last Birthday	Death and TPD (Male)	Death and TPD (Female)	Leaving Service
25	7	2	1,000
30	5	2	710
35	6	4	460
40	8	7	380
45	15	13	290
50	26	22	170
55	43	26	Nil

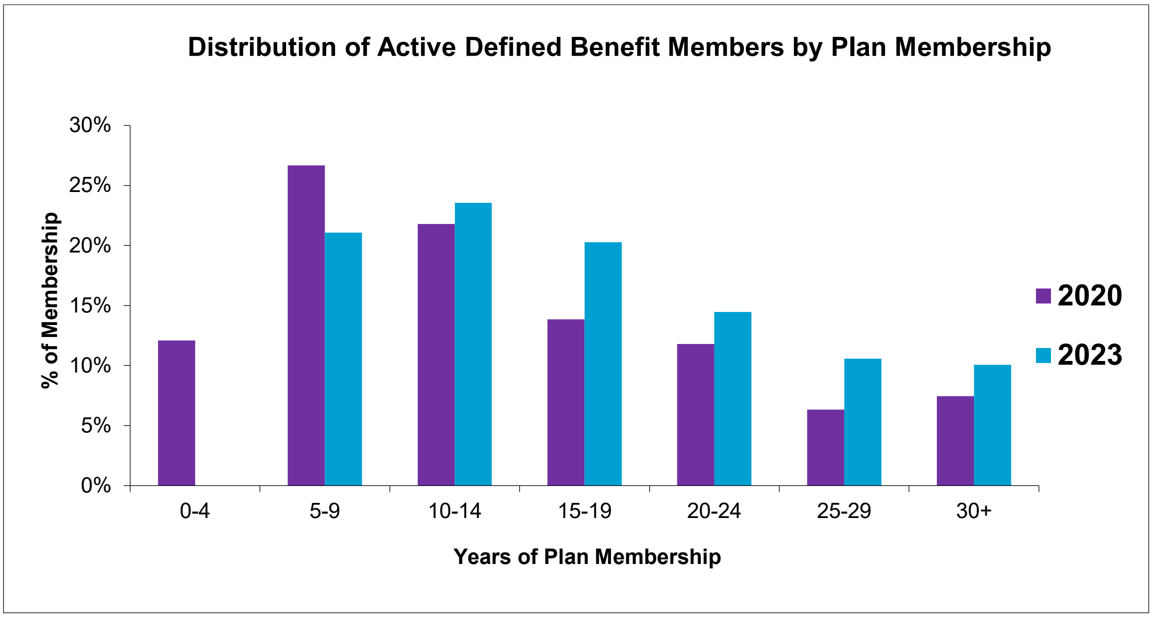
Rates of Early Retirement

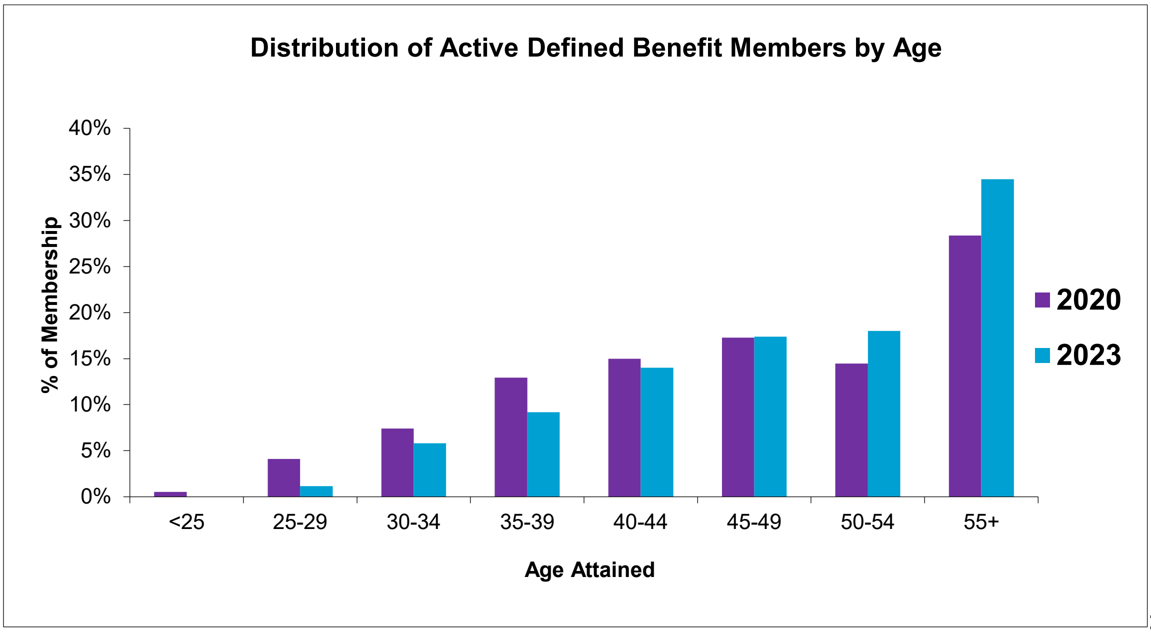
The number of members reaching a given age who are expected to retire are as follows:

Age Last Birthday	Number per year per 10,000 members
55	1,500
56	500
57	500
58	500
59	500
60	1,500
61	1,500
62	1,500
63	1,500
64	1,500
65	10,000

Rates of Retrenchment	A retrenchment rate of nil per 10,000 members has been assumed.
Future Expense and Insurance Allowance	Investment expenses and some administration costs are allowed for in the investment returns shown above which are assumed to be net of investment and administration expenses. Other administration costs are met by deduction from members' accounts. Total and Temporary Disability (TTD) premiums have been allowed for equivalent to 0.44% of Fund Salary. In addition to the TTD assumption, Group life insurance costs equivalent to 0.60% of Fund Salary have been allowed for in determining deductible expenses for tax purposes.
New Entrants	No allowance is made for new entrants.
Taxes	Tax on investment income is allowed for in the Investment Returns shown above. Tax on contributions has been allowed for as 15% of Company contributions reduced by allowable deductions (administration and insurance costs). No allowance has been made for GST or Reduced Input Tax Credits.
Proportion of Members Electing Pension Benefit	Nil – all current active members are assumed to take lump sum benefits.
Pension Increases	The assumed increase in the Consumer Price Index (CPI) is 2.80% p.a. It has been assumed that current pensions will increase in the future in line with CPI. Therefore, we have assumed a rate of pension increase of 2.80% p.a.
Pensioner Mortality	• Member and spouse pensioner mortality of 90% of ALT 2015-17 with assumed mortality improvement of 1.5 % p.a. from 30 June 2016, the mid-point of the 2015 to 2017 mortality investigation period. • Total incapacity pensioner mortality of 130% of ALT 2015-17 with assumed mortality improvement of 1.5% p.a. from 30 June 2016, the mid-point of the 2015 to 2017 mortality investigation period.
Age Difference	The actual spouse's date of birth has been used where known. Where required, male pensioners are assumed to be three years older than their spouse and female pensioners are assumed to be three years younger than their spouse.

Appendix E: Distribution of defined benefit membership at 1 July 2020 and 1 July 2023





Appendix F: Actuarial Statements

The following statements are made in response to Prudential Standard SPS 160:

1. These statements relate to the Nestlé Super Plan in the Employer Division of the Russell Investments Master Trust as at 1 July 2023.

2. The value of the defined benefit assets at 1 July 2023 used to assess the long-term Company contribution rates to the Plan was $220,150,000 (net of ORFR). This is based on unaudited financial information provided by Russell Investments.

3. It is my opinion that the value of the Plan's assets is sufficient to meet the value of the Plan's liabilities in respect of accrued defined benefits at the review date. These liabilities are 110.9% covered while vested benefits are 110.9% covered.

4. The assumptions and valuation methods used to determine the accrued benefit liabilities shown in point 3 are considered appropriate for this purpose.

5. The recommended contributions payable by the Company as a result of this valuation are:

	Recommended Company Contribution
Defined Benefit Members	
Award	• 9.5% of Fund salary • Award contributions paid in accordance with the EBA unless those contributions are paid to another external fund • Contribution to the Additional Employer Account as follows: – at a rate equal to the prevailing SG rate less the Award contribution rate on components of OTE Base[1] not in the member's Fund Salary – any additional amounts to meet the Company's obligations[2]
Non-Award	• 12.5% of Fund salary • Contribution to the Additional Employer Account as follows: – at a rate equal to the prevailing SG rate on components of OTE Base[1] not in the member's Fund Salary – Any additional amounts to meet the Company's SG obligations[2]
Accumulation Members	• minimum of the prevailing SG rate on OTE Base[1]

[1] Ordinary Time Earnings Base (OTE Base) is defined in Section 23 of the Superannuation Guarantee (Administration) Act 1992 ("SG Act") and is equal to Ordinary Time Earnings as defined under Section 6 of the SG Act plus salary sacrificed ordinary time earnings amounts.

[2] for example in respect of differences in OTE Base and Fund Salary in any given quarter due to timing of salary increases

In addition member contributions made by salary sacrifice should also be paid.

These contribution rates include allowances for expenses and tax.

6. I consider that the financial position of the Plan is satisfactory at 1 July 2023 as defined in SPS 160. Provided Company contributions are made at the recommended rates above and the valuation assumptions adopted are borne out in practice, the Plan is likely to remain in a satisfactory financial position over the three years following 1 July 2023.

7. The projected future financial position in respect of defined benefit liabilities of the Plan based on my best estimate assumptions and recommended Company contributions is as follows:

Projected Date	DB Assets ($'000)	DB Vested Benefits ($'000)	DB VBI (%)
1 July 2023	220,150	198,467	110.9%
1 July 2024	200,587	179,937	111.5%
1 July 2025	205,169	183,704	111.7%
1 July 2026	206,745	184,348	112.7%

8. In regard to the lifetime pension liabilities of the Plan, in my opinion as at 1 July 2023, there is a high degree of probability that the Plan will be able to pay the pensions as required under the Plan's governing rules.

9. The current Shortfall Limit of 99% for the defined benefit section is considered to still be suitable.

10. As at 1 July 2023, we have estimated that the defined benefit assets (including pension assets) of $220,150,000 were sufficient to cover the corresponding Minimum Benefits by 132.2%. The Plan was solvent, as defined in the Superannuation Industry (Supervision) Regulations at 1 July 2023.

11. All Funding and Solvency certificates that were required or were material during the period of the investigation have been obtained.

12. I consider that an Actuary is likely to be able to certify the solvency position of the Plan in any Funding and Solvency Certificate that may be required under the Superannuation Industry (Supervision) Regulations during the three year period commencing from 1 July 2023 based on the current levels of Superannuation Guarantee.

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15 December 2023

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https://wtwonlineau.sharepoint.com/sites/tctclient_656475_nestle_23/Documents/04.01_Actl_Valn/5_Deliverables/Actuarial Valuation Report_1 July 2023_Final sent 15122023.docx

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