

AB InBev UK Pension Plan (DB Section) – Annual Engagement Policy Implementation Statement

Introduction:

This statement sets out how, and the extent to which, the Trustee’s policy on Environmental, Social and Governance (“ESG”), Stewardship, Climate Change and the Investment Manager arrangements in the Statement of Investment Principles (“SIP”) has been followed during the Plan year to 31 December 2022 in respect of the Defined Benefit (“DB”) Section of the Plan. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the guidance published by The Pensions Regulator. This document sets out the how, and the extent to which, the policies in the DB Section SIP have been followed.

Investment Objectives of the Plan:

The Trustee believes it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the Plan specified in the SIP dated 17 March 2022 are as follows:

- The investment objective of the DB Plan is to be fully funded on a technical provisions basis, as outlined in the relevant actuarial valuation, by 2026.
- An underlying aim is that the investment plan is aligned with the actuarial valuation assumptions, as amended by the 2015 De-Risking Agreement, such that the investment plan takes no more risk than the implied risk in those assumptions.
- The assumptions in the December 2018 Actuarial Valuation are that 20 year gilts yield 1.88%; and that equities return the gilt yield plus an equity risk premium (“erp”) of 2.5%, leading to a discount rate of 2.26%.
- During the period to 31st December 2026, (the Recovery Period), it is forecast that the Plan’s Assets will achieve “investment out-performance”, versus the Technical Provision assumptions, of c0.60 % points per annum.

Review of the SIP:

The SIP was reviewed during the Plan year and the updated SIP was formally signed by the Trustee on 29 March 2022. The key updates to the new SIP were;

- Re-wording of the Technical Provisions assumptions underlying the December 2018 valuation, specifically the equity and gilt returns used to calculate the Plan’s discount rate
- The Plan’s strategic asset allocation during and post the Plan’s recovery period
- Updates to the Plan’s Socially Responsible Investments policies
- Updates to the section on how the Plan complies with the DB SIP

The latest SIP can be found at the following link: [AB InBev UK Pension Plan \(abinbevukpensionplans.com\)](https://abinbevukpensionplans.com)

Assessment of how the policies in the SIPs have been followed for the year to 31 December 2022:

The information provided in this section summarises the work undertaken by the Trustee during the year, and longer term where relevant, and sets out how this work aligns with the Trustee's policies as outlined in the SIP for the Plan's DB section.

In summary, it is the Trustee's view that the policies in the SIPs have been followed during the Plan Year.

Policy of Strategic Asset Allocation Policy, (Section 2 – 4 of DB SIP)

1. Kind of investments to be held and the balance between different kinds of investments

Over the year, the Plan de-risked the portfolio, with £36m transferred from equities into single stock conventional gilts. The rationale behind this proposal was aimed at increasing the interest rate hedge and as a concomitant, locking in a portion of the gains in the Plan's current funding level. This equity disinvestment was made in order to bring the current allocation in line with the strategic allocation as set out in the SIP. All of the arrangements in place are consistent with the policies in the SIP

2. Risks, including the ways in which risks are to be measured and managed

The Trustee has considered risk from a number of perspectives. The Trustee has considered both quantitative and qualitative measures, as well as how best to manage the various risks. These risks include;

- Covenant risk
- Interest rate risk
- Inflation risk
- Return from growth asset risk
- Mortality risk

The Trustee reviews the measurement of the Plan's interest, inflation and growth asset risk on a quarterly basis during the year as part of their regular investment monitoring. In addition, the vast majority of the Plan's funds are highly rated by the Plan's investment consultants, the exception being the LGIM USD Corporate Bond AAA-AA-A (GBP Hedged) Fund, which has not been assigned a rating. Manager research ratings (both for the strategy in general and specific ESG ratings) derived by the investment advisor are included in quarterly investment monitoring reports which are reviewed by the Trustee.

In addition to the quarterly reporting, the Trustee has access to an online daily funding monitoring tool, which allows them to monitor the progression of the Plan's assets and liabilities on a daily basis. The Plan's investment adviser also has access to this tool and it is used to discuss risk, investment and funding considerations with the Trustee.

The Trustee reviews the measurement of the covenant and mortality risk triennially, as part of the Plan's actuarial valuation.

The Trustee is comfortable with the arrangements in place to identify, measure and manage risks

3. Expected return on investments

Investment monitoring reports are reviewed by the Trustee on a quarterly basis, which include how each fund is delivering against its specific benchmark and/or target(s), as well as how the portfolio is performing as a whole.

The expected return on the Plan's assets is assessed as part of the Plan's triennial actuarial valuation, and is used to derive the discount rate underlying the Technical Provisions basis.

Policy on Investment Mandates, (Section 2 - 5 of DB SIP)

4. Securing compliance with the legal requirements about choosing investments

The Plan's investment advisers attended all Investment-Sub Committee ("ISC") meetings during the year and provided updates on fund performance and, where required, the appropriateness of the funds used.

5. Realisation of Investments

The selection, retention and realisation of assets within the pooled funds are delegated to the Plan's underlying fund manager in line with the mandates of those funds. Likewise, the underlying fund manager has full discretion (within the constraints of their mandates) on the extent to which environmental, social or governance considerations are taken into account in the selection, retention and realisation of investments.

There were no changes to the liquidity of the funds used by the Plan during the year.

Overall, the Trustee is satisfied that the Plan's core financial transactions have been processed promptly and accurately during the period to which this Statement relates.

6. Financial and non-financial considerations and how those considerations are taken into account in the selection, retention and realisation of investments

A number of the key investment risks identified in the SIP were measured and managed, as part of reviewing investment performance at Trustee meetings.

The Trustee delegates all voting and engagement activities to the investment managers. However, the Trustee has considered the investment adviser's assessment of how the investment manager embeds ESG (Environmental, Social and Governance) into its investment process and the Trustee will incorporate these considerations into its decision making on the selection and retention of the investment manager going forward.

Policy on ESG, Stewardship and Climate Change, (Section 6 -7 of DB SIP)

7. Exercise of the rights (including voting rights) attaching to the investments

Undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, trustee would monitor and engage with relevant persons about relevant matters)

The Plan's SIP includes the Trustee's policy on ESG factors, Stewardship and Climate Change. This policy sets out the Trustee's beliefs on ESG and climate change and the processes followed

by the Trustee in relation to voting rights and stewardship. This was last reviewed in March 2022.

This policy reflects current practice. The DB Plan invests solely in pooled funds. The Trustee has delegated their voting rights to the investment managers and also expect their investment managers to engage with the investee companies on their behalf.

However, the Trustee has considered the investment advisor's assessment of how each investment manager embeds ESG into its investment process and their assessment of the manager's stewardship activities as part of the quarterly performance monitoring.

The Trustee has also requested key voting activities from the Plan's investment manager during the Plan year in order to consider this, and the information received is summarised in the Voting and Engagement Policy Statement that follows.

The following voting and engagement work (as shown below) was undertaken during the year to 31 December 2022 relating to the Trustee's policy on ESG factors, stewardship and climate change, and sets out how the Trustee's engagement and voting policies were followed and implemented during the year. The Trustee keeps the policies under regular review, with the SIP subject to review at least every three years.

Significant Votes

Following the DWP's consultation response and outcome regarding Implementation Statements on 17 June 2022 ("Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement: Statutory and Non-Statutory Guidance") one of the areas of interest was the significant vote definition. The most material change was that the Statutory Guidance provides an update on what constitutes a "significant vote".

The Trustee defines a significant vote as one that is linked to the Plan's stewardship priorities/themes. The Trustee has set out below their criteria for significant votes, which are aligned to some of the key themes outlined in the United Nation's Sustainable Development Goals, and are satisfied that these are also captured as high areas of focus in the stewardship policies of the Plan's investment managers:

- Climate Change related (e.g. a vote on a company's carbon disclosures) – this would be the E (environmental) theme
- Human rights: modern slavery, pay & safety in workforce and supply chains, etc. – the S (social) theme
- Corporate governance: Diversity, equity and inclusion – the G (governance) theme.

Further details of the investment managers voting activity, particularly in relation to votes which the Trustees deem as significant, are included in "Voting Activity" section of this Implementation Statement.

Policy on monitoring the Investment Managers, (Section 8 of DB SIP)

8. Incentivising investment managers to align their investment strategies and decisions with the Trustees' policies

The Trustee policy is that day-to-day decisions relating to the selection, retention and realisation of the Plan's investments are left to the discretion of the investment managers. This includes consideration of all financially material factors, including ESG-related issues where relevant however, the Trustee has considered the investment adviser's assessment of how each investment manager embeds ESG into its investment process and their assessment of the manager's stewardship activities as part of the quarterly performance monitoring.

The Trustee monitors the investment strategies and decisions of the Plan's investment managers via the Plan's quarterly monitoring reports. Alongside the advice of the Plan's investment consultant, the Trustee will challenge the Plan's investment manager as necessary, if it is believed that the investment manager's strategies and decisions deviate from the Trustee's policies.

9. How the arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term

Policy reflects current practice.

The Trustee delegates all voting and engagement activities to the investment manager. The Trustee has considered the investment advisor's assessment of how each investment manager embeds ESG into its investment process and their assessment of the manager's stewardship activities as part of the quarterly performance monitoring.

In addition, the Trustee has requested key voting activities from the Plan's managers during the year, and the information received is summarised in the Voting and Engagement Policy Statement that follows.

10. Evaluation of the investment manager's performance and the remuneration for asset management services

The Trustee recognises they have a long-term time horizon as set out in SIPs. As such, managers are assumed to be held for a suitably long time. Managers' performance net of fees is therefore reviewed over both short and long time horizons.

The Trustee reviewed the investment performance at the quarterly meetings. There were no performance concerns raised in 2022.

11. Monitoring portfolio turnover costs

In the year to 31 December 2022, the Trustee has not monitored or queried portfolio turnover costs. The Trustee focuses on net of fees outcomes from the investment manager which takes into account portfolio turnover costs through the performance generated.

The Trustee may choose to monitor portfolio turnover costs in the future.

12. The duration of the arrangement with the investment manager

Policy reflects current practice. There remains no set durations for manager appointments.

The Trustee has received investment manager performance reports from the investment advisor on a quarterly basis, which presents performance over 3 months, 1 year and 3 year periods. The Trustee has reviewed the absolute performance, relative performance against a suitable index used as a benchmark, where relevant, and against the manager's stated target performance (over the relevant time period) on a net of fees basis. The Trustee focus is primarily on long-term performance but short-term performance is also reviewed. If a manager is not meeting performance objectives, or their investment objectives for the mandate have changed, the Trustee may look to replace that manager; however, no manager changes were made during the year.

Engagement Activity

The DB Section has one manager, Legal & General Investment Management ("LGIM"). The Trustee has satisfied itself that this manager pays suitable attention to ESG, stewardship and climate change matters. It has therefore delegated the management of all such activities to LGIM.

The Plan's investment performance report is reviewed by the Investment Sub-Committee ("ISC") for the Plan on a quarterly basis and includes ratings (both general and specific ESG) from the investment consultant. The Trustee acknowledges that managers in areas such as fixed income (particularly in relation to LDI) may not have a high ESG rating assigned by the investment consultant due to the nature of the asset class, where it is harder to engage with the issuer of debt. The Trustee also receives Legal and General's quarterly and annual ESG reports.

LGIM confirmed that they are signatories to the current UK Stewardship Code and are named as signatories on a list published by the Financial Reporting Council on 6 September 2021.

The Trustee's investment consultant has requested, on behalf of the Trustee, details of relevant engagement activity for the period from Legal and General.

The Plan's investment manager engaged with companies over the period on a wide range of different issues including ESG matters pertaining to the Trustee's view on significant votes. This included for example, engaging with companies on diversity issues, voting against management decisions to re-elect specific board members when LGIM believe the investee company have sufficient gender representation on their board

LGIM provided examples of instances where they had engaged with companies they were invested in or about to invest in which resulted in a positive outcome within their 2022 Active Ownership Report. These engagement initiatives are driven mainly through regular engagement meetings with the companies that the investment managers invest in or by voting on key resolutions at companies' Annual General Meetings.

The Trustee monitors these issues on a regular basis and documents the position at least annually, through consideration of Mercer's ESG ratings for LGIM and through meetings with Legal and General.

Voting Activity

The Trustee has delegated their voting rights to Legal and General, the investment manager.

LGIM provides voting summary reporting on a regular basis, at least annually. The reports are reviewed by the Trustee to ensure that they align with the Trustee's policy.

During the year to December 2022 the Trustee, whilst reviewing the voting activity, has not actively challenged the manager on its voting activity. Going forwards, the Trustee will actively challenging voting activity if it is deemed to go against the Trustee's views and stewardship priorities.

The Trustee does not use the direct services of a proxy voter.

LGIM states that it recognises its fiduciary obligation to act in the best interests of all clients. One way the manager represents its clients in matters of corporate governance is through a custom proxy voting process. The firm states that its voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seek to achieve the best outcome for all clients.

LGIM engaged in voting activity in respect of the following funds invested in by the Plan during the 12-month period to 31 December 2022:

- UK Equity Index Fund

Over the 12 months to 31 December 2022, LGIM were eligible to vote on 10,854 company resolutions on behalf of the Trustee. They have voted in c.99.9% of the resolutions that they were eligible, of which c.94.5% were voted with management and c.5.5% were voted against management.

- Europe (ex UK) Equity Index Fund - GBP Currency Hedged

Over the 12 months to 31 December 2022, LGIM were eligible to vote on 10,296 company resolutions on behalf of the Trustee. They have voted in c.99.8 % of the resolutions that they were eligible, of which c.81.4 % were voted with management and c.18.1 % were voted against management.

- North America Equity Index Fund - GBP Currency Hedged

Over the 12 months to 31 December 2022, LGIM were eligible to vote on 8,416 company resolutions on behalf of the Trustee. They have voted in c.99.4% of the resolutions that they were eligible, of which c.65.2% were voted with management and c.34.8% were voted against management.

- Asia Pacific (ex Japan) Developed Equity Index Fund - GBP Currency Hedged

Over the 12 months to 31 December 2022, LGIM were eligible to vote on 3,592 company resolutions on behalf of the Trustee. They have voted in 100% of the resolutions that they were eligible, of which c.71.6% were voted with management and c.28.4% were voted against management.

- FTSE RAFI Emerging Markets Equity Fund

Over the 12 months to 31 December 2022, LGIM were eligible to vote on 18,510 company resolutions on behalf of the Trustee. They have voted in c100% of the resolutions that they were eligible, of which c.78.7% were voted with management and c.18.4% were voted against management.

Voting percentage figures may not sum due to rounding.

Significant votes

The summary below shows examples of the most significant votes that occurred over the year to 31 December 2022 for the Plan and how these votes align with the Trustees' stewardship priorities and what they classify as a 'significant vote'. It is not possible to disclose all the information received in this Statement. Therefore, examples of voting activity to include in this Statement were based on the votes that held the largest size of each Fund's holding which focused on areas including climate change/carbon emissions, separation of the role of CEO/Board Chairman and board diversity and human rights. The Trustee feel that the voting policy of the managers was broadly aligned to the Plan's stewardship priorities over the year.

UK Equity Index Fund

Company name & date of vote: BP Plc, 12 May 2022

Why deemed significant: Relates to the Trustee climate change stewardship priority

Approximate size of fund's holding as at the date of the vote (as % of portfolio): c3.0%

Summary of the resolution: Resolution was to approve Net Zero from the company's Ambition to Action Report

How the asset manager votes: For

Rationale: A vote FOR was applied, though not without reservations. While LGIM note the inherent challenges in the decarbonisation efforts of the Oil & Gas sector, LGIM expects companies to set a credible transition strategy, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C. It is LGIMs view that the company has taken significant steps to progress towards a net zero pathway, as demonstrated by its most recent strategic update where key outstanding elements were strengthened. Nevertheless, LGIM remain committed to continuing our constructive engagements with the company on its net zero strategy and implementation, with particular focus on its downstream ambition and approach to exploration.

Outcome of vote: 88.5%

Company name & date of vote: Spirax-Sacro Engineering Plc, 11 May 2022

Why deemed significant: Relates to the Trustee corporate governance stewardship priority

Size of holding: c0.4%

Summary of the resolution: To re-elect Jamie Pike as Director

How the asset manager votes: Against

Rationale: Diversity: A vote against was applied as the company has an all-male Executive Committee.

Outcome of vote: 87.3%

Europe (ex UK) Equity Index Fund - GBP Currency Hedged

Company name & date of vote: LVMH Moët Hennessy Louis Vuitton SE, 21 April 2022

Why deemed significant: Relates to the Trustee corporate governance stewardship priority

Approximate size of fund's holding as at the date of the vote (as % of portfolio): c2.2%

Summary of the resolution: To Re-elect Bernard Arnault as Director

How the asset manager votes: Against

Rationale: A vote against was applied as LGIM expects companies not to combine the roles of Board Chair and CEO. These two roles are substantially different and a division of responsibilities ensures there is a proper balance of authority and responsibility on the board.

Outcome of vote: 92%

Company name & date of vote: TotalEnergies SE, Approve Company's Sustainability and Climate Transition Plan, 25 May 2022

Why deemed significant: Relates to Trustee climate change stewardship policy

Approximate size of fund's holding as at the date of the vote (as % of portfolio): c1.5%

Summary of the resolution: Approve Company's Sustainability and Climate Transition Plan

How the asset manager votes: Against

Rationale: A vote against was applied. LGIM recognize the progress the company has made with respect to its net zero commitment, specifically around the level of investments in low carbon solutions and by strengthening its disclosure. However, they remain concerned of the company's planned upstream production growth in the short term, and the absence of further details on how such plans are consistent with the 1.5C trajectory.

Outcome of vote: 88.9%

North America Equity Index Fund - GBP Currency Hedged

Company name & date of vote: Apple Inc., 4 March 2022

Why deemed significant: Relates to Trustee corporate governance stewardship policy

Approximate size of fund's holding as at the date of the vote (as % of portfolio): c6.0%

Summary of the resolution: Report on Civil Rights Audit

How the asset manager votes: For

Rationale: A vote in favour was applied as LGIM supports proposals related to diversity and inclusion policies as we consider these issues to be a material risk to companies.

Outcome: 53.6%

Company name & date of vote: Amazon.com, Inc, 25 May 2022

Why deemed significant: Relates to Trustee human rights stewardship policy

Approximate size of fund's holding as at the date of the vote (as % of portfolio): c2.8%

Summary of the resolution: Elect Director Daniel P. Huttenlocher

How the asset manager votes: Against

Rationale: A vote against was applied as the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings.

Outcome of vote: 93.3%

Company name & date of vote: Alphabet Inc., 1 June 2022

Why deemed significant: Relates to Trustee climate change stewardship policy

Approximate size of fund's holding as at the date of the vote (as % of portfolio): c1.7%

Summary of the resolution: Report on Physical Risks of Climate Change

How the asset manager votes: For

Rationale: Climate change: A vote in favour is applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.

Outcome of vote: 17.7%

Asia Pacific (ex Japan) Developed Equity Index Fund - GBP Currency Hedged

Company name & date of vote: Rio Tinto Limited, 5 May 2022

Why deemed significant: Relates to Trustee climate change stewardship policy

Approximate size of fund's holding as at the date of the vote (as % of portfolio): c.1.0%

Summary of the resolution: Approve Climate Action Plan

How the asset manager votes: Against

Rationale: LGIM recognise the considerable progress the company has made in strengthening its operational emissions reduction targets by 2030, together with the commitment for substantial capital allocation linked to the company's decarbonisation efforts. However, while they acknowledge the challenges around the accountability of scope 3 emissions and

respective target setting process for this sector, LGIM remain concerned with the absence of quantifiable targets for such a material component of the company's overall emissions profile, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner.

Outcome of vote: 84.3%

Company name & date of vote: Hyundai Motor Co., Ltd., 24 March 2022

Why deemed significant: Relates to Trustee corporate governance stewardship policy

Approximate size of fund's holding as at the date of the vote (as % of portfolio): c0.7%

Summary of the resolution: Elect Jeong Ui-seon as Inside Director

How the asset manager votes: Against

Rationale: A vote against is applied as LGIM expects the roles of Board Chair and CEO to be separate. These two roles are substantially different and a division of responsibilities ensures there is a proper balance of authority and responsibility on the board.

Outcome of vote: Not provided by Manager

FTSE RAFI Emerging Markets Equity Fund

Company name & date of vote: China Construction Bank Corporation, 23 June 2022

Why deemed significant: Relates to Trustee climate change stewardship priority

Approximate size of fund's holding as at the date of the vote (as % of portfolio): c2.0%

Summary of the resolution: Elect Graeme Wheeler as Director

How the asset manager votes: Against

Rationale: A vote against was applied under LGIM's Climate Impact Pledge as the Company has not published a clear thermal coal policy and no disclosure of scope 3 emissions associated with investments. As members of the Risk Committee, these directors are considered accountable for the bank's climate risk management.

Outcome of vote: 95.5%

Company name & date of vote: Meituan, 18 May 2022

Why deemed significant: Relates to Trustee corporate governance stewardship policy

Approximate size of fund's holding as at the date of the vote (as % of portfolio): c0.2%

Summary of the resolution: Elect Wang Xing as Director

How the asset manager votes: Against

Rationale: A vote against was applied as LGIM expects a company to have at least one female on the board and because LGIM expects the roles of Chair and CEO to be separate. These two

roles are substantially different and a division of responsibilities ensures there is a proper balance of authority and responsibility on the board.

A vote AGAINST the election of Xing Wang and Rongjun Mu was warranted given that their failure to ensure the company's compliance with relevant rules and regulations raise serious concerns on their ability to fulfil fiduciary duties in the company.

Outcome of vote: 91.8%