



DB newsletter

Kimberly-Clark Pension Scheme
Defined Benefit (DB) Section

December 2022



Welcome...

Welcome to the 2022 annual newsletter for members of the Defined Benefit (DB) Section of the Kimberly-Clark Pension Scheme.

It's been another busy year for the Trustee, during which we finalised the 2021 valuation ahead of time. We communicated the results to all members in May. The Scheme actuary carried out an update on the funding position as at 5 April 2022 and the results are given in the latest Summary Funding Statement on page 11.

There has been considerable volatility in global investment markets this year, not least because of the emergence of the Russian/Ukraine crisis, increasing rates of inflation and more recently turmoil in the bond markets. We've provided an overview of the Scheme's investments on page 8. It's worth remembering that your benefits are not directly linked to movements in the financial markets as such but are defined by the Trust Deed and Rules.

In light of the current cost-of-living crisis, we also provide a reminder of how pension increases are applied to pensions in payment and give some links to organisations which may be able to assist. You can read it on page 19.

On pages 6–7 you can read a summary of the Scheme's financial statements for the year, as well as further information about our membership.

We're keen to provide information that you will find useful in the coming years, so please do let us know if there is anything you would like to see covered in a future newsletter. The new Scheme website at **www.kcpensions.co.uk** provides a lot of useful information about your pension, but if you have any specific questions or comments, please get in touch with us via EQ (the new name for Equiniti, our Scheme administrator) whose details are provided on page 20.

Adam Robertson
Chair of the Trustee

Scheme highlights



On 5 April 2022, the DB Section's assets were worth **£1.2 billion**



You are one of the DB Section's **5,338 members**



Last year, the Scheme paid benefits to members totalling **£46.8 million**



During the year, the Scheme's investment returns were **-1.5%**



Have you visited the Scheme website yet?

Go to **www.kcpensions.co.uk**



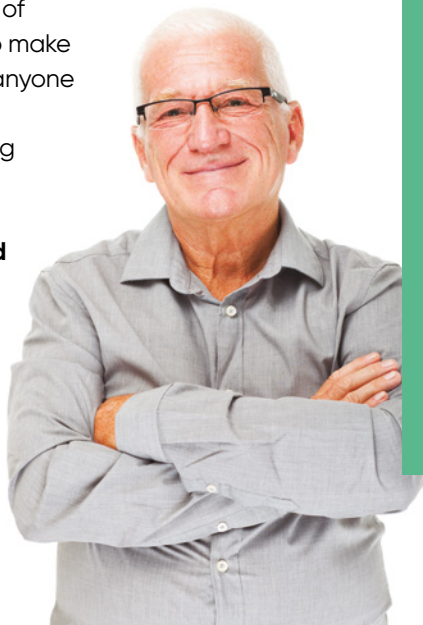
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Scheme noticeboard

Trustee vacancy

We are inviting all deferred members in the Scheme to apply to become a Member-Nominated Director (MND) – although some restrictions may apply if you work for a competitor of Kimberly-Clark. We will soon have two vacancies because the five-year terms of office for two of the current MNDs are coming to an end. Take a look at the enclosed leaflet for an idea of what's involved. We will also make Q&A sessions available for anyone who wants to know more. Further information, including an application form, is also available on the website at www.kcpensions.co.uk/mnd



Going green

As we mentioned in last year's newsletter, we're going digital and trying to reduce printed communications wherever possible. You can sign up to go digital at www.kcpensions.co.uk

From this website, you can also access the Scheme administrator's secure portal and see your own benefit details, change your address and update your beneficiary nomination form.

Log in through the Scheme website, www.kcpensions.co.uk, or simply scan the QR code to go directly to the secure member website. To register, you will need the username and password supplied to you by EQ.



If you have any issues accessing the site, please contact EQ's website team at member.web@equiniti.com or call **0203 890 2160**.

The Trustee prepares for the single code

Current trustee boards run their schemes in line with a set of 15 'codes of practice' produced by the Pensions Regulator, covering everything from administration to communications. After a consultation, 10 of these codes will be consolidated into one 'super code', with some additional requirements for trustees, as well as new sections on cyber security, stewardship and climate change. The Trustee has started working with its advisers to ensure the Scheme meets the requirements.



Scheme finances

The tables show the money paid into and out of the Scheme during the 12 months to 5 April 2022.

The information is a summary taken from the Scheme's formal report and accounts. If you'd like to see a copy of the full report, you can request one from the Scheme administrator, EQ.

Financial highlights

£'000

Value of the DB Section on 6 April 2021	1,326,097
Money in less money out	(66,979)
Change in market value of investments	(26,610)
Transfers between sections	169
Value of the DB Section on 5 April 2022	1,232,677

Payments into and out of the Scheme

Money in	£'000
Employer contributions	2,311
Investment income	7,463
Transfers in	26
Total	9,800

Money out	£'000
Benefits payable	46,767
Payments to leavers	34
Transfers out	27,740
Administration expenses	1,774
Investment manager fees	464
Total	76,779

Membership

There were 5,338 members in the DB Section at 5 April 2022.
The chart below shows the types of members in the Scheme.

Deferred members

(who've left the Scheme but not yet
taken their pension)

1,426

Pensioners

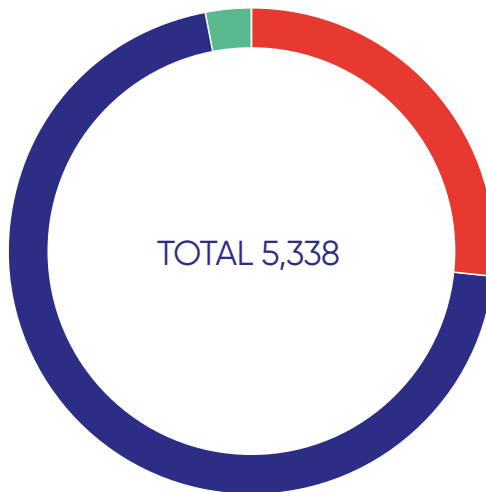
(including spouses and dependants)

3,755

Current employee members

(known as active deferred members)

157



Investment update

Market volatility and your pension

As you may know, the Bank of England stepped in to quell unprecedented market volatility at the beginning of October 2022, by promising to buy £65bn of gilts, which the media reported as being necessary to 'save pension funds from going bust'. First of all, let us reassure you that the Scheme has not run out of money, and pensions will continue to be paid as normal.

The issue arose because of a sudden increase in gilt yields following the Chancellor's mini-budget announcement (although gilt yields had been rising throughout 2022).

This had an adverse effect on some pension schemes that invest in 'liability driven investments' (LDI), to provide protection against their inflation and interest rate risks. The DB Section does invest in LDI and provisional figures indicate the funding level as at 30 September 2022 was 91.5%, with a deficit of c. £78m (compared to a funding level of 99.7% and deficit of £4.1m as at 5 April 2022). Although both assets and liabilities have fallen in value, the LDI strategy has meant both have moved in a similar way, i.e. the Scheme is well hedged against movements in gilt yields. There was no formal call for additional capital from the Scheme's LDI manager,

illustrating the durability of the asset allocations set out in the Statement of Investment Principles to extreme movements in gilt yields. However, the Scheme did rebalance the strategy towards the target Statement of Investment Principles weights during the period. It has not been necessary to unwind any hedging for the Scheme.

Investing for good

Pension funds are among the biggest investors in the UK, with billions of pounds invested around the world. With this sort of 'investment power', we can go a long way to encourage companies to do more about climate change.

Under new rules that came into force in October 2022, larger schemes like ours have to publish a climate change report that sets out what the Trustee is doing to understand and address the Scheme's climate-related risks and opportunities. We also have to measure the impact of our investments on climate change and will be reporting on this by 5 November 2023. This will be made available at www.kcpensions.co.uk, alongside the Statement of Investment Principles and Implementation Statement (which set out the Trustee's investment strategy and how we put our voting and stewardship policy into practice). These two documents are already available for you to view.

During the year, the Trustee agreed to invest half of the Scheme's equity holdings in a fund with a greater focus on managing environmental, social and governance (ESG) factors. The L&G MSCI ACWI Adaptive Capped ESG Index Fund has a focus on investing in companies that have a robust ESG profile.

Investment performance

The table shows the performance of the DB Section's investments over one year, three years and five years to 31 March 2022, compared with the benchmark set by the Trustee.

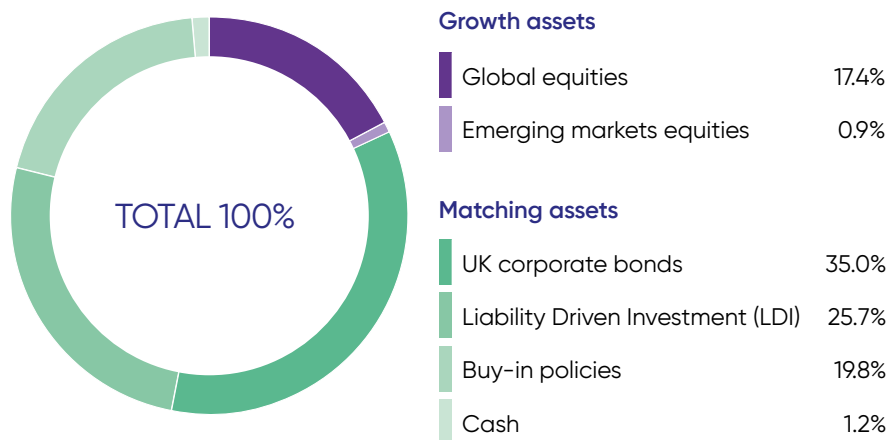
	Scheme return	Benchmark
1 year %	-1.5%	0.1%
3 years % (p.a.)	4.2%	4.9%
5 years % (p.a.)	4.1%	4.6%



Investment update continued

How are the assets invested?

The Scheme's assets target a split between growth assets (18%) and matching assets (82%). The chart shows the actual allocation of assets as at 5 April 2022.



The war in Ukraine

The Trustee has been closely monitoring the position following the Russian invasion of Ukraine and the impact of the crisis on the Scheme. The invasion has caused significant volatility in investment markets around the world. Many stock markets have fallen in value and there is uncertainty surrounding investments which may continue for some time. It's normal for shares and other assets to go up and down in value in the short term, and the way the Scheme's assets are invested aims to take into account and protect against this kind of volatility. The Scheme has very little direct exposure to Russian or Ukrainian assets, and enjoys a diversified investment strategy, so overall the direct impact on our assets has been minimal.

Summary Funding Statement

This statement gives members important information about the funding position of the Kimberly-Clark Pension Scheme (the Scheme).

Funding position as at 5 April 2022

The results of the most recent full funding valuation as at 5 April 2021 are given below, along with the results of the actuary's check-up as at 5 April 2022.

	5 April 2022 (funding update)	5 April 2021 (valuation)
Assets	£1,236.7m	£1,321.0m
Liabilities	£1,240.8m	£1,341.8m
Surplus / (Shortfall)	(£4.1m)	(£20.8m)
Funding level	99.7%	98.5%

Change in funding position since 5 April 2021

The funding level has improved since the valuation as at 5 April 2021 from 98.5% to 99.7%. The impact of increasing long-term interest rates over the year reduced the value of the Scheme's liabilities, while the value of the assets reduced only slightly.

Eliminating the shortfall

The 2021 valuation showed the Scheme to be in a slight shortfall at 5 April. It takes a while for all the detailed calculations to be carried out, and the Trustee and Company agreed to allow for changes to the funding level between 5 April and 31 January 2022. Over this period, the funding level increased so that the Scheme was in surplus at 31 January 2022.

Therefore, it was agreed between the Trustee and the Company that no extra contributions would be required from Kimberly-Clark to remove the shortfall at the valuation date (also called the recovery plan).

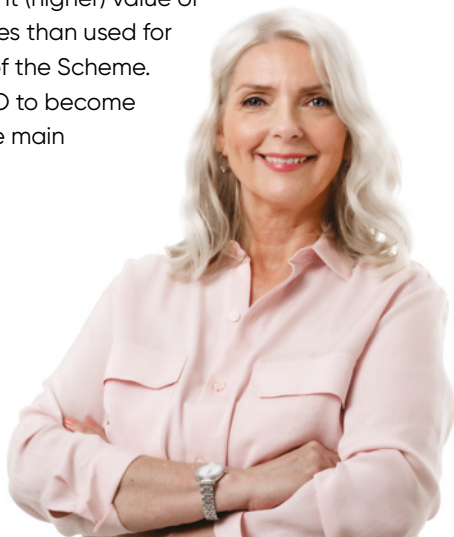
However, the Company agreed to continue to pay £2 million a year to cover Scheme expenses, plus the cost of PPF levies and any contributions due under the Funding Floor Mechanism. The funding level will be reviewed at the next full valuation, due as at 5 April 2024, and a new recovery plan will be agreed if the Scheme has a shortfall then. Another check-up will be carried out as at 5 April 2023.

Summary Funding Statement continued

What is the Funding Floor Mechanism?

The Funding Floor Mechanism is a commitment from the Company to pay additional contributions in the event that the Scheme's long-term objective (LTO) funding level dips below the levels agreed between the Trustee and the Company. This is based on a first assessment of the Scheme as at 31 December 2022 and then at each 31 December after that.

The LTO was introduced as part of the 2021 valuation and is a more prudent (higher) value of the Scheme's liabilities than used for the main valuation of the Scheme. The aim is for the LTO to become the approach for the main valuation over time.



Payments to the Company

The Trustee must also tell you whether there have been any payments to the Company out of the Scheme in the last 12 months. No payments have been made in recent years.

Interaction with the Pensions Regulator

The Pensions Regulator is responsible for regulating work-based pension schemes in the UK. Its aims include protecting members' benefits and promoting good scheme administration.

You can find more details at www.thepensionsregulator.gov.uk

We need to tell you if the Regulator has used its powers in relation to the Scheme over the last year, for example, by changing the way future benefits build up, or the way the funding target is worked out, or amending the employer contribution rate. The Regulator hasn't used its powers in relation to the Scheme.

What would happen if the Scheme discontinued?

As part of the valuation, the actuary also looks at the funding level if the Scheme was wound up. Including this information doesn't mean that the Company or the Trustee are planning to wind up the Scheme. The Trustee is required to give you this information.

If the Scheme had wound up as at 5 April 2021 (the date of the last full valuation), the actuary estimated that the Trustee would have had to pay an insurance company £1,657.9 million to provide all the benefits in full. This would have left the Scheme with a shortfall of around £336.9 million, and a funding level of 79.7%. The Trustee aims to have enough money to pay pensions and other benefits to members as they fall due, rather than paying an insurance company to provide the benefits, which can be very expensive.

What would happen if the Scheme started to wind up?

The Pension Protection Fund (PPF) was set up in 2005 by the government to compensate members of eligible UK pension schemes which are wound up when the employer is insolvent,

and the scheme doesn't have enough assets to cover members' benefits. All eligible pension schemes are required to contribute to the PPF by paying a levy each year. You can find out more at www.ppf.co.uk

Where can I get more information?

If you have any questions about your pension or the Scheme or would like more information, please contact the Scheme administrator, EQ (their details are given on page 20).

Please contact the administrator if you've changed your address, so we can keep you informed about the Scheme and your benefits. You can do this by logging into 'My Account' on the website.

Important:

If you're thinking of leaving the Scheme for any reason, you should consult a professional adviser, such as an independent financial adviser, before taking any action.

K-C news

New partnership with Andrex & Bowel Cancer UK

Inspired by Dame Deborah James (@BowelBabe), Andrex have launched a new partnership with Bowel Cancer UK to raise awareness of bowel cancer symptoms.

Andrex will be adding bowel cancer information, including where to find help on signs and symptoms of the disease, onto Andrex packaging.

The ambition is to update all packaging on the full Andrex toilet roll range within the next year – that's over 90 million packs! This means that potentially life-saving information will be available in more than 1 in 3 UK households.

Consumers will be able to scan a printed QR code redirecting them to Bowel Cancer UK's symptoms information on their website. Bowel cancer is the fourth most common cancer in the UK with the second highest mortality rate. The signs of bowel cancer everyone should be aware of:

- Bleeding from your bottom and/or blood in your bowel movements
- A persistent and unexplained change in bowel habit
- Unexplained weight loss
- Extreme tiredness for no obvious reason
- A pain or lump in your tummy.

Green hydrogen project launched in Barrow

In a first for Cumbria, Carlton Power has agreed to supply Kimberly-Clark (and potentially, other energy-intensive users in the area) with hydrogen to fuel their operations. The agreement is in line with our recently announced plans to decarbonise approximately 80% of our electricity supply through a Power Purchase Agreement.

Dan Howell, Vice President & Managing Director, Kimberly-Clark UK & Ireland, said:

'Green hydrogen is a significant next step in decarbonising our operations and delivering our ambition of 100% renewable energy by 2030 in the UK and Ireland. Kimberly-Clark aims to lead the way on sustainability and deliver our purpose of Better Care for a Better World.'



Kimberly-Clark wins Net Zero Award

Kimberly-Clark took home the Net Zero Award at the UK CPI's Gold Awards 2022. The awards were organised by the Confederation of Paper Industries (CPI). These annual awards – inaugurated this year – recognise excellence in seven different areas of performance: The Recycling Award; The Net Zero Award; The Sustainable Innovation Award; The Skills Award; The Community Engagement Award; The Health and Safety Award; and The Paper Gold Medal.



Closing the loop for used hand towels and dispensers

Our B2B division, Kimberly-Clark Professional, is committed to solving critical sustainability challenges by innovating the solutions and services we provide to make the smallest environmental footprint.

Recently the RightCycle™ Programme was expanded to help recycle used hand towels and dispensers, along with Personal Protective Equipment (PPE) which has been running for the last 10 years.

The RightCycle™ Programme helps to close the loop for hand towels and offers the world's first dispenser installation and recycling service.

By partnering with companies, including Harrods in the UK, we are improving recycling rates and reducing waste footprints for our Channel Partners and End-Users. Together we're helping to deliver a better future for people, businesses and the planet.

Pensions news

Transfers and protecting members from scams

Due to concerns about the increase in pension scams, the Pensions Regulator has introduced new procedures for processing pension transfers, giving powers to pension scheme trustees to intervene where a transfer looks suspicious. The new regulations include checks to see if transfers meet various conditions, introducing a system of red and amber flags. If there are red flags, any statutory right to transfer falls away and the Trustee can stop the transfer. If there are amber flags, the member must get guidance from MoneyHelper (www.moneyhelper.org.uk) before the transfer can go ahead. MoneyHelper is a government service that provides free and impartial pension guidance.

Early retirement age

From April 2028, the State pension age (SPA) is increasing to 67. Under current legislation, you can retire from the Scheme at any age from 55. The government is raising the minimum retirement age from 55 to 57 from April 2028 to align with the requirement for a 10-year gap between SPA and the minimum retirement age. This means that if you are currently aged 48 or under, you will have to wait until at least age 57 before you can draw your benefits.

If you are a deferred member of the Scheme aged 55 or over, you may be able to begin receiving your pension from the Scheme now. If you would like an early retirement quote, please contact the Scheme administrator, EQ. Their contact details can be found on page 20.

Before taking early retirement from the Scheme, we recommend you talk to an independent financial adviser as they will be able to advise you if claiming your benefits is the right decision for you. Financial advisers local to your home or workplace can be found at: www.unbiased.co.uk

Pensions dashboard

Something new on the horizon is the government's ambitious pensions dashboard project (see www.pensionsdashboardsprogramme.org.uk). It aims to give pension savers an online picture of the various pension rights they may have built up over their careers. This is a complex project with new technology requirements for the pensions industry. EQ has been working to prepare the Scheme for the dashboard programme when it is launched so we'll update you closer to the 'go live' date.

A nudge in the right direction

The government has introduced new measures to ensure pension savers are fully informed about their options when seeking to access their Additional Voluntary Contribution (AVC) pension pots.

From 1 June 2022, the Trustee has been required to deliver a 'stronger nudge' for members to access guidance from Pension Wise before they can take or transfer their AVC benefits.

What this means is that when you apply to take your AVC benefits, the Trustee will offer to book you an appointment with Pension Wise. We can't proceed with your application to access your pension savings until you have either confirmed that you have received guidance or have opted out of receiving guidance. There are some exceptions if, for example, you want to transfer your benefits out with the aim of consolidating pension pots or you are under 50.

Beware of pension scams

These days, many people may be tempted to access their retirement savings to help pay the bills – making them an ideal target for pension scammers. If you are considering transferring your Scheme benefits to an alternative pension arrangement, the Trustee strongly recommends that you seek independent financial advice and exercise extreme caution.

However, if you use a financial adviser, check that they are registered on the Financial Conduct Authority's (FCA) website (<https://register.fca.org.uk>) and that they are authorised to give pensions advice.

Find out more on how to avoid a pension scam at the FCA's website: www.fca.org.uk/scamsmart

For our pensioners

Obituaries

In the past, we have had requests to publish an obituaries list within this newsletter. As the Scheme is now moving to digital, we have decided to make this list available on request, through the Scheme administrator – so please get in touch with EQ using the contact details on page 20.



K-C Retirement Association

At the time of your retirement you may not have joined the Retirement Association but it's never too late! The Association has two aims: to act as a social organisation for retirees and to liaise with the Trustee Directors who protect the interests of Kimberly-Clark pensioners. Membership is only £5 per year. If you wish to join, please contact either Derrick King or Geoff Povey.

Your committee member contacts

Derrick King (Chair)

Tel: 01580 212346

Email: derrick.king222@gmail.com

Sandra Foden

Tel: 07703 774028

Clive Jeffery

Tel: 07801 045 831

Geoff Povey

Tel: 07542 017088

Email: geoff.povey@yahoo.co.uk

North West branch

Peter Taylor

Tel: 07825 876358

Maurice Hayes

Tel: 01732 849166

Pensioner Trustee

Paul Morgan

Tel: 01652 635094

Andy Matthews

Tel: 01892 838761

David Northcroft

Tel: 01622 844888

Website: www.k-cra.co.uk

Email: admin@k-cra.co.uk

Your pension and inflation

As you are no doubt aware, inflation is at record levels this year and will affect the purchasing power of your Scheme pension.

The Scheme Rules set out the level of increases to be applied each year in line with the change in inflation. Any additional increase above those in the Scheme Rules is purely discretionary and requires Kimberly-Clark's consent – the Trustee does not have a unilateral power to provide discretionary increases.

If you are receiving a State Pension, the government has confirmed that the 'triple lock' will apply next year (after it was temporarily abandoned for the 2022/23 increase). This means the State Pension will rise in line with September's inflation rate – 10.1% – in the 2023/24 tax year. The full new State Pension – for those reaching State Pension Age from 6 April 2016 – will rise to £203.85 per week, or £10,600.20 per year as a result of the 10.1% inflation figure.

If you are retired and finding it hard to make ends meet, see if you're entitled to claim Pension Credit. This is a top-up to the State Pension for pensioners on a low income. Check if you're eligible at gov.uk/pension-credit. If you're a woman, check if you're entitled to a higher State Pension, as the Department for Work and Pensions underpaid many women who should have received something extra based on their husband's National Insurance record (<https://pensionunderpaid.lcp.uk.com>).

Everyone can get free and impartial money and debt advice through MoneyHelper (moneyhelper.org.uk).

If you're in debt, contact Step Change for impartial advice (stepchange.org). Other organisations you might find useful include: turn2us.org.uk and taxvol.org.uk

Get in touch

If you've got a question about the Scheme or your benefits, please contact the Scheme administrator, EQ.

Website:

www.kcpensions.co.uk

Call us:

0203 890 2160

Email us:

kimberlyclark@equiniti.com

Write to us:

Kimberly-Clark Pension Scheme
Pension Administration Services
PO Box 556
Crawley
West Sussex RH10 1WS

Secretary to the Trustee

If you have any comments for the Trustee, please contact the Scheme Secretary.

Email: kimberly-clark@psgovernance.com

Write to: Punter Southall Governance Services, Forbury Works, 37-43 Blagrove Street, Reading RG1 1PZ

Let us know!

Please remember to tell us if you move home or if your contact details change, so we can keep you updated with information from the Scheme and pay your benefits when they're due.