The Colgate-Palmolive Pension Plan

Chair’s Statement 2019

This statement has been prepared by the Trustees of The Colgate-Palmolive Pension Plan (the “Plan”) to demonstrate how the Plan has complied with the legal requirements which came into force in April 2018. The Plan is a final salary arrangement, however the following aspects of the Plan fall under these new governance rules.

- The transferred in and other money purchase funds held within the Plan’s Additional Voluntary Contributions (AVC) arrangement; and
- The old ‘protected rights’ (PR) and ‘personal pension accounts’ (PPAs) held within the Plan’s assets

Transferred in money purchase funds and other AVCs

Historically members were permitted to transfer benefits from other pension arrangements into the Plan. Money purchase benefits that were transferred in were invested in the Plan’s AVC arrangement. Members with transferred in money purchase benefits are able to invest in the range of funds held in the Plan’s AVC arrangement. In addition members were able to contribute to the Plan’s AVC arrangement. The Plan’s main AVC provider is AVIVA (previously known as Friends Life). There is an also an historic arrangement with Clerical Medical and, until 31 December 2019, with Equitable Life Assurance Society (ELAS). All monies with ELAS were transferred to Utmost Pensions Ltd in January 2020. All funds had been held in the with-profits arrangement and members were given uplifts to compensate them for the loss of guarantees. In March 2020 the Trustees consolidated the previous ELAS funds with AVIVA, transferring the monies to the Cash Fund.

Former “Protected Rights” and PPAs

The Plan elected to contract-out on a money purchase basis from April 1997 to April 2012. During that period, contracted-out rebates payable by the members and the employers (due in each month following the month in which they were accrued) and age-related or flat rate rebates/incentive payments payable by the HMRC, (due in each tax year following the tax year in which they were accrued) together referred to as “protected rights” (or PR) were notionally invested in the Plan. In addition, an allowance for member contributions and an element of employer contributions are added to the PRs to form members’ “personal pension accounts” (or PPA). ‘Old PPA provisions’ were in force prior to 1997 and, where relevant, these monies became part of the member’s PPA.

PRs were abolished with effect from 6 April 2012, and PRs became ordinary defined contribution balances. When benefits are drawn, a member’s accrued PR and PPA balance is compared to their DB benefits earned during the relevant period and acts as an underpin to their benefits. Some short service members (who previously received a refund of part of their contributions) have PR benefits only. The Plan was closed to new members and contributions in 2005 and closed to ongoing accrual from 1st April 2016.

Investment strategy

The Statement of Investment Principles (SIP) sets out the aims and objectives of the Plan’s investment strategy. In particular it covers:

- The Trustees’ investment objectives and investment strategy;
- Policies on managing risk; and
- Details of the AVC options.
The Plan’s SIP was last updated in September 2019 and is included in the Annual Report and Accounts.

Transferred in money purchase funds and AVCs

Transferred in money purchase benefits and members’ additional contributions are invested in the Plan’s AVC arrangement. When transferring in money purchase benefits commencing AVCs members were required to make a choice in respect of the investment of their funds and therefore they were not provided with a default arrangement.

The Trustees receive regular updates from their Professional Adviser with regards to market practice for lifestyle investment strategies in AVC trust-based pension schemes. A review of the investment strategy offered through AVIVA was undertaken in June 2017 focusing on the lifestyle options available to members. The Trustees elected to give members a wider choice of lifestyle funds with AVIVA, targeting different options at retirement; this became available in May 2017 and was communicated to members in 2018.

The SIP sets out the AVC investment options available to members. Whilst there is no default investment strategy for the AVC arrangements, over half of the AVCs held by AVIVA are currently invested in the AV BlackRock UK Equity Index Tracker fund; the next largest fund selected is the AV BlackRock (60:40) Global Equity Index Tracker fund.

PR and PPAs

Members of the Plan are not offered investment options with regards to their PR and PPA balances. Rather, these are credited with the gross returns (positive or negative) earned by the Plan. The Trustees monitor the performance of the Plan assets at least quarterly.

From time to time the Trustees undertake a formal investment strategy review.

Core Financial transactions

Transferred in money purchase benefits, AVCs and PR and PPA accounts

Processing of core financial transactions (such as payments to members and beneficiaries between investments) is carried out by the administrators of the Plan, Merce Limited. Members with AVCs held in AVIVA are able to switch funds via the provider’s website.

The Plan’s administrators have confirmed to the Trustees that there are adequate internal controls to ensure that core financial transactions relating to the Plan are processed promptly and accurately.

The Trustees regularly monitor the core financial transactions of the Plan throughout the year, through the receipt of regular reports from the Plan’s administrators, which are reviewed at Trustees’ meetings. A Service Level Agreement (SLA) is in place with the administrators which, inter alia, covers the accuracy and timeliness of all core transactions. The SLAs are regularly monitored by the Trustees. If any errors or unreasonable delays or responses are identified, the Trustees hold the administrators or investment manager, as appropriate, to account and seek to ensure that such issues are rectified and prevented from reoccurring. The Plan’s accounts are also audited annually by a third party.

Now the Plan is closed to future accrual, the Plan’s AVC arrangement is reviewed on an annual basis.

The Trustees are satisfied that the requirement to process core financial transactions promptly and accurately has been met during the year.
Charges and transaction costs

Transferred in money purchase benefits and AVCs

Charges – Total Expense Ratios

The Administration Regulations require the Trustees to make an assessment of charges and transaction costs borne by the members with transferred in money purchase benefits and other AVC balances and the extent to which those charges and costs represent good value for members.

The Trustees have reviewed the fees payable by members of the Plan and will continue to do so to ensure charges are competitive based on the size of the arrangement.

The Trustees make available a range of funds through AVIVA which may be chosen by members. These funds attract annual charges of 0.50% pa.

Before the transfer of funds to Utmost, the Equitable Life With-Profits Fund applied a 1% p.a. administration charge, which is taken into account before it declares its annual bonus. As a result, members did not see any explicit charges being deducted but the charge reduced the non-guaranteed annual bonus that is declared. Further, there are additional charges of 0.5% p.a. levied for the cost of guarantees (0.5% in 2018) and charges relating to transaction costs. The total charges impact on policyholders is stated to be 1.03%.

Whilst these charges are deducted from the returns that are applied each year to the Policy Value, members' benefits were also subject to the underpin of the Guaranteed Value which increases each year by 3.5%.

Transaction charges

AVIVA have provided transaction costs that may be incurred by Plan members. See the appendix to this Statement for the transaction costs.

Former "Protected Rights" and PPA accounts

The Plan returns credited to PR and PPA accounts are the Plan returns gross of investment fees. Other Plan expenses are met by the Company.

Charges – example impact

Please see the appendix to this Statement for examples of the potential impact of management and transaction charges on members' AVIVA fund values. In preparing these examples, we obtained the information from AVIVA. The illustrations have been carried out for the two funds that have the highest holdings by value.

Up until 31 December 2019 Equitable Life pots had a Guaranteed Value which attracts a guaranteed return of 3.5% per annum net of charges. That value therefore grew by 3.5% each year and growth is the same before and after charges.

We have not shown detailed illustrations for Equitable Life or Clerical Medical AVC funds as the fund values are relatively small compared to those held with AVIVA. Further, with effect from January 2020 the funds held with Equitable Life were transferred to Utmost Life and Pensions and in return for giving up their with-profit guarantee, their policy values were enhanced. Accordingly, a projection based on the current terms does not seem relevant.

An example has also been prepared for the PR and PPAs members, although it should be noted that the members incur no direct charges so the illustration is a projection of fund values.
Value for members

Transferred in money purchase benefits, AVCs and PR and PPA accounts

The Trustees are committed to ensuring that members receive value for members (VFM) from the Plan (i.e. costs and charges deducted from members’ pots provide good value in relation to the benefits and services provided by or on behalf of the Plan) compared to plans of a similar size or structure.

The Trustees have assessed the extent to which the Plan provides value for members, taking into account the charges and transaction costs. The Trustees believe that members get good value in relation to the investment funds for AVC benefits for the following reasons:

- The costs and charges deducted from members provide good value in relation to the benefits and services they receive, when compared to other options available in the market;
- Members are part of a well governed scheme which receives a comprehensive administration service;
- The charges for the AVIVA funds available are 0.50%p,a, i.e. below the charge cap of 0.75%p,a for default funds set out in the Occupational Pension Scheme (Charges and Governance) Regulation 2015.
- Whilst the Trustee considers the Equitable Life With-Profits Fund to be relatively high cost, the cost is offset by the benefits of using this fund such as the value of capital guarantees, the guaranteed investment return of 3.5% p.a., and the anticipated enhancement to policy values as a result of the Equitable Life’s ‘Guarantee Exchange Scheme’. In January 2020 the monies with Equitable Life were transferred to Utmot and as part of the process, Equitable Life increased the enhancement to the policy values (ranging from 70-90% of the policy value).
- A small number of members invest in Clerical Medical funds, but details of the charges for these funds are not available.

Where information is not readily available, the Trustees will continue to pursue the missing information.

Former "Protected Rights" and PPAs

The Trustees are confident that members do get value under the internal accounts in that there are no deductions for expenses in respect of PR and PPA accounts. However, the Trustees also acknowledge the special circumstances of the PR and PPA accounts and recognise there are no investment options available within the Plan to members under this arrangement.

Trustee knowledge and understanding (TKU)

The Board of Trustees maintains a strong process to enable it to properly fulfil its role and responsibilities and to ensure the individual Trustees have sufficient knowledge and understanding to run the Plan effectively. The Trustees’ approach to meeting the TKU requirements include:

- Introductory training for new Trustees;
- As appropriate, training in line with the Pension Regulator’s Trustee Toolkit;
- Maintaining a rolling programme of Trustee training which is delivered within Trustees’ meetings where appropriate;
- Recording all training and attendance at appropriate seminars in the Trustee training log in order to support the Chair’s statement;
- Reviewing the training programme regularly following an assessment of Trustee knowledge, understanding and skills.
As a result of the training undertaken, the specialist skills of the individual Trustees and the professional advice available, we are confident that the combined knowledge and understanding enables the Board of Trustees to exercise properly our functions as Trustee of the Plan. In particular, the Trustees are conversant with the Trust Deed and Rules, the current Statement of Investment Principles, the documents detailing the Trustees' policies, pensions and trust law, and the principles for funding and investment of occupational schemes.

Approved by the Trustees and signed on their behalf by:

[Signature]

Shirley Knobel
Chairman of the Trustees
The Colgate-Palmolive Pension Plan
Appendix – AVIVA cost and charge analysis

Example illustrations of charges on accumulated funds

Plan name: The Colgate-Palmolive Pension Plan
Plan year end date: 31 December 2019

The table below sets out transaction costs and certain charges which apply to selected funds together with illustration examples of the cumulative effect of these costs and charges incurred by members. Where we refer to charges in the below, this will also include any expenses.

<table>
<thead>
<tr>
<th>Fund transactional costs and charges total (%)</th>
<th>BlackRock (60:40) Global Equity Index Tracker</th>
<th>BlackRock UK Equity Index Tracker</th>
</tr>
</thead>
<tbody>
<tr>
<td>AMC</td>
<td>0.50%</td>
<td>0.50%</td>
</tr>
<tr>
<td>Additional expenses</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Transaction Costs</td>
<td>0.0465%</td>
<td>N/A*</td>
</tr>
</tbody>
</table>

AMC is the annual management charge which is the yearly charge to cover administration costs and to pay the fund manager for managing the funds.

The additional expenses include management fees and expenses that vary with the day to day costs of running the fund.

Transaction costs arise when a fund manager buys or sells the underlying assets of a fund.

*The costs provided represent those incurred by the Aviva fund in buying and selling units in the underlying fund(s) but do not include the costs incurred by the underlying fund in buying and selling its holdings. The transaction cost information provided for the UK Equity Fund showed the fund had generated negative costs, i.e. more units have been sold than purchased. This is not suitable for the purposes of the illustrations so transaction ‘costs’ have been ignored.

The purpose of these example illustrations

The purpose of the example is to show how fund related costs and charges can affect the overall value of the funds that the Plan invests in over time.

Illustrations showing the impact of fund transaction costs and charges in a projected pension fund in today’s money (£)

The “before charges” column shows the projected pension fund without any transaction costs, charges or rebates being applied.

The “after all charges” column shows the projected pension fund after transaction costs, charges and rebates that have been applied.
<table>
<thead>
<tr>
<th>Years</th>
<th>BlackRock (60:40) Global Equity Index Tracker</th>
<th>BlackRock UK Equity Index Tracker</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Before Charges £</td>
<td>After all charges £</td>
</tr>
<tr>
<td>1</td>
<td>10,293</td>
<td>10,236</td>
</tr>
<tr>
<td>3</td>
<td>10,904</td>
<td>10,726</td>
</tr>
<tr>
<td>5</td>
<td>11,552</td>
<td>11,240</td>
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<tr>
<td>10</td>
<td>13,344</td>
<td>12,633</td>
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<tr>
<td>15</td>
<td>15,414</td>
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<tr>
<td>20</td>
<td>17,806</td>
<td>15,959</td>
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<tr>
<td>25</td>
<td>20,569</td>
<td>17,937</td>
</tr>
<tr>
<td>30</td>
<td>23,761</td>
<td>20,160</td>
</tr>
</tbody>
</table>

About these illustrations

For these illustrations we’ve assumed;

- The starting age is 35 and the retirement age is 65;
- No future contributions are made;
- Projected pension fund values are shown in today’s terms, and do not need to be reduced further for inflation. Inflation is assumed to be 2.5%, each year;
- The starting pension fund value in the first year is £10,000;
- Each illustration has been produced on the basis this is the only fund invested in and that all transaction costs and charges are deducted from that fund.

The growth rate for each fund is set out below. These are for illustrative purposes only and are not guaranteed. The investment growth achieved may be more or less than this and may vary depending on the type of fund.

- BlackRock (60:40) Global Equity Index Tracker: 5.50%
- BlackRock UK Equity Index Tracker: 5.50%

If the growth rate we’ve used is:

- The same as the rate of inflation, this reduces the growth rate, after making an allowance for inflation, to 0%;
- Less than the rate of inflation, this produces a negative growth rate after making an allowance for inflation.
Appendix – PR and PPA accounts illustrations

Example illustrations of charges on accumulated funds

Plan name: The Colgate-Palmolive Pension Plan
Plan year end date 31 December 2019

Fund transaction costs and charges

The Plan returns credited to PR and PPA accounts are the Plan returns gross of investment fees and all Plan expenses are met by the Company. The member pays no charges.

The purpose of these example illustrations

The purpose of the example is to show how fund related costs and charges can affect the overall value of the funds that the Plan invests in over time. As the member does not pay any charge the table just shows the projected fund based on the current expected returns on the Fund.

Illustrations showing the projected pension fund in today’s money (£)

The “before charges” column shows the projected pension fund without any transaction costs, charges or rebates being applied.

The “after all charges” column shows the projected pension fund after transaction costs, charges and rebates that have been applied. As charges are not paid by the member there is no difference in the projected funds.

<table>
<thead>
<tr>
<th>Years</th>
<th>Before Charges</th>
<th>After all charges</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>1</td>
<td>10,171</td>
<td>10,171</td>
</tr>
<tr>
<td>3</td>
<td>10,521</td>
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</tr>
<tr>
<td>5</td>
<td>10,883</td>
<td>10,883</td>
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<td>14,030</td>
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<tr>
<td>25</td>
<td>15,269</td>
<td>15,269</td>
</tr>
<tr>
<td>30</td>
<td>16,618</td>
<td>16,618</td>
</tr>
</tbody>
</table>

About these illustrations

For these illustrations we’ve assumed;

- The starting age is 35 and the retirement age is 65;
- No future contributions are made;
- Projected pension fund values are shown in today’s terms, and do not need to be reduced further for inflation. Inflation is assumed to be 2.5%, each year;
- The starting pension fund value in the first year is £10,000.
The growth rate for the fund is set out below. These are for illustrative purposes only and are not guaranteed. The investment growth achieved may be more or less than this.

**Fund** 4.25%

The return assumes the investment strategy remains unchanged over the period of projection.

If the growth rate we’ve used is:

- The same as the rate of inflation, this reduces the growth rate, after making an allowance for inflation, to 0%;
- Less than the rate of inflation, this produces a negative growth rate after making an allowance for inflation.