

AB InBev UK Ltd Pension Plan

Climate change governance and reporting in line with the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”)

Reporting period: 12 months to 30 September 2022

July 2023



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Section 1

Introduction

Dear Members,

Welcome to our first climate change report, which has been prepared in line with the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”) and the statutory requirements prescribed by the Department of Work and Pensions¹.

The Trustee of the AB InBev UK Ltd Pension Plan (“the Plan”) has a legal fiduciary responsibility to invest the Plan’s assets in the best way possible for its members. As part of this responsibility, the Trustee recognises climate change as a risk that could impact the financial security of members’ benefits if it is not properly measured and managed. The Trustee also recognises that climate change presents an opportunity, by investing in companies or assets that are expected to perform well in an economy that is positioned to address the challenges associated with climate change.

The Trustee assessment of climate-related risks and opportunities has been carried out based on information that is currently available, both in terms of data from the companies and assets in which the Plan invests and in consideration of the different global warming scenarios we have analysed. This data is subject to change as climate change reporting improves.

Climate change is one risk amongst many that the Trustee measures, monitors and manages. To this extent, climate change needs to be considered alongside these other risks in a balanced and proportionate way. The Trustee largely invests in passively managed funds and will continue to investigate how to engage and influence the behaviour and actions of a company by working with their investment managers.



¹ The Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 and the Occupational Pension Schemes (Climate Change Governance and Reporting) (Miscellaneous Provisions and Amendments) Regulations 2022

This report has been split into several sections to help members understand:



- Governance:** How the Trustee incorporates climate change into its decision making;
- Strategy:** How potential future climate warming scenarios could impact the Plan;
- Risk Management:** How the Trustee incorporates climate-related risk in its risk management processes; and
- Metrics and Targets:** How the Trustee measures and monitors progress against different climate-related indicators known as metrics.

The final section sets out the methodology and assumptions used to produce the information contained in this report.

Please note that this report is in relation to the AB InBev UK Ltd Pension Plan which is a hybrid Plan which offers defined benefit and defined contribution arrangements. This report covers all of these sections as required by legislation. As always, members are encouraged to contact the Trustee if there are comments you wish to raise. You can contact the Trustee here, pensions@ab-inbev.com

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Chair of the AB InBev UK Ltd Pension Plan

Date

Section 2

Governance



Trustee governance approach

The Trustee has ultimate responsibility for ensuring effective governance of climate-related risks and opportunities. The Trustee maintains a Statement of Investment Principles (SIP), which details the key objectives, risks and approach to considering Environmental, Social and Corporate Governance (“ESG”) factors, such as climate change, as part of its investment decision making. The document is reviewed as deemed necessary by the Trustee, in particular, following a significant change in investment policy.

The Trustee’s key beliefs on ESG and climate change are:

- The Trustee believes that environmental (including climate change), social, corporate governance and ethical issues can affect the performance of investment portfolios and should therefore be considered as part of any investment process. The Trustee believe in passive investment management via index tracking but with active engagement policies, particularly as it involves ESG, undertaken on their behalf by Investment Managers. To the extent climate change risks, or opportunities, express themselves in asset prices the index tracking strategy will limit the Fund’s participation in such changes according to their effect on the relevant index. In addition the Trustee will explore the merits of allocating to passively managed funds that both achieve their fiduciary responsibility and meet their climate change targets.
- The Trustee believes that any detailed ESG policies would be difficult to implement, and manage, so the Trustee relies upon the investment managers.
- The Trustee believe the investment managers are active in their pursuit of sound governance, and the Trustee receives their quarterly and annual ESG reports. The Trustee, advised by their investment consultants Mercer Limited (“Mercer”), reviews their managers’ approach to corporate governance when meeting the managers, through Mercer’s ESG ratings (which are presented on a quarterly basis) and through Mercer’s other research on the manager. In addition, the Trustee regularly reviews the performance of their advisers with respect to their ESG capabilities.

The Trustee is becoming increasingly educated on climate change-related risks and opportunities and about how these may influence decisions in relation to risk management, strategy setting and in monitoring implementation. The Trustee keeps up to date with industry developments in this area through regular training.

Roles of those undertaking Plan governance activities

Roles and responsibilities

The Trustee has responsibility for responsible investment, and this includes oversight of climate-related risks and opportunities relevant to the Plan.

The Investment Committee (a sub-committee of the Board) supports the full Trustee Board by making recommendations and by overseeing the implementation of the Board's investment strategies, which include consideration given to the financially material impact of climate-related risks. The Investment Committee are responsible for making sure appropriate strategies are in place to understand, identify, measure, monitor, control, and report risks and opportunities related to climate change, and responsible investment concerns more broadly.

To supplement the Investment Committee the Trustee has established a TCFD committee (a sub-committee of the Board) to prioritise and manage its ESG and climate change responsibilities.

They are supported by management, which includes in-house responsible investment specialists, who share the Company's view on climate-related risks and opportunities with the Board and Investment Committee. Both the Board and Investment Committee are responsible for ensuring that investment strategy considerations incorporate and align with the Company's view on climate change.

How the Board assesses and manages climate change risks

The Trustee Board receives updates from a number of parties on climate related risks and opportunities:

- The Investment Committee engages with Mercer, the Plan's investment consultant, to produce detailed climate-scenario analysis and metrics analysis on an annual basis, which it shares with the Board and the Company.
- Mercer provide training on climate-related risks and opportunities at Investment Committee meetings on an annual basis, which is shared with the wider Board
- The Board engages with the Scheme Actuary, WTW, as part of each triennial valuation to comment on the liability impact of climate-related risks and opportunities. The Trustee continues to consider and evolve its approach to allowing for climate-related risks within the liability calculations and other actuarial valuations for the Plan, including but not limited to actuarial factors.
- In-house responsible ESG specialists at the Company share the Company's view on climate-related risks and opportunities with the Board, to help inform the Board's own view

The Trustee Board reviews specific data via specific indicators established by the Board to track and monitor progress on climate change within the Plan. These metrics are covered in more detail in section 4.

Roles of advisers

The Trustee has appointed advisers to the following roles:

Investment consultant to the Defined Benefit Section

- Advises on strategic asset allocation taking into account climate risk, supported through the provision of climate scenario analysis;
- Advises on the choice of climate-related metrics and targets as well as changes to investment mandates;
- Advises on manager selection, taking into account the Trustee's sustainability beliefs and climate-related targets;
- Monitors investment manager performance against relevant climate-related targets;
- Supports the Trustee with stewardship activities, which may be related to climate change, such as monitoring and reporting on voting and engagement activities of the invested assets.
- Liaises with investment managers and other professional advisers to provide training to the Trustee on climate change, as appropriate; and
- To assist the Trustee in producing the Plan's TCFD report on an annual basis

Investment consultant to the Defined Contribution Section

- Advises on investment arrangements, including the default investment strategy, taking into account climate risk, supported through the provision of climate scenario analysis;
- Advises on the choice of climate-related metrics and targets as well as changes to investment mandates;
- Advises on manager selection, taking into account the Trustee's sustainability beliefs and climate-related targets;
- Supports the Trustee with stewardship activities, which may be related to climate change, such as monitoring and reporting on voting and engagement activities of the invested assets.
- Monitors investment manager performance against relevant climate-related targets;
- Liaises with investment managers and other professional advisers to provide training to the Trustee on climate change, as appropriate; and
- To assist the Trustee in producing the Plan's TCFD report on an annual basis

Funding Adviser (WTW)

- Advises on the funding position including an understanding of the potential funding impact resulting from changes to financial or demographic assumptions driven by climate change;
- Advises on funding strategy robustness to climate risk. Provides input to enable strategic asset allocation decisions to be made considering impact of climate risks on funding strategy; and
- Provides input into scenario analysis and advises on funding implications.

Covenant Adviser (In house team)

- Advises on the strength of the sponsor covenant including an understanding of the potential business risks for the sponsor in relation to climate change.
- Engages with the sponsor to leverage their expertise with respect to climate change and to share resources to achieve their joint climate change objectives.
- Provides input into scenario analysis and advises on covenant implications.

Assessment of Advisors: The Trustee expects advisers to act with integrity and diligence in fulfilling the set objectives and use meetings with the advisers to assess and challenge them. Where relevant, this includes discussion of the steps taken by advisers to identify and assess any climate-related risks and opportunities.

The approach of the DB/DC investment consultant to climate change and how it is integrated into its advice and services is assessed as part of the adviser selection and annual monitoring process.

The Trustee reviews the performance of the Plan's advisers against their strategic objectives on a regular basis. Where relevant, this includes a review of the adviser's performance in relation to climate risks and opportunities.

Time and resources spent on climate change-related matters

Climate change will form an explicit agenda item at least annually for the Trustee and its sub-committees when the Trustee's annual TCFD report is updated. It will also be covered as part of other agenda items as part of a wider discussion of funding or investment strategy, or as part of the investment manager appointment and review discussions. The Trustee is satisfied that the amount of governance time spent is reasonable and will allocate more time at future meetings if any analysis or wider industry research requires additional Trustee review and consideration.

There are a number of workstreams that are to be completed regularly in order for the Trustee to fulfill its responsibility for managing climate risks and opportunities. It is important to note that many of the workstreams will cover wider ESG risks other than just climate change risk, as the Trustee does not consider climate risks in isolation but holistically alongside the various other ESG risks the Plan may be facing. The work completed within the Plan year are listed below and are each carried out as required:

- Review appropriateness of undertaking scenario analysis in light of a) data availability changes b) material changes in investment strategy, funding position and risk
- Metrics data collection
- Target setting / target appropriateness review
- Progress against target assessment
- ESG beliefs (including climate change) update / review
- Review of manager ESG ratings, climate policies
- Stewardship, covered as part of the Trustee's annual implementation statement
- Risk frameworks update/review e.g. risk registry
- Drafting annual TCFD report

Training

The Investment Committee and TCFD Committee, received training from the Investment Advisor, covering climate-related investment risks and reporting requirements in line with the TCFD recommendations. In addition, members of the TCFD Committee have attended a number of investment manager and other climate change specialist training sessions and seminars.

Section 3 Strategy



As a long-term investor, the Trustee recognises the risks and opportunities arising from climate change are diverse and continuously evolving. In relation to climate-related risks, the Trustee believes it is important to understand how the Plan’s exposure to these risks may change over time, when the risk exposure may be greatest and what actions can be taken now, or in the future, to avoid those risks becoming financially material to the Plan.

To help with this assessment, the Trustee has defined short-, medium- and long-term time horizons for the **Defined Benefit and Defined Contribution Sections** of the Plan.

Defined Benefit Section

Short Term	Medium Term	Long Term
Less than 10 years	11 years < to ≥ 25 years	> 25 years
Representative timescale to achieve full funding on a low risk basis	Representative time scale for all members to reach retirement age.	Representative long term time scale when the Plan is now mature and in run-off.

Defined Contribution Section

Short Term	Medium Term	Long Term
5 years	10 years	35 years
Representative timescale of a member approaching retirement.	Representative timescale to retirement of a member in the latter part of their career that’s beginning to think about retirement.	Representative timescale to retirement of a relatively young member in the Plan

The Trustee has considered the following short, medium and long-term drivers of risk in relation to climate change

- Over the short term risks may present themselves through rapid market re-pricing relating to climate transition as:
 - Scenario pathways become clearer. For example a change in the likelihood of a well below 2°C scenario occurring (i.e. an increase in probability would be expected to drive additional transition risk).
 - Market awareness grows. For example, the cost and impacts of the transition suddenly influence market pricing.
 - Policy changes unexpectedly surprise markets. For example, if a carbon price or significant regulatory requirement was introduced across key markets to which the portfolio is exposed, at a sufficiently high price to impact behaviour.
 - Market sentiment is shocked. For example, falls in markets could create a downward spiral where economic sentiment worsens and asset values fall.
 - Perceived or real increased pricing of greenhouse gas emissions/carbon.
 - Substitution of existing products and services with lower emission alternatives may impact part of the portfolio.
 - Litigation risk relating to dangerous warming becoming more prevalent.
 - Increases in the energy/heat efficiency of buildings and infrastructure.

As well as risks associated with these drivers, there could also be opportunities. For example, investing in climate solutions as policy support strengthens.

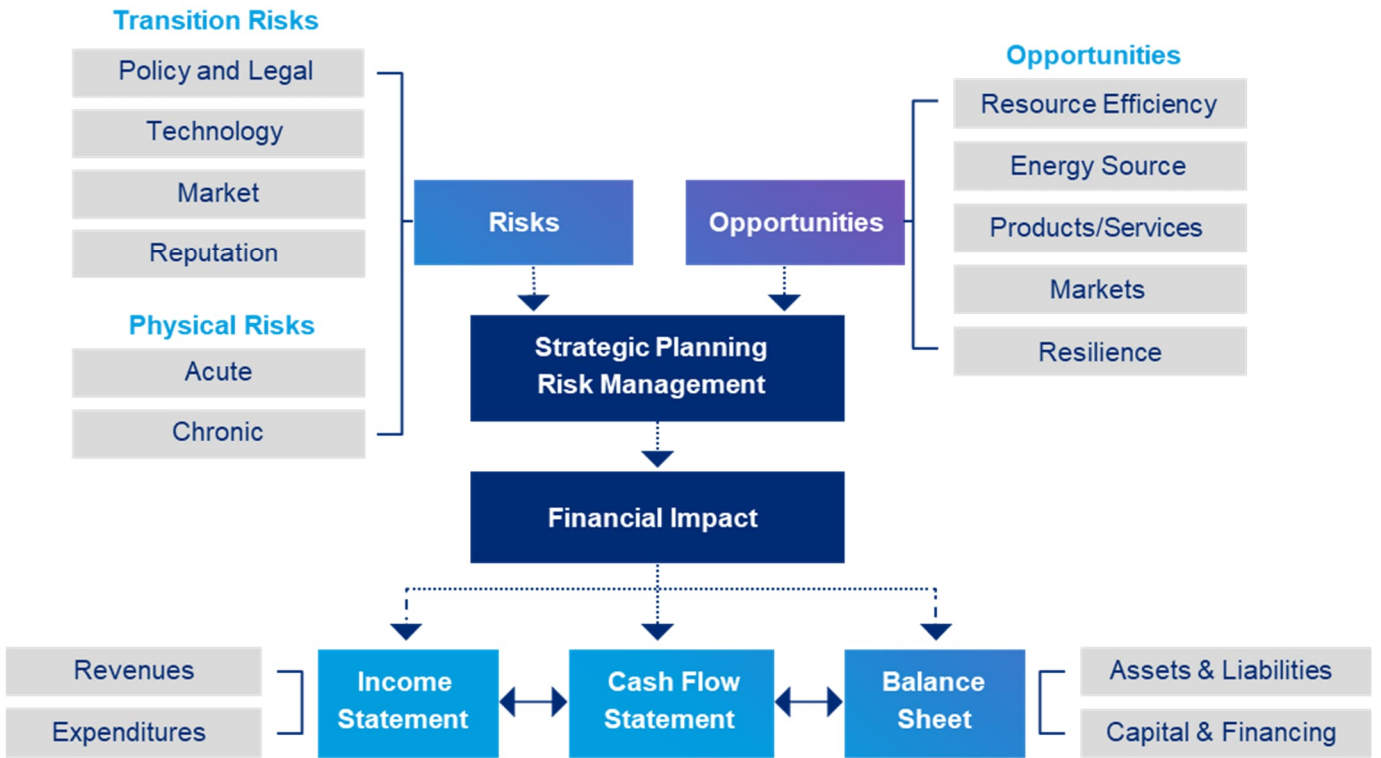
The Trustee's ability to understand these short-term changes can position the Plan favourably, for example taking advantage of the climate transition by avoiding and reducing investment in high-emitting carbon sensitive businesses/assets that do not have a business plan that supports the transition to a low carbon economy.

- Over the medium term, risks are likely to reflect both transition and physical risk. Over this time period the transition pathway will unfold and the level of anticipated physical damage will become much clearer. While the full extent of the physical damage is unlikely to have occurred markets are likely to be allowing for it to a large degree in asset pricing.

The Trustee's ability to understand these changes and evolve the portfolio as the pathway develops should help to control risk and potentially enhance returns. The Trustee seeks to select managers and choose indices that can identify potential emergence of low carbon opportunities and the decline of some traditional sectors.

- Over the long term, physical risks are expected to come to the fore. This includes the impact of natural catastrophes leading to physical damages through extreme weather events. Availability of resources is expected to become more important if changes in weather patterns (e.g. temperature or precipitation) affect the availability of natural resources such as water. The impact of global heating on productivity, particularly in areas closer to the equator, will also be a key driver.

Figure 1



Source: TCFD Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures, October 2021

Climate-related risks and opportunities relevant to the Plan

Having taken into account the Plan’s DB strategic asset allocation and the DC popular arrangements) as set out in the technical appendix, the following risks and opportunities have been identified:

- Over the short term, the Trustee has identified the inter-related risk of climate transition risk and asset repricing risk as being most relevant to the DB investment strategy and DC popular arrangements. Over this time period opportunities are most likely to occur in transition related investment such as climate solutions.
- Over the medium term, the Trustee has concluded that both transition risk and physical risk (particularly in the form of asset repricing to allow for future physical damage) could be material.
- Over the long term, the Trustee has identified physical risk as the key driver of climate-related risk.

The Trustee has investigated the potential impacts of these risks and opportunities in the scenario analysis that follows.

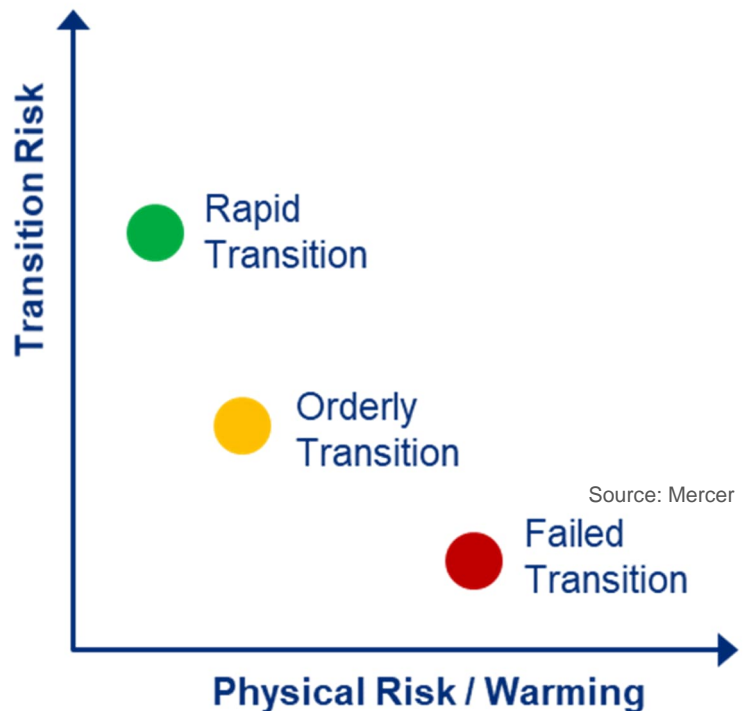
Testing the resilience of the investment strategy

Scenario analysis

The Trustee has undertaken climate scenario analysis to test the resilience of the investment strategy adopted by the Trustee. Quantitative climate change scenario analysis has been undertaken on the Trustee’s DB strategic asset allocation and the DC popular arrangements to assess the potential implications of climate change under three modelled scenarios; a Rapid Transition (1.5°C), an Orderly Transition (less than 2°C) and a Failed Transition (greater than 4°C). The analysis is based on scenarios developed by Mercer working with Ortec Finance.

Rapid Transition – Average temperature increase of 1.5°C by 2100 (relative to pre-industrial average). This scenario assumes sudden downward re-pricing across assets in 2025. This could be driven by a change in policy, consideration of stranded assets or expected costs. The shock is partially sentiment driven and so is followed by a partial recovery. Physical damages are most limited under this scenario.

- **Orderly Transition** – Average temperature increase of less than 2.0°C by 2100. Governments and wider society act in a co-ordinated way to decarbonise and to limit global warming to well below 2°C. Transition impacts do occur but are relatively muted.
- **Failed Transition** – Average temperature increase above 4°C by 2100. The world fails to co-ordinate a transition to a low carbon economy. Physical climate impacts significantly reduce economic productivity and have increasingly negative impacts including from extreme weather events. These are reflected in re-pricing events in the late 2020s and late 2030s.



In designing scenario analysis a fundamental decision is whether to assume that any climate impacts are priced in today. The analysis in this report is expressed relative to a ‘climate-informed’ baseline²; the implication is that all return impacts are presented in terms of how they are different to what we are assuming is priced in today.

Further detail on climate scenario narratives, including modelling limitations, is included in the technical appendix of this report.

² The baseline represents what we are assuming the market is currently pricing in. The baseline includes a 10% weight to a **Failed Transition**, 40% weight to an **Orderly Transition**, 10% to a **Rapid Transition** and 40% to a range of **low impact scenarios**.

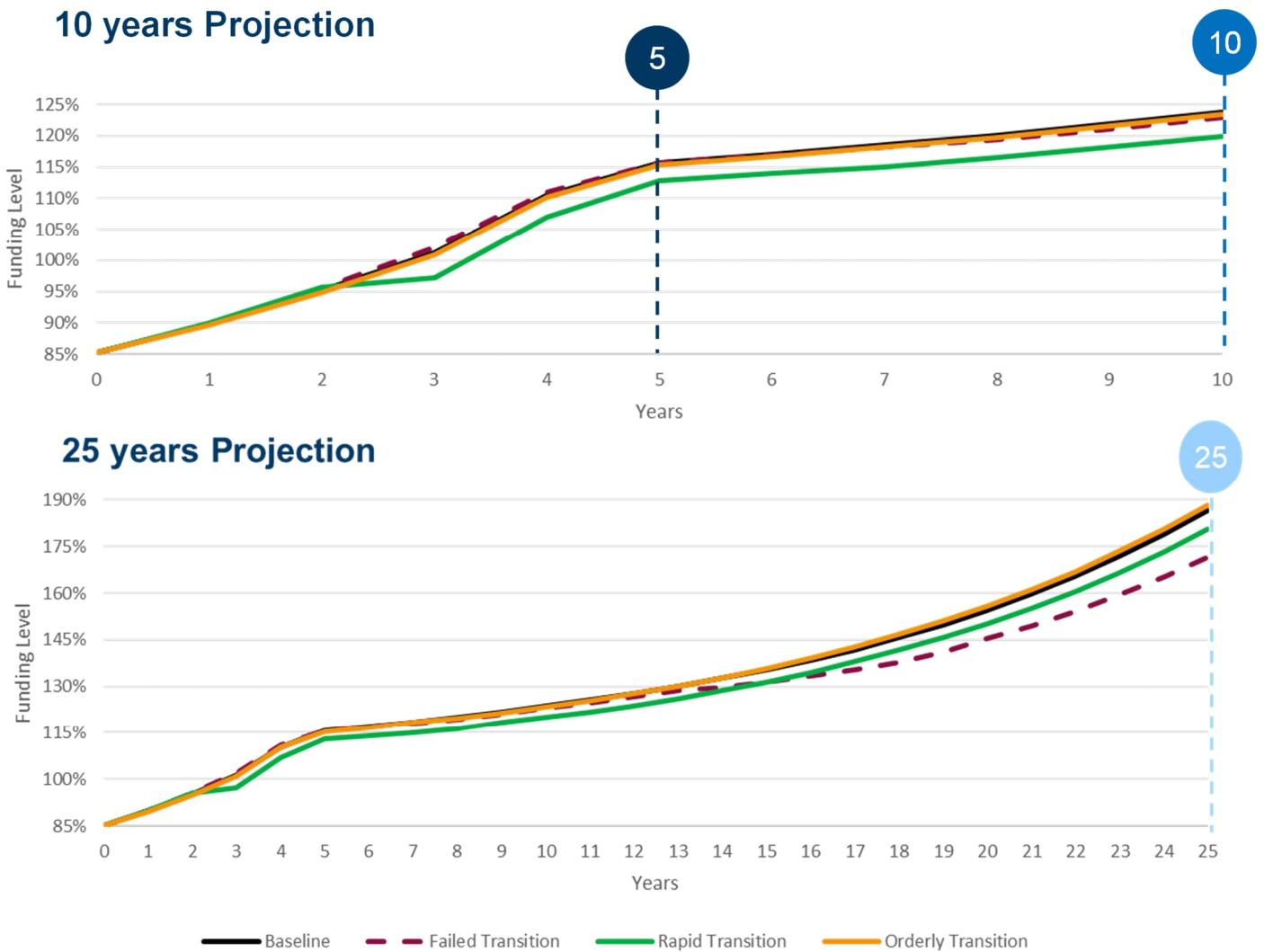
Scenario Analysis Results

The charts below represent the output of the Trustee’s quantitative analysis of the DB strategy and DC Section’s popular arrangements.

DB Section

The charts represent projections of funding level and annualised returns from an analysis date of 30 September 2022 over a period of 25 years. Projections assume a static asset allocation that does not allow for future expected de-risking. Further detail on the underlying asset allocations and limitations associated with climate scenario analysis are set out in the technical appendix.

Figure 2 - Funding Level Projection



Key points at different time frames:

5 Years – Over this time period, transition risk dominates. The Rapid Transition is the most impactful scenario. Under this scenario there is a shock to financial markets in 2025 followed by a recovery the following year. Overall, the funding level at year 5 is reduced by 2.8% due to the impacts of the Rapid Transition relative to the baseline.

10 Years – Transition risks remain the most significant and therefore the Rapid Transition is most impactful. Under the Rapid Transition the funding level is reduced by 3.8%.

25 Years – As longer term physical damages begin to be priced in, the Failed Transition becomes the most impactful scenario. The Failed Transition reduces the funding level by 16% compared to the baseline scenario.

Figure 3 - Annualised Returns



The two graphs above show the annualised returns in Absolute terms and in more detail under the Climate Impact. The Climate Impact chart shows the impact relative to the baseline under each scenario:

5 Years – Over this time period the Rapid Transition is most impactful with annualised returns reducing by 0.6% p.a.. The impact of the Orderly Transition is small on the basis that transition costs and impacts are smaller and largely priced in.

10 Years – At this time period, the Rapid Transition continues to be most impactful with annualised returns reducing by 0.3% p.a..

25 Years – As longer term physical damages begin to be priced in, the Failed Transition becomes the most impactful scenario. The Failed Transition causes a reduction in annualised return of 0.2% p.a..

DB Scenario Analysis Findings

The funding level analysis above takes into account the impact of interest rates and inflation expectations upon the value of the liabilities. Of note, realised inflation is expected to be elevated under the Rapid Transition, resulting from damages to agriculture and change in food prices, increasing the value of benefits with inflation-linked increases. These impacts are partly hedged by the Plan’s allocation to Liability Driven Investment holdings.

Mortality analysis

While the above analysis focuses on the impact of financial markets on the assets and liabilities, it is also important to consider the impact on the liabilities of changes to mortality rates and life expectancy which may occur as a result of climate change.

The mortality outcomes under any climate scenario are impossible to accurately predict and will depend on complex interactions between direct factors such as temperature-related deaths and weather events, and indirect factors such as food supply and prices, lifestyle factors and economic prosperity. In the UK, it is considered unlikely that the direct effects of climate change will have a significant impact on life expectancies. However the indirect factors and impact of transitional risks on economic activity could have a more significant effect. Under some scenarios, climate change might lead to longer life expectancies (and therefore higher liabilities) and other scenarios might lead to lower life expectancies (and lower liabilities).

The impact on mortality outcomes in the three climate change scenarios set out on page 11 has been modelled via changes in the long-term trend parameter in the CMI's* mortality projections model. This assumes that the impact on human lifespan will be over the longer-term.

The Rapid Transition scenario could lead to a potential decrease in liabilities of around 1% if we assume that the disorderly transition leads to some economic and societal disruption and consequently a reduction in healthcare spending and some knock-on impacts on health outcomes and lower life expectancies.

The Orderly Transition scenario could lead to a potential increase in liabilities of around 3% if we assume that increases in longevity result from the healthier lifestyles followed as a by-product of the need to reduce meat consumption, a more active lifestyle and better air quality.

The Failed Transition scenario could lead to a potential decrease in liabilities of around 5% if we assume that improvements in longevity flatline as a combination of a general decline in living standards over time, increased air pollution and higher food prices.

The assumptions and limitations for the mortality analysis scenarios can be found in the appendix.

**CMI is the continuous mortality investigation bureau of the Institute and Faculty of Actuaries.*

Employer covenant analysis

The Trustee has reviewed the Employer Covenant in relation to climate risk and has reached the following summary conclusions:

- In the early years of this review (2023-2026), the Plan is forecast to be fully funded so in the balance of the "short term time horizon" (December 2026 – December 2028) exposure, to either Budweiser UK's, or AB InBev's SA covenant is judged as low
- Climate change risks, particularly the transition risk of new Government "climate related" policies, can be identified, however, as yet it is too early to judge their impact in detail, but the current assessment is that the covenant impact, if any, would be low
- For climate change risks to be such as to threaten the AB InBev SA covenant, which supports the Guarantee, then, arithmetically, the impact has to be of a scale that would threaten the existence of ABI itself
- It is imperative to regularly monitor and review climate change risks and their potential impact, and the Trustee have committed to do this.

The Trustee is aware of the ambitions of the company in relation to reducing climate related risks and note the company has its own targets and accompanying actions in this area. The Trustee has taken this into consideration as part of the covenant assessment and takes some assurance from the actions the company is taking.

DC sections

The charts below represent the output of the Trustee’s quantitative analysis of the DC Sections’ popular arrangements, which represent approximately 73% of the total DC assets. The charts represent projections of the annualised returns from an analysis date of 30 September 2022 over a period of 35 years. Projections ignore the impact of future contributions. Further detail on the underlying asset allocations and limitations associated with climate scenario analysis are set out in the technical appendix.

Figure 4 – Working Life Strategy Drawdown Ready (AB InBev Pension Plan – DC Section)

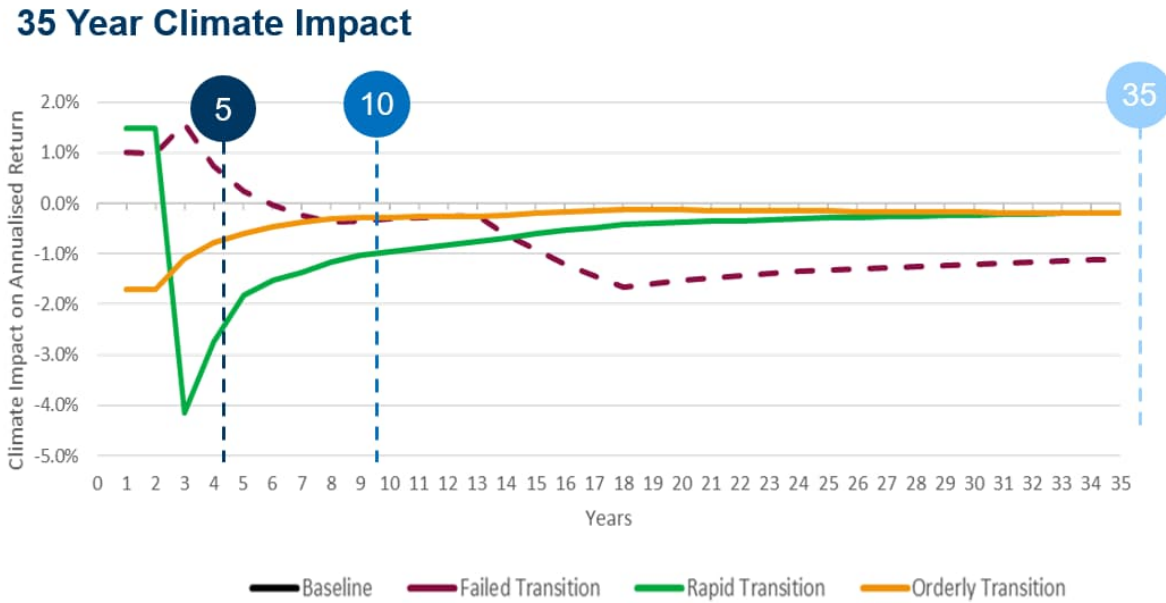
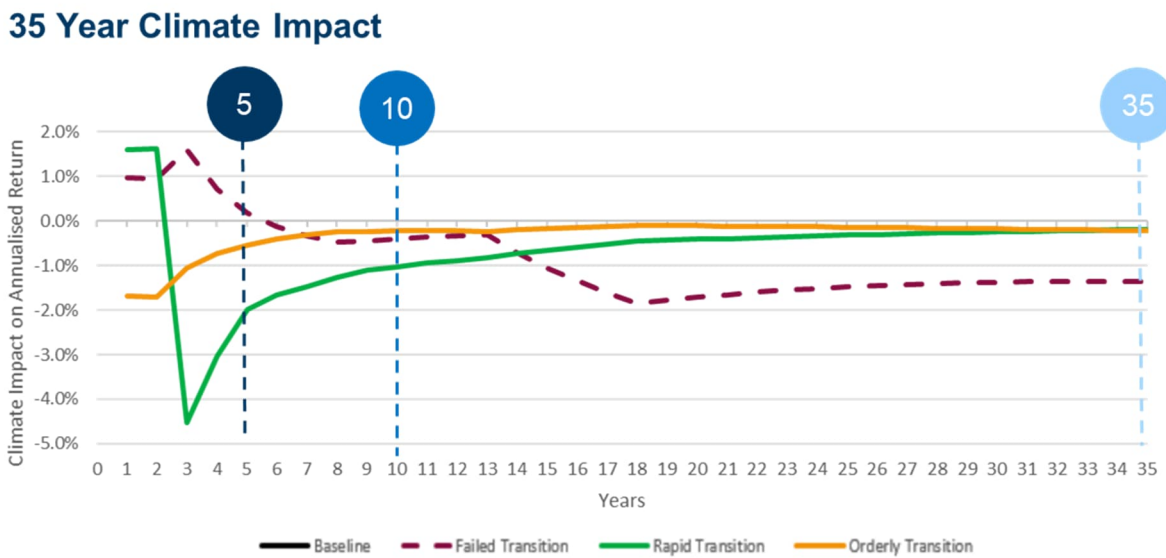
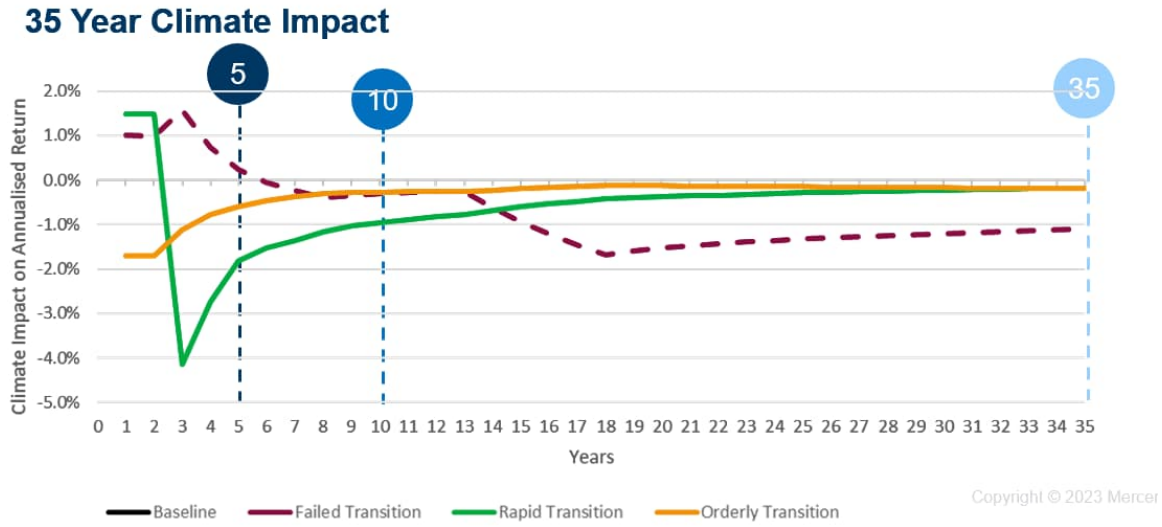


Figure 5 – Working Life Strategy Cash Ready (AB InBev Pension Plan – DC Section)



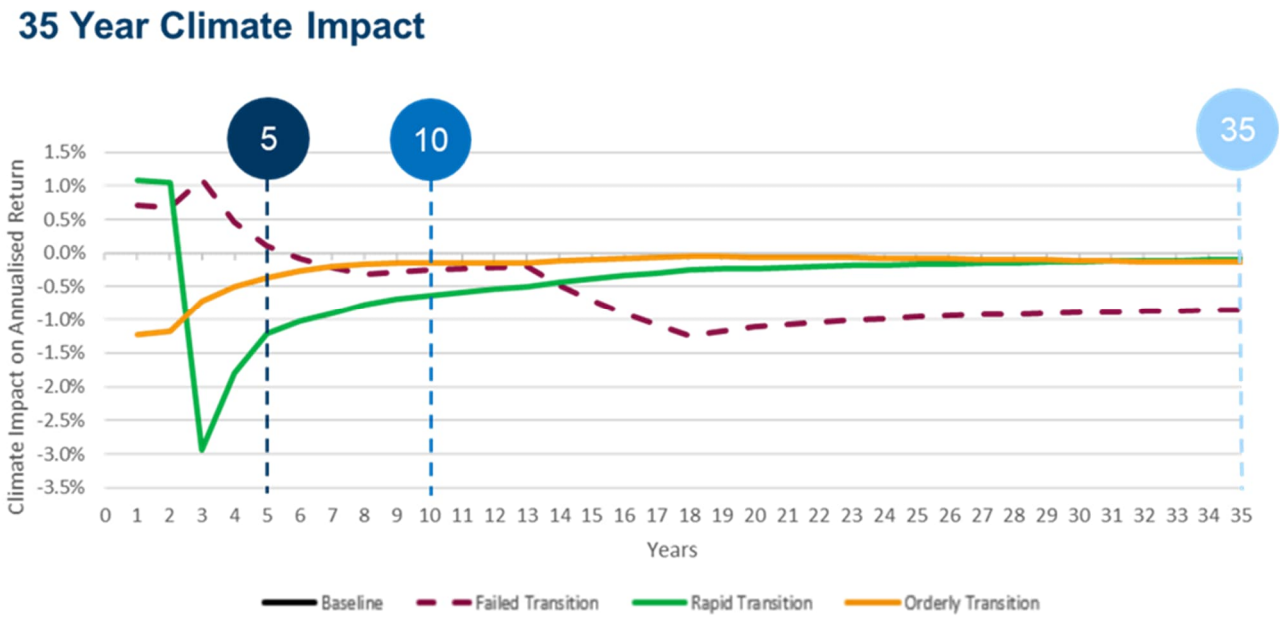
Source: Mercer

Figure 6 – AEGON BlackRock 50/50 Global Growth Fund (AB InBev Pension Plan – Former SAB Section)



Source: Mercer

Figure 7 – Target Drawdown Strategy (AB InBev Pension Plan – Former SAB Section)



Source: Mercer

Figure 8 – Impact on Asset Values

	Working Life Strategy Drawdown Ready	Working Life Strategy Cash Ready	AEGON BlackRock 50/50 Global Growth Fund	Target Drawdown Strategy
Rapid Transition				
Impact at 5 years	-8.2%	-8.2%	-8.8%	-5.5%
Impact at 10 years	-8.5%	-8.5%	-9.1%	-5.8%
Impact at 35 years	-5.8%	-5.9%	-5.9%	-3.2%
Orderly Transition				
Impact at 5 years	-2.8%	-2.8%	-2.5%	-1.7%
Impact at 10 years	-2.5%	-2.5%	-2.0%	-1.3%
Impact at 35 years	-6.1%	-5.8%	-6.6%	-4.4%
Failed Transition				
Impact at 5 years	1.1%	1.1%	0.9%	0.5%
Impact at 10 years	-2.8%	-2.8%	-3.6%	-1.3%
Impact at 35 years	-30.4%	-30.0%	-35.4%	-24.2%

Source: Mercer

DC Scenario Analysis Findings

In light of the above quantitative analysis, the Trustee noted the following findings:

Short Term (5 years)

Over the short term transition risk dominates with the Rapid Transition having the biggest impact. An initial fall in asset returns (relative to baseline) is driven by a transition shock impacting the economy and investment markets causing losses. This could be driven by unprecedented policy action, with markets initially overreacting before partially recovering. The actual timing of any shock or recovery is uncertain.

The Working Life Strategy Drawdown Ready and the Working Life Strategy Cash Ready lifestyles have the same allocations 7+ years from retirement and hence are expected to be impacted by climate risk in the same way over this period. Asset values are expected to fall by 8.2% under the Rapid Transition over the short term.

The most impacted strategy under the Rapid Transition over the short term is the AEGON BlackRock 50/50 Global Growth Fund, with asset values expected to fall by 8.8%.

<p>Medium Term (10 years)</p>	<p>Over the medium term, transition risk and physical risk are both factors. The impact of transition risks under the Rapid Transition and physical risks under the Failed Transition are broadly similar.</p> <p>The expected impact of the Orderly Transition and Failed Transition scenarios are similar over the medium term. The Failed Transition has the most impact on the AEGON BlackRock 50/50 Global Growth Fund over the medium term due to the higher equity allocation compared to the other strategies.</p>
<p>Long Term (35 years)</p>	<p>Over the long term, physical impacts become significant, with the Failed Transition resulting in significant falls in asset value relative to the baseline.</p> <p>There is a potential 30% reduction in asset values for the Working Life Strategy Drawdown Ready and the Working Life Strategy Cash Ready lifestyles under the Failed Transition over the long term. The impact is potentially even higher (35% reduction) for the AEGON BlackRock 50/50 Global Growth Fund.</p>

Key conclusions

Conclusion 1 – In term of returns a successful transition is important

Over the long term for nearly all investors a successful transition leads to enhanced projected returns when compared to scenarios associated with higher temperature outcomes, due to lower physical damages under a successful transition scenario. However, for the Plan’s DB Section, this could also lead to a small increase in liabilities due to improvements in longevity, a risk currently unhedged.

The quantitative analysis in this report highlights the negative financial impact associated with the Failed Transition and the corresponding need for the Trustee to invest to support a successful transition within their fiduciary duty.

Conclusion 2 – Asset Class and sector exposure is key

Climate impacts are clearly related to the nature of the underlying asset class and are also naturally sector specific.

The Trustee largely invests in passively managed asset classes and the decisions around the asset allocation will be a key driver to managing climate change risks.

Supporting the quantitative analysis in this report, sector level analysis highlighted that differences in return impact are most visible at an industry-sector level, with significant divergence between scenarios.

As return impacts in this modelling are expressed relative to a climate-informed baseline, sector-specific impacts are driven both by what happens under the scenarios, but also by what does not happen (but was priced in). For example, there is a positive impact on the low carbon electricity sector under the Rapid Transition, which is an intuitive outcome. Alternatively, there is a positive impact on the oil & gas sector under the Failed Transition, which is a result of the sector performing better than expected in this scenario (i.e. more revenue than expected for underlying companies).

Conclusion 3 – Investors should be aware of future pricing shocks

Investors, and therefore “the market”, look to predict future events / impacts and allow for them in asset prices. As particular events become more likely, market pricing will change before the events occur. This means that longer-term impacts, including transition impacts and particularly physical damages, could impact portfolios earlier than they occur.

The quantitative analysis in this report seeks to demonstrate the impacts of such shocks.

During 2023 the Trustee will be reviewing these conclusions and agreeing what, if any, actions will be taken as a result.

Conclusion 4 – Sustainable allocations protect against transition risk and growth assets are highly vulnerable to transition risk

The Plan has a small allocation to growth assets within the DB Section but is more materially exposed within the DC Section. Growth assets are generally more exposed to transition and physical risks which is demonstrated by the scenario results of the potential climate impact on annualised returns.

Listed Equity is materially exposed to physical risks under a Failed Transition over the longer term. The allocation to sustainable equity provides the Plan some protection against transition risk over the short term.

Funding and investment strategy resilience to climate risks

The Trustee's DB funding and investment strategy in recent years has focussed on reducing interest rate and inflation risk by de-risking the investment strategy and increasing the interest rate and inflation hedge ratios. This has been carried out alongside a recovery plan of material cash contributions from the Company to bring the Plan to full funding on its low-risk basis. This recovery plan is due to continue until 2026, although full funding may be reached prior to this date.

As a result of this strategy, the Plan has limited exposure to climate risks through its assets. Over the short-term, when the Plan may still not be fully funded, the impact of climate risk on the assets is most material under the Rapid Transition scenario, which could reduce the funding level by around 3%. The most extreme impact from the scenario analysis shows a 16% reduction in funding level over 25 years under the Failed Transition scenario, but in the context of a projected funding level at that date well over 150%. Given the strength of the Company covenant, it is anticipated that any adverse impact on the funding position in the short to medium term (e.g. in a Rapid Transition scenario), could be rectified by the Company via additional cash contributions if required.

The scenarios considered suggest that the impact on mortality of climate risks could also be material to the Plan. The Trustee is aware that mortality risk is not hedged under its current funding and investment strategy. However over the next 12-24 months, as the Plan gets closer to being fully funded, the Trustee will explore whether to hedge mortality risk or whether to include an explicit mortality risk reserve. If adopted, either of these approaches could be used to reduce the mortality risk run by the Plan, including, to some extent, the impact of climate risks on mortality.

Aside from further considering the mortality risk run in the Plan, an action which was already planned once the Plan approached full funding, the Trustee has concluded that no changes are required to the funding and investment strategy as a result of climate risk.

With regards to the DC Section, the most material climate-related risks within the popular arrangements are within the AEGON BlackRock 50/50 Global Growth Fund. The lifestyle strategies are also impacted by climate risks but due to the diversified structure of the strategies the risks are not as impactful as within the equity fund.

The Trustee will consider these risks and opportunities further as part of the next triennial strategy review and climate-related risks will be considered as part of the wider risk management framework when setting the default investment strategy.

Risk Management



A key part of the Trustee role is to understand and manage risks that could have a financially material impact on both the Plan's investments and the DB Section funding position. Climate change is one of the risks that the Trustee considers alongside other financially material risks that may impact outcomes for members.

This section summaries the primary climate-related risk management processes and activities of the Trustee. These help the Trustee understand the materiality of climate-related risks, both in absolute terms and relative to other risks that the Plan is exposed to. The Trustee prioritises the management of risks primarily based on its potential impact on the security of members' benefits/prospective investment returns.

Governance

- The Trustee's Statement of Investment Principles is currently under review and will consider how climate-related risks are incorporated as a part of wider ESG factors in relation to investment decisions.
- The Trustee maintains a risk register which includes explicit climate risks to monitor and mitigate financially material risks to the Fund. The climate-related risks (defined as physical risks and transition risks) will be reviewed annually to ensure the assessment of the likelihood and impact continue to remain appropriate for the Plan given the developing research and understanding on this subject as well as new and emerging risks related to climate change.
- The Trustee will receive training from time-to-time on climate-related issues. The training allows the Trustee to challenge whether the risks and opportunities are effectively allowed for in its governance processes and wider activities, and to be able to challenge its advisers to ensure the governance support and advice adequately covers the consideration of climate-related risks and opportunities. This process also affords the Trustee an opportunity to identify new and emerging risks related to climate change.

Strategy

- The Plan's advisors will take climate-related risks and opportunities into account as part of the wider strategic investment advice provided to the Trustee and its sub-committees. This includes highlighting the expected change in climate-risk exposure through proposed asset allocation changes, both from the top-down level (via climate scenario analysis) and bottom-up (via climate-related metrics).
- The Trustee believes that good stewardship and ESG issues may have a material impact on investment risk and return outcomes and will therefore be considered as part of the Plan's investment process. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that require explicit consideration. When setting investment strategy, ESG factors, including climate change, will be considered alongside a number of other factors that can influence investment strategy.
- Climate scenario analysis for the investment strategy of the Plan will be reviewed at least triennially, or more frequently if there has been a material change to the strategic asset allocation and the popular arrangements. Key findings from the latest Trustee climate scenario analysis was set out in the previous section. Climate scenario analysis is the primary tool to help the Trustee understand the materiality of climate-related risks that could impact the Plan over time.

Reporting

- The Trustee will receive annual reports of climate-related metrics and progress against targets in respect of the assets held in the Plan. The Trustee may use the information to engage with the investment managers.
- The Trustee receives a voting and engagement activity summary on an annual basis as part of the preparation of the Implementation Statement. The statement summarises how the investment managers vote and engage on climate-related issues (among other key engagement priorities). The statement is available on the Plan's website.

Manager Selection and Retention

- The Trustee, with advice from Mercer in its role as Investment Consultant, will consider an investment manager's firm-wide and strategy-specific approach to managing climate-related risks and opportunities when either appointing a new manager, in the ongoing review of a manager's appointment, or as a factor when considering the termination of a manager's appointment.
- Mercer rates investment managers on the extent of integration of ESG factors (including climate change) into their processes. A manager's stewardship process forms part of the rating assessment. This is considered at the firm level and at the investment strategy/fund level. The ratings are presented in quarterly investment performance reports and are reviewed by the Trustee.

Section 4

Metrics and Targets



Metrics

The Trustee has chosen to present climate-related metrics across four different categories in this report. The climate-related metrics help the Trustee to understand the climate-related risk exposures and opportunities associated with the Plan’s investment portfolio and identify areas for further risk management, including investment manager portfolio monitoring, voting and engagement activity and priorities. The metrics in this report relate to the Plan’s financed emissions only and exclude emissions associated with the operation of the Plan. The metrics in this report are listed below and where metrics relate to emissions, these cover scope 1 and 2 only. The Trustee will begin reporting on scope 3 emissions when this data is available.

Metric category	Selected metric	Further detail
Absolute emissions	Total Greenhouse Gas Emissions	Tonnes of carbon dioxide and equivalents (tCO ₂ e) that the Plan is responsible for financing.
	Carbon Footprint	The amount of carbon dioxide and equivalents (tCO ₂ e) emitted per million dollars of the Plan’s investments.
Emissions intensity	Weighted Average Carbon Intensity (WACI)	The exposure of the Plan to carbon-intensive companies, measuring the amount of carbon dioxide and equivalents (tCO ₂ e) emitted per million dollars of holding company / issuer revenue ³ on average.
Portfolio Alignment	% of portfolio companies with targets approved by the Science Based Targets initiative (SBTi)	Assessment of the proportion of portfolio companies/issuers that have set net-zero targets that have been validated by SBTi.

³ For sovereign bonds, Greenhouse Gas Emissions are expressed relative to Purchasing Power Parity adjusted Gross Domestic Product (PPP-adjusted GDP), in line with the Partnership for Carbon accounting of Financials guidance (PCAF).

Metric category	Selected metric	Further detail
Additional	Data Quality	Represents the proportions of the portfolio for which the trustee has high quality data.

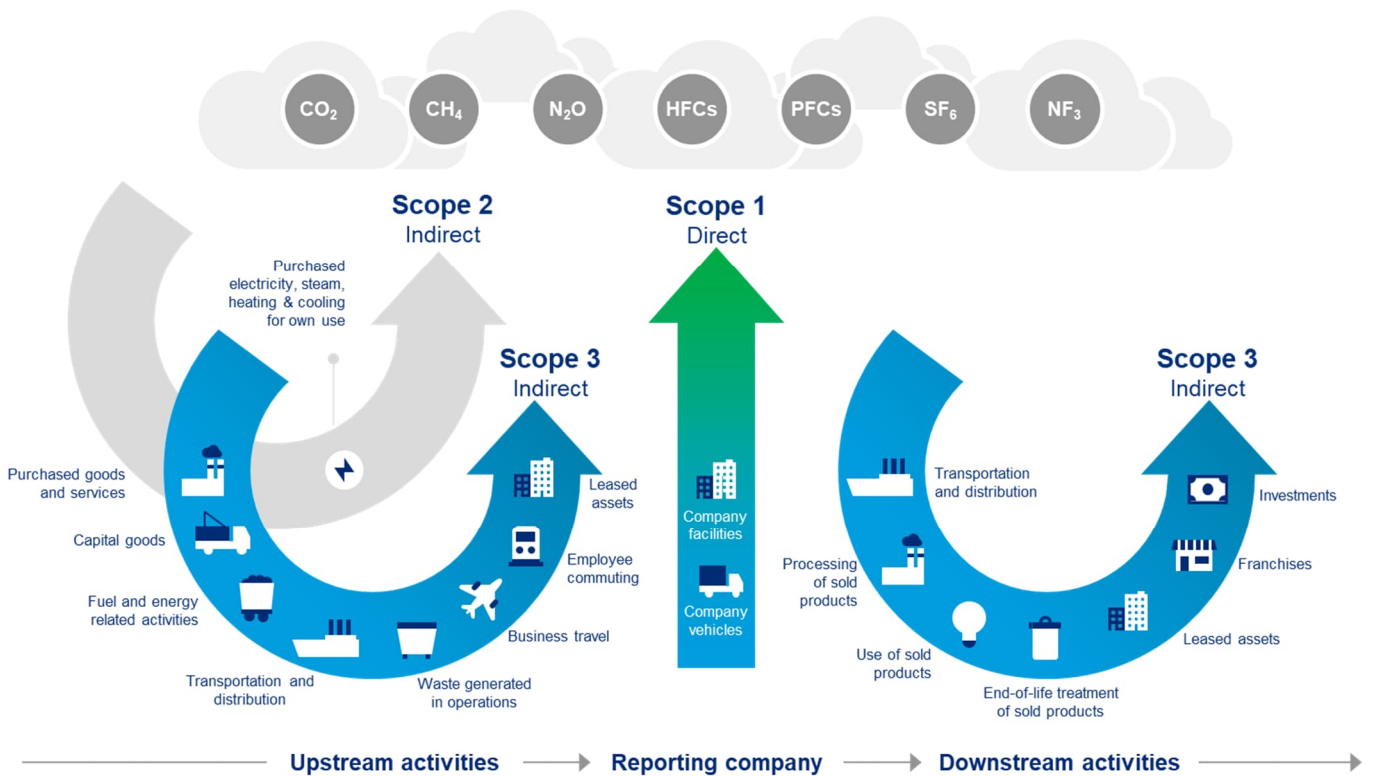
The metrics presented in this report are as at 30 September 2022 and are based on the actual asset allocation at that date.

The Trustee recognises the challenges associated with various metrics, tools and modelling techniques used to assess climate change risks. The Trustee aims to work with its investment adviser and investment managers to continuously improve the approach to assessing and managing risks over time as more data becomes available. The technical appendix of this report sets out the data limitations and assumptions used in collating these metrics.

Total Greenhouse Gas Emissions

This metric takes an ownership approach to answer what proportion of a company’s or asset’s emissions an investor owns and is therefore responsible for financing. It includes the seven types of greenhouse gas (“GHG”) (as defined in the Kyoto Protocol), across the three scopes of emissions, as summarized below. [Note that this report excludes scope 3 emissions, which will be included from the Trustee’s next report.]

Figure 9



Source: GHG Protocol

Emissions of the seven greenhouse gases have different impacts on climate change. In order to simplify reporting, each greenhouse gas is calibrated relative to carbon dioxide and is reported as ‘carbon dioxide equivalent’ emissions (CO₂e). In this way the Trustee can compare companies that emit different amounts of different gases on a consistent basis.

In respect of sovereign debt investments, the Trustee follows the Partnership for Carbon Accounting of Financials ('PCAF') to derive absolute emissions. Recognising the different methodologies used to calculate absolute emissions for sovereigns and corporates, the Trustee reports sub totals at the corporate and sovereign levels as well as a grand Total Greenhouse Gas Emissions figures.

The Trustee has chosen this metric to understand the absolute amount of emissions financed by the Plan's investments.

Carbon Footprint

Carbon Footprint is an intensity measure of emissions that takes the Plan's total GHG Emissions figure and normalises it to take account of the size of the investment.

Analysing an investment fund's Carbon Footprint assists the Trustee in identifying carbon-intense sections of the Plan's portfolio. The Trustee has therefore chosen this metric to assist them in prioritising carbon intense parts of the investment strategy for potential re-allocation or engagement as a means of mitigating associated climate-related risks.

Weighted Average Carbon Intensity

Weighted Average Carbon Intensity (WACI) is an alternative intensity measure of emissions that normalises a company's total GHG Emissions figure by its revenue. This metric is calculated by taking the total carbon emissions of the investment and dividing by annual company revenue. A different approach is taken for sovereign bonds, where the specified sovereign GHG Emissions are normalised by Purchasing Power Parity adjusted Gross Domestic Product (PPP-adjusted GDP). A portfolio level intensity metric is calculated as the weighted average of the underlying holdings' intensity metrics.

Analysing a fund's WACI assists the Trustee in identifying how carbon efficient the business models of the companies held within a portfolio are. Alongside Carbon Footprint, the Trustee has chosen this metric to assist them in prioritising carbon intense parts of the investment strategy for potential re-allocation or engagement as a means of mitigating associated climate-related risks.

% of portfolio companies with net zero targets approved by the Science Based Targets initiative (SBTi)

The Science Based Target initiative (SBTi) has established an industry standard methodology for companies setting long-term carbon emission reduction targets that are in line with climate science. Companies submit their net zero plans to SBTi, who then act as an independent assessor of the validity of the plans.

SBTi use either a sector decarbonisation approach (SDA) or an absolute contraction approach (ACA). Under the SDA approach, SBTi allocate the 2°C carbon budget to different sectors, taking into account differences between sectors today and mitigation potential going forwards (e.g. this takes into account the fact that power generation will likely be able to decarbonise faster than cement production). The ACA approach is a broad assumption that assumes that all companies should decarbonise at the same rate. The ACA approach is the most popular target that companies who submit their targets to the SBTi choose.

The Trustee has chosen this metric because it provides a measure of portfolio alignment with the goals of the Paris Agreement. Underlying funds with a low percentage of companies with SBTi-approved targets could indicate investment in companies or issuers that are not setting targets to align their businesses or activities with net zero, which is a forward-looking indication of climate transition risk.

The Trustee recognises that the SBTi does not currently cover every sector, however is cognisant that the Initiative's coverage across additional companies and sectors is expanding rapidly.

Data Quality

Data Quality aims to represent the proportions of the portfolio for which the Trustee has high quality data. The Trustee has considered whether the underlying emissions data has been verified by a third party, reported by the company, estimated by the data provider, or unavailable to determine the how representative the analysis is of the Plan's actual portfolio.

Data Quality also assists the Trustee in monitoring quality of reporting over time, as companies are expected to continually improve their reporting on climate-related metrics. As the quality of data improves, the decision usefulness of the climate metrics reported on the Plan's portfolio increases. In addition, the Trustee is able to identify the companies in the portfolio that are not currently reporting emissions data and use this as the basis for engagement.

DB Section Metrics

The Plan's investment manager for the DB Section, LGIM, provided underlying stock data for each of the funds that the DB Section is invested in as at 30 September 2022. The analysis covers 100% of the DB assets. This included the following data points:

- Name of holding
- ISIN numbers
- Holding type
- Market value of investment

As far as possible, fund data was deconstructed into underlying holdings, however, a number of the funds had an allocation to a cash or liquidity fund which was excluded from the metrics analysis. The reason for excluding the cash funds is that they contain short term instruments which are not relevant for long term projections. The metrics analysis are shown on the following pages.

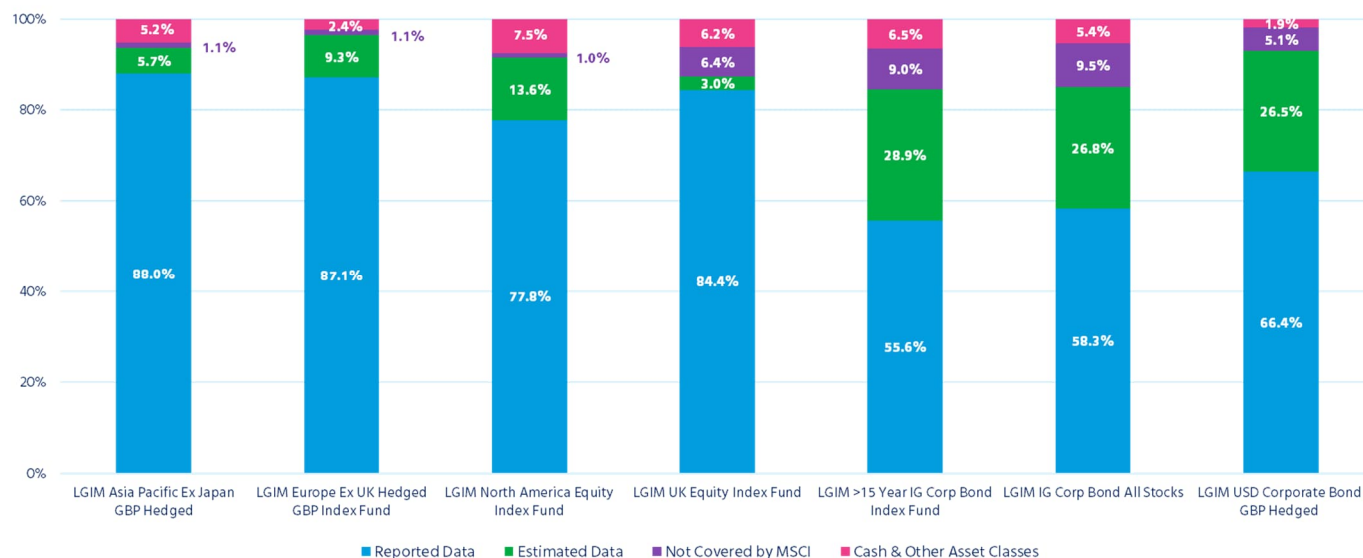
Asset Class	Manager/Mandate	Allocation (%)	Absolute emissions (tCO2e)		Carbon Footprint (tCO2e/ million invested)		
			Coverage (%)	Fund	Coverage (%)	Fund	Comparator
Listed Equity	LGIM Asia Pacific Ex Japan GBP Hedged	2.0%	93.6%	1,450	93.6%	95.2	56.8
	LGIM Europe Ex UK Hedged GBP Index Fund	2.6%	96.5%	1,288	96.5%	65.0	
	LGIM North America Equity Index Fund	5.9%	91.5%	1,721	91.5%	38.3	
	LGIM UK Equity Index Fund	4.5%	87.4%	2,814	87.4%	82.1	
Total Listed Equity		15.0%	91.4%	7,273	91.4%	63.6	-
Corporate Bonds	LGIM >15 Year IG Corp Bond Index Fund	1.9%	45.9%	1,036	45.6%	73.2	57.3
	LGIM IG Corp Bond All Stocks	14.2%	48.3%	4,509	48.1%	41.9	
	LGIM USD Corporate Bond GBP Hedged	13.0%	77.6%	4,873	77.6%	49.2	
Total Corporate Bonds		29.1%	61.2%	10,418	61.1%	47.2	-
Total Equity & Corporate Bonds		44.1%	71.5%	17,691	71.4%	52.8	-
Sovereigns	LGIM 2034 Gilt Fund	2.3%	100.0%	2,385			-
	LGIM 2038 Gilt Fund	2.4%	100.0%	2,489			
	LGIM 2037 IL Gilt Fund	1.7%	100.0%	1,763			
	LGIM 2042 Gilt Fund	1.6%	100.0%	1,659			
	LGIM 2055 Gilt IL Fund	1.2%	100.0%	1,244			
	LGIM Over 15 Yr IL Gilts Index Fund	28.1%	100.0%	29,140			
	LGIM Over 5 Yr IL Gilts Idx Fund	17.7%	99.9%	18,355			
Total Sovereign		55.0%	100.0%	57,035		-	

Source: Mercer Calculations
Coverage represents Scope 1 & 2 emissions data

Asset Class	Manager/Mandate	B'Mark	Allocation (%)	WACI (tCO2e/ million sales)		% of Portfolio with SBTi targets or ITR (°C)	
				Coverage (%)	Fund Comparator		
Listed Equity	LGIM Asia Pacific Ex Japan GBP Hedged	MSCI ACWI	2.0%	93.6%	180.0	10.0%	
	LGIM Europe Ex UK Hedged GBP Index Fund		2.6%	96.5%	108.3	154.0	55.1%
	LGIM North America Equity Index Fund		5.9%	91.5%	136.7		33.5%
	LGIM UK Equity Index Fund		4.5%	87.4%	123.1		42.3%
Total Listed Equity			15.0%	91.4%	133.5	-	36.8%
Corporate Bonds	LGIM >15 Year IG Corp Bond Index Fund	iBoxx Non-Gilts	1.9%*	90.4%	121.2		32.7%
	LGIM IG Corp Bond All Stocks		14.2%*	90.0%	74.9	108.6	23.5%
	LGIM USD Corporate Bond GBP Hedged		13.0%	93.0%	420.6		21.5%
Total Corporate Bonds			29.1%	91.4%	232.5	-	23.2%
Total Equity & Corporate Bonds			44.1%	91.4%	198.8	-	27.8%
Sovereigns*	LGIM 2034 Gilt Fund	-	2.3%	100.0%	136.1	-	-
	LGIM 2038 Gilt Fund		2.4%	100.0%			
	LGIM 2037 IL Gilt Fund		1.7%	100.0%			
	LGIM 2042 Gilt Fund		1.6%	100.0%			
	LGIM 2055 Gilt IL Fund		1.2%	100.0%			
	LGIM Over 15 Yr IL Gilts Index Fund		28.1%	100.0%			
	LGIM Over 5 Yr IL Gilts Idx Fund		17.7%	99.9%			
Total Sovereigns			55.0%	100.0%	136.1	-	-

*Sovereign analysis has been conducted in line with the recommended methodology set out in the ongoing PCAF consultation. Data for Production Emissions (GHG) for 2021 sourced from [EDGARv7.0 website](#), Crippa et al. (2021, 2022). Data for PPP Adjusted GDP for the latest available data (2020-2021) sourced from [The World Bank](#).

Data quality – 30 September 2022



Note: Only including the equity and corporate bond portions of each mandate. The remainder is included in “Cash & Other Asset Classes”.

The largest asset allocation for the DB Sections is to the liability hedging assets (invested in government bonds) and therefore these funds make up the largest proportion of the Sections total carbon emissions. These assets provide good protection against changes in interest rates and inflation and therefore the Trustee expects the allocations to these assets to increase over time as the funding level improves. **In addition, the Trustee is reliant on the UK government to reduce absolute emissions with respect to these assets.**

Within the listed equity and corporate bond mandates, the most carbon intensive mandates, measured by WACI, are the LGIM USD Corporate Bond Great British Pound hedged Fund along with 15Yr Investment Grade Corporate Bond Index Fund. Both of these Corporate Bond Mandates have a large number of global underlying holdings with the exposing them to a number of high emitting companies and geological locations.

The data quality is more reliable for the equity mandates with at least 75% of data being reported. The bond mandates rely more heavily on estimated data.

DC Sections Metrics

The Trustee requested the metrics data directly from the underlying managers of the popular arrangements, namely BlackRock, LGIM and abrdn. BlackRock and LGIM have provided data where this was available. However, abrdn were unable to provide metrics analysis at the date requested as they are continuing to work on their reporting capabilities in this area.

The Trustee recognises that the availability of accurate data for some asset classes is an industry-wide issue and will look to engage with the investment managers to improve their climate reporting.

Furthermore, the Trustee recognises that each manager may use different approaches, methodologies and data sources for the metrics they provide. The Trustee has sought to acknowledge any difference in methodology where this is relevant and the manager has provided this information.

The metrics data provided relates to scope 1 and 2 emissions only. Scope 3 emissions will be included in future reports, where data is available.

Figure 10 - Working Life Strategy Drawdown Ready (AB InBev Pension Plan – DC Section)

Fund	Value (£000's)*	% of DC Assets	Coverage (%) **		WACI		Carbon Footprint (tCO2e / \$M invested)		Absolute emissions (tCO2e) ****	SBTi % *****
			Listed Equity and Corporate Bonds	Sovereigns	Listed Equity and Corporate Bonds (tCO2e / \$M revenue)	Sovereigns (tCO2e / \$M GDP)***	Listed Equity and Corporate Bonds	Sovereigns		
BlackRock ACS World (ex-UK) Equity Tracker	19,256.4	19.2	100.0	-	103.9	-	35.0	-	750.6	37.5
BlackRock ACS 30/70 Currency Hedged Global Equity Tracker	15,871.3	15.8	100.0	-	156.6	-	63.5	0.0	1,122.8	35.4
LGIM Retirement Income Multi Asset Fund	11,564.1	11.5	52.5	22.8	228.7	-	80.0	99.1	968.1	22.8
BlackRock ACS UK Equity Tracker	9,323.0	9.3	100.0	-	125.7	-	78.7	0.0	817.6	43.4
BlackRock Sterling Liquidity	8,167.1	8.1	-	-	-	-	-	-	-	-
Total	64,181.9	64.0	-	-	141.8	0.0	58.0	99.1	3,659.2	35.8

The following footnotes also apply to all following metrics tables.

Source: Metrics data provided by BlackRock and LGIM as at 30 September 2022; AB InBev Section asset value data as at 30 September 2022 was provided by Fidelity. However, whilst Fidelity have provided a breakdown by strategy/popular arrangement as at 30 September 2022, at the time of writing we had not received a breakdown by underlying funds – therefore, an assumption has been made about how the overall assets in each strategy are split by underlying funds (we have assumed the breakdown is in the same proportions as the overall assets). Former SAB section asset value data as at 30 September 2022 was provided by Aegon.

Given the nature of the BlackRock Sterling Liquidity Fund, this fund has been excluded from the analysis in the tables. n/a means data has not been provided by the investment managers.

*The strategic allocation has been used when determining what value of assets are in the underlying funds of blends.

**For LGIM the coverage and eligibility data has been provided. LGIM state that a position is deemed eligible if a data point associated with a position is deemed relevant for the calculation of ESG metrics. LGIM have confirmed for metrics to be reportable for each fund there are two criteria: (a) at least 50% of the underlying holdings are eligible for reporting and (b) coverage of those eligible assets is at least 60%. BlackRock have not provided coverage data and the figures provided relate to eligibility. For BlackRock, we have used the asset allocation as at 30 September 2022 as a proxy for the eligibility percentages.

***Where underlying assets are issued by sovereigns, the WACI is defined as annual tonnes CO2e / \$M GDP nominal. LGIM define 'Sovereigns' as, Agency, Government, Municipals, Strips and Treasury Bills and is calculated by using: the CO2e/GDP, Carbon Emissions Footprint uses: CO2e/Total Capital Stock.

****Absolute Emissions is calculated by multiplying the carbon footprint of each fund by the amount of fund assets invested in that fund (in \$millions). A GBP/USD rate of 1.115 has been used as at 30 September 2022 to convert the asset values into USD for this calculation. Sovereign and corporate emissions have been added together on the basis that the units are the same. However, it should be noted that the methodologies are different and there is scope for double counting.

***** For LGIM, SBTi % is % of the companies that have committed/approved Science Based Target. At fund level, this is the weighted average of the positions with either an approved/committed SBT in percent. For BlackRock, this represents the percentage market value of a portfolio where issuers have an approved SBTi target and investment is through a corporate bond or equity investment, noting derivatives and other complex investment products are not captured.

The total rows displayed are the aggregated totals of the popular arrangements (where aggregation was required). For total assets, percentage of DC assets and absolute emissions, the total is the sum of the metrics for the underlying funds. Sums may not total due to rounding. For all other metrics, the total is weighted by the applicable 'percentage of fund eligible' columns.

Figure 11 - Working Life Strategy Cash Ready (AB InBev Pension Plan – DC Section)

Fund	Value (£000's)*	% of DC Assets	Coverage (%) **		WACI		Carbon Footprint (tCO2e / \$M invested)		Absolute emissions (tCO2e) ****	SBTi % *****
			Listed Equity and Corporate Bonds	Sovereigns	Listed Equity and Corporate Bonds (tCO2e / \$M revenue)	Sovereigns (tCO2e / \$M GDP)***	Listed Equity and Corporate Bonds	Sovereigns		
BlackRock ACS World (ex-UK) Equity Tracker	6,926.7	6.9	100.0	-	103.9	0.0	35.0	0.0	270.0	37.5
BlackRock ACS 30/70 Currency Hedged Global Equity Tracker	5,709.0	5.7	100.0	-	156.6	0.0	63.5	0.0	403.9	35.4
LGIM Retirement Income Multi Asset Fund	3,992.3	4.0	52.5	22.8	228.7	n/p	80.0	99.1	334.2	22.8
BlackRock ACS UK Equity Tracker	3,353.6	3.3	100.0	-	125.7	0.0	78.7	0.0	294.1	43.4
BlackRock Sterling Liquidity	3,105.2	3.1	-	-	-	-	-	-	-	-
Total	23,086.7	23.0	-	-	141.3	0.0	57.8	99.1	1,302.2	35.9

Figures 10 and 11 show the funds used in the Working Life Strategy Drawdown Ready (the Plan’s DC Section’s default), and the Working Life Strategy Cash Ready. Both strategies make use of the same underlying funds, albeit in different proportions.

The BlackRock ACS World (ex-UK) Equity Tracker and BlackRock ACS UK Equity Tracker follow a custom ESG screened index approach whilst the BlackRock ACS 30/70 Currency Hedged Global Equity Tracker follows an index tracking market capitalisation approach. The custom ESG screened index approach takes account of ESG factors in its index design (for example, by excluding companies involved with thermal coal or oil sands).

Although the BlackRock ACS World (ex-UK) Equity Index represents the largest proportion of assets in both strategies, it is not the largest emitter of total carbon emissions within the equity assets. The BlackRock ACS UK Equity Index Fund has the highest carbon footprint of the equity funds used due to the fact that the UK market is typically overweight to the energy sector and underweight to technology compared to a global equity index.

However, it is the BlackRock ACS 30/70 Currency Hedged Global Equity Index Fund that has the highest overall absolute carbon emissions due to that fact that it has a higher allocation in the portfolio compared to the BlackRock ACS UK Equity Index Fund. Whilst the equity funds in the portfolios contribute to the majority of emissions at present, there is still a wider investment case for currently including these within the strategic asset allocation. The Trustee will monitor these allocations over time as part of strategic review and consider wider industry developments on more climate aware index funds.

LGIM Retirement Income Multi Asset Fund has the highest carbon intensity, as measured by WACI and Carbon Footprint, of all funds shown in the table. However, it should be noted that this fund has a decarbonisation target that is Paris Agreement aligned, that is a 50% reduction in carbon emissions by 2030, with an aim to decarbonise 25% by 2025. The fund has an important place in the portfolio,

particularly as members approach retirement where the aim of this fund is to provide the right balance between growth and defensive assets.

The SBTi for the equity funds is between 35-43% which means that at least a third of each fund has approved science based targets. The SBTi metric for the LGIM Retirement Income Multi Asset Fund is slightly lower at 23% but this is expected given the fund is constructed from a range of underlying assets classes for which SBTi targets may not be applicable.

Figure 12 - Target Drawdown Strategy (AB InBev Pension Plan – Former SAB Section)

Fund	Value (£000's)*	% of SAB Section Assets	Coverage (%) **		WACI		Carbon Footprint (tCO2e / \$M invested)		Absolute emissions (tCO2e) ****	SBTi % *****
			Listed Equity and Corporate Bonds	Sovereigns	Listed Equity and Corporate Bonds (tCO2e / \$M revenue)	Sovereigns (tCO2e / \$M GDP)***	Listed Equity and Corporate Bonds	Sovereigns		
BlackRock Market Advantage	10,341.3	13.9	23.5	30.1	91.6	267.6	22.0	n/p	59.6	54.8
LGIM Diversified Fund	7,766.3	10.4	63.9	18.1	285.7	n/p	98.2	82.0	752.4	25.5
BlackRock 30/70 Currency Hedged Global Equity Index	7,745.7	10.4	100.0	-	157.3	0.0	64.2	0.0	554.7	34.9
Standard Life Corporate Bonds	575.4	0.8	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
BlackRock Sterling Liquidity	1,860.8	2.5	-	-	-	-	-	-	-	-
Total	28,289.4	38.0	-	-	193.2	267.6	69.9	25.7	1366.7	34.6

Figure 12 shows the funds used in the Target Drawdown Lifestyle (the Former SAB Section’s default).

The BlackRock Market Advantage fund has the highest allocation in this strategy but falls well behind the other diversified growth fund used in the strategy, the LGIM Diversified Fund, in terms of emissions. The LGIM Diversified Fund represents over half the absolute carbon emissions recorded. However, it should be noted that this fund has a decarbonisation target that is Paris Agreement aligned, that is a 50% reduction in carbon emissions by 2030, with an aim to decarbonise 25% by 2025. In addition, there is a strategic rationale behind the use of this fund.

The Trustee will monitor the use of a market capitalisation index tracking approach over time as part of strategic review and consider wider industry developments on more climate aware index funds.

The BlackRock Market Advantage has the highest SBTi with 55% of underlying companies having approved science based targets. The SBTi metric for the LGIM Diversified Fund is much lower at 26% but this is expected given the fund is constructed from a range of underlying assets classes for which SBTi targets may not be applicable.

Figure 13 - AEGON BlackRock 50/50 Global Growth Fund (AB InBev Pension Plan – Former SAB Section)

Fund	Value (£000's)*	% of SAB Section Assets	Coverage (%)**		WACI		Carbon Footprint (tCO2e / \$M invested)		Absolute emissions (tCO2e) ****	SBTi % *****
			Listed Equity and Corporate Bonds	Sovereigns	Listed Equity and Corporate Bonds (tCO2e / \$M revenue)	Sovereigns (tCO2e / \$M GDP)***	Listed Equity and Corporate Bonds	Sovereigns		
BlackRock 50/50 Global Growth Fund	12,282.9	16.5	100.0	-	131.0	0.0	69.5	0.0	952.2	39.9

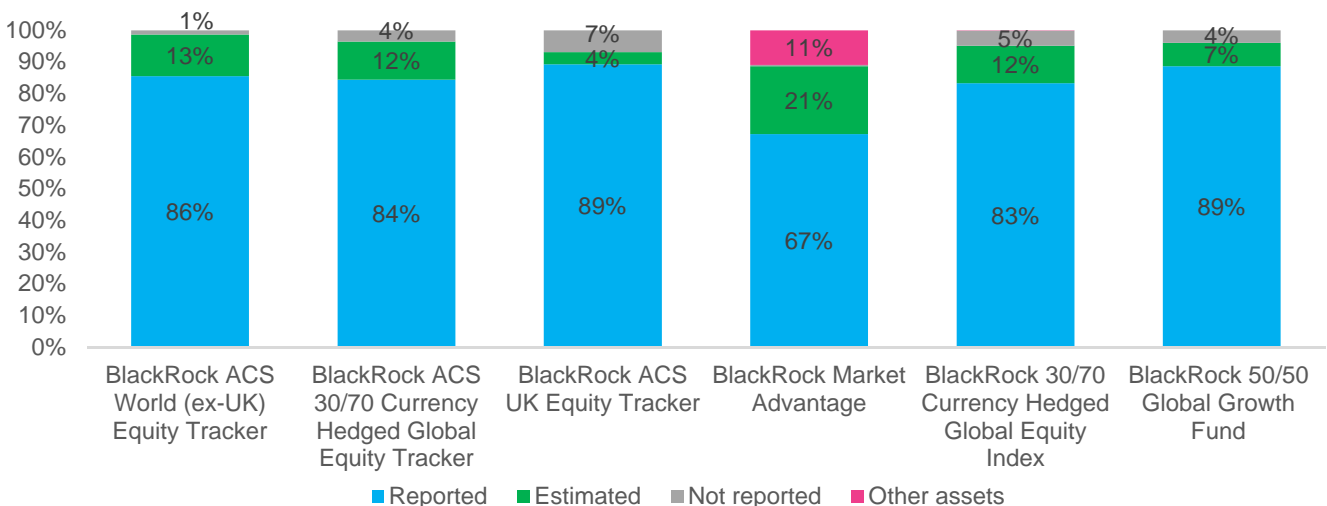
Figure 13 shows the metrics data for the AEGON BlackRock 50/50 Global Growth Fund which represents 17% of the former SAB Section.

The AEGON BlackRock 50/50 Global Growth Fund has a lower carbon intensity than the Target Drawdown Lifestyle (represented by both WACI and carbon footprint).

40% of the companies within the AEGON BlackRock 50/50 Global Growth Fund have approved science based targets.

Data quality

The data quality for the underlying managers for the popular arrangements has been set out below. For metrics as at 30 September 2022, LGIM have been unable to provide information on data quality. However, the Trustee understands this information will be available for metrics produced by LGIM for the next report. As noted earlier, abrdn (the manager of the Standard Life Corporate Bonds fund) were unable to provide metrics analysis at the date requested as they work on their reporting capabilities in this area. The data below therefore represents the BlackRock mandates only.



Source: Metrics data provided by BlackRock as at 30 September 2022; Given the nature of the BlackRock Sterling Liquidity Fund, this fund has been excluded from the analysis in the tables. BlackRock have provided data quality metrics. This presents MSCI Coverage as measured by Scope 1 and 2 emissions broken down by “Reported”, “Estimated” or “Not Reported” (represented as null values for Scope 1 and 2 emissions). Estimated values represent MSCI indication that the scope 1 and 2 emission data is estimated rather than officially reported.

Data quality varies by portfolio. The equity mandates have a much higher proportion of ‘reported’ data with less than 15% of each equity portfolio either estimated or not reported. The BlackRock Market

Advantage fund is a multi-asset fund and therefore due to the types of investments held, a proportion of the data is estimated.

Targets

The Trustee has set a target of reducing the carbon intensity of the portfolio by 20% by 2032 for both the DB and DC sections. The intention is to use a WACI measure (or equivalent) and use a baseline date of 30 September 2022 and only applies to scope 1 and 2.

The Plan has a substantial exposure to UK government gilts. The Trustee has little control over the carbon intensity of the UK and has concluded that a target set for the Liability Hedging Programme would be very difficult to influence and change. As a result it has been agreed to exclude these assets from the target set by the Scheme.

A wide range of factors will affect whether the Trustee achieves its targets and the Trustee has varying degrees of control over these factors. For example, the quality and availability of data means that the quoted greenhouse gas emissions are likely to change. As such the Trustees both reserve the right, and expect to amend their target in the light of, amongst other things new policies, new practices, new climate change science and understanding, all in the context of the Trustee's fiduciary duty

The Trustee will incorporate these targets into future investment strategy reviews and the regular monitoring for both the DB and DC sections. This target is going to be communicated to all relevant service providers. The Trustee will review its targets at least annually and include Scope 3 emissions when the available data has improved and there are suitable methodologies.

The Trustee is aware of the sponsoring company's ambition to achieve net zero and seeks to align the Plan as best as possible with the company's sustainability policy. When formulating an approach to climate change and the climate transition, different organisations have different opportunities and constraints. From the perspective of the Plan, the Trustee invests in a large number of underlying companies.

The Trustee aspires to but has not yet committed to a net-zero target due to the quality of data. The Trustee will be exploring net zero target setting over the next 12 months and is working with its investment managers to improve the quality of data. The regulations note that "whilst long term targets such as "net-zero by 2050" are ambitious, a long term target with no interim targets would not on its own meet our expectation for trustees to consider and appropriately manage climate-related risk. Therefore, the target which trustees set should not be more than 10 years into the future."

The Trustee recognises that there is still further progress to be made to consider climate-related risks and opportunities in a balanced and proportionate approach in respect of the Plan, and that the ultimate responsibility of the Trustee is to pay members their benefits which the Trustee is aiming to do in a sustainable way as possible.

Appendix A

Technical Appendix



Asset Allocations Modelled

DB Section Strategic Asset Allocation(s) modelled

The DB strategic asset allocation as set out in the Statement of Investment Principles:

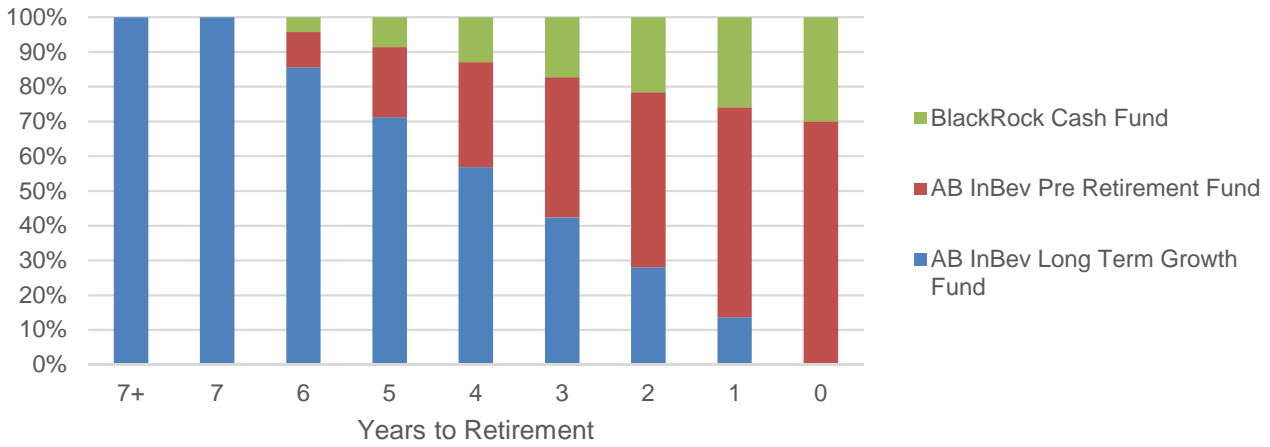
Asset Class	B'mark allocation
Equity	15.0%
Bonds	85.0%
Total	100.0%

DC Section Popular Arrangements Modelled

A popular arrangement is defined in the statutory guidance as a fund or lifestyle strategy which £100m or more of the Plan's assets are invested, or which accounts for 10% or more of the assets used to provide money purchase benefits (excluding assets which are solely attributable to Additional Voluntary Contributions).

The following lifestyle strategies and fund are defined as popular arrangements:

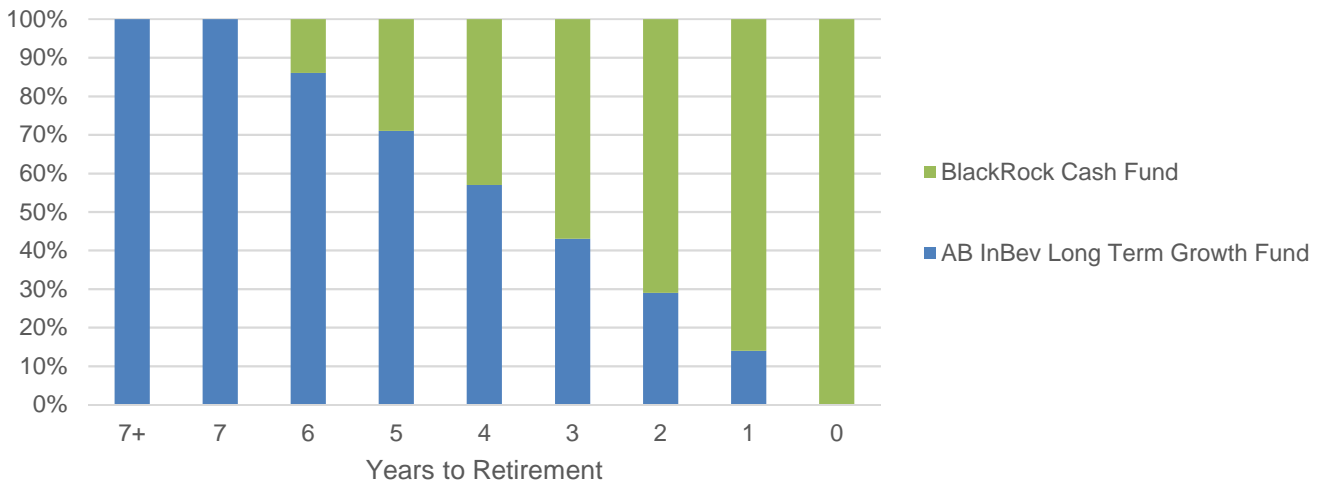
Working Life Strategy Drawdown Ready



The AB InBev Long Growth Fund invests 16% in the BlackRock ACS UK Equity Tracker Fund, 28% in the BlackRock ACS 30/70 Global Equity Tracker Currency Hedged Fund, 36% in the BlackRock ACS World ex UK Equity Tracker Fund and 20% in the LGIM Retirement Income Multi-Asset Fund.

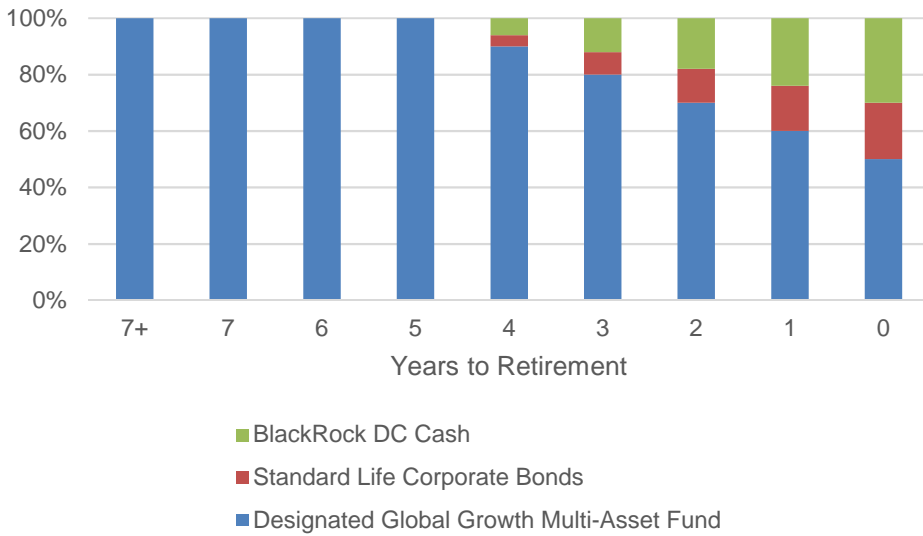
The AB InBev Pre Retirement Fund invests 100% in the LGIM Retirement Income Multi-Asset Fund.

Working Life Strategy Cash Ready



The AB InBev Long Growth Fund invests 16% in the BlackRock ACS UK Equity Tracker Fund, 28% in the BlackRock ACS 30/70 Global Equity Tracker Currency Hedged Fund, 36% in the BlackRock ACS World ex UK Equity Tracker Fund and 20% in the LGIM Retirement Income Multi-Asset Fund.

Target Drawdown Strategy

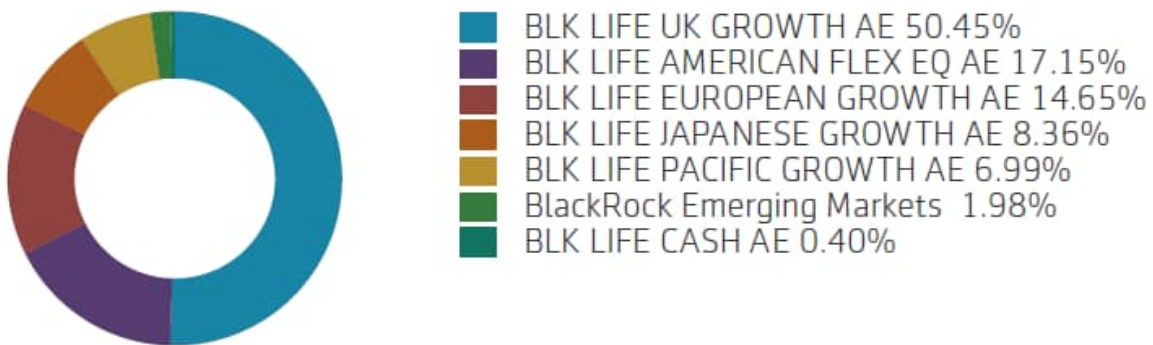


The Designated Global Growth Multi-Asset Fund invests 40% in the BlackRock Market Advantage Fund, 30% in the LGIM Diversified Fund and 30% in the BlackRock 30/70 Global Equity Index Currency Hedged Fund.

AEGON BlackRock 50/50 Global Growth Fund

The Aegon BlackRock 50/50 Global Growth Fund is a self-select standalone fund that invests mainly in UK equities (around 50%) and overseas equities (around 50%). The overseas equities are split between geographical regions in fixed percentages. As at 31 December 2022 the underlying asset allocation was as follows:

Capital allocation



Source: AEGON

Climate scenario modelling approach

Climate scenario narratives

Investment and Funding Climate Scenario Analysis Assumptions:

	Rapid Transition	Orderly Transition	Failed Transition
Summary	Sudden divestments in 2025 to align portfolios to the Paris Agreement goals have disruptive effects on financial markets with sudden repricing followed by stranded assets and a sentiment shock.	Political and social organizations act quickly and predictably to implement the recommendations of the Paris Agreement to limit global warming to below 2°C.	The world fails to meet the Paris Agreement goals and global warming reaches 4.3°C above pre-industrial levels by 2100. Physical climate impacts cause large reductions in economic productivity and increasing impacts from extreme weather events.
Temperature change	Average temperature increase stabilises at 1.5°C around 2050.	This scenario includes additional economic damage consistent with 1.8°C of average temperature rise – peaking in 2070.	Expected increase of 4.3 °C, with a high-likelihood range of an increase between 3.4°C and 5.6°C by 2100.
Cumulative emissions	c400 GtCO ₂ (2020-2100)	The additional damage under this scenario could be associated with further human emissions or greater impacts from feedback loops and tipping points.	c5,000 GtCO ₂ (2020-2100)
Key policy & tech assumptions	An ambitious policy regime is pursued to encourage greater decarbonisation of the electricity sector and to reduce emissions across all sectors of the economy. Higher carbon prices, larger investment in energy efficiency and faster phase out of coal-fired power generation. This is earlier and more effective under a Rapid Transition than the Orderly Transition, which allows for less investment in energy efficiency and bioenergy with carbon capture and storage.		Existing policy regimes are continued with the same level of ambition.
Financial climate modelling	Pricing in of transition and physical risks of the coming 40 years occurs within one year in 2025. As a result of this aggressive market correction, a confidence shock to the financial system takes place in the same year.	Pricing in of transition and physical risks associated with 1.5°C up to 2050 takes place over the first 4 years. The additional damage, beyond 1.5°C, impacts asset performance on a year-by-year basis with no advance pricing in.	Physical risks are priced in two different periods: 2026-2030 (risks of first 40 years) and 2036-2040 (risks of 40-80 years).

	Rapid Transition	Orderly Transition	Failed Transition
Physical risks considered	Physical risks are regionally differentiated, consider variation in expected temperature increase per region and increase dramatically with rising average global temperature. Physical risks are built up from: Gradual physical impacts associated with rising temperature (agricultural, labour, and industrial productivity losses) Economic impacts from climate-related extreme weather events Current modelling does not capture environmental tipping points or knock-on effects (e.g., migration and conflict).		

Source: Mercer and Ortec. Climate scenarios as at September 2022.

The return impacts of the climate scenarios represented in this report are relative to the 'baseline'. The baseline represents what we are assuming the market is currently pricing in. The baseline includes a 10% weight to a **Failed Transition**, 40% weight to an **Orderly Transition**, 10% to a **Rapid Transition** and 40% to a range of **low impact scenarios**.

Limitations associated with climate modelling

Climate scenario modelling is a complex process. The Trustee is aware of the modelling limitations. In particular:

1. The further into the future you go, the less reliable any quantitative modelling will be.
2. There is a reasonable likelihood that physical impacts are grossly underestimated. Feedback loops or 'tipping points', like permafrost melting, are challenging to model particularly around the timing of such an event and the speed at which it could accelerate.
3. Financial stability and insurance 'breakdown' is not modelled. A systemic failure may be caused by either an 'uninsurable' 4°C physical environment, or due to the scale of mitigation and adaption required to avoid material warming of the planet.
4. Most adaptation costs and social factors are not priced into the models. These include population health and climate-related migration.
5. New and emerging risks, such as the impact of climate change on biodiversity loss, and vice versa, is expected to be integrated into climate scenario modelling over time once the supporting science and impact on econometrics and finance is better understood.
6. At present it is difficult to model the subsidiaries and related entities of the underlying exposures.

Mortality Analysis

Assumptions

The mortality outcomes under any climate scenario are impossible to accurately predict and will depend on complex interactions between the various direct and indirect factors discussed in this report. However, in order to model possible outcomes for the given climate change scenarios, four paths have been considered for future mortality long term trends and combined for the three scenarios put forward as follows:

- (A) A very high improvement in longevity: 3% pa
- (B) A high improvement in longevity: 2.25% pa
- (C) A low improvement in longevity: 0.75% pa
- (D) A substantial deterioration in longevity: -1% pa with no age-related taper at older ages.

Note that in the 31 December 2021 valuation assumptions we assumed improvements that trend to 1.50% pa

For each of the scenarios set out in this report we have considered what the potential implications would be for future longevity improvements, based on a weighted average of the 4 potential outcomes noted above. These are:

		(A)	(B)	(C)	(D)
1.5°C Rapid Transition	The potential increases in longevity from healthier lifestyles are restricted. This is caused by economic and societal disruption – less money available for healthcare spending as a result of rapid policy shifts towards climate policies in the short term	-	50%	40%	10%
< 2°C Orderly Transition	Increases in longevity result from the healthier lifestyles followed as a by-product of the need to reduce meat consumption, a more active lifestyle and better air quality	45%	45%	10%	-
4°C Failed Transition	Improvements in longevity flatline as a combination of a general decline in living standards over time, increased air pollution and higher food prices.	-	10%	45%	45%

Alternative views on the likely longevity impacts in each scenario could be justified (e.g. on the likely level of economic disruption).

The liability impact calculations are based on the membership data and assumptions used for the 31 December 2021 valuation updated for financial conditions at 30 September 2022. In particular:

Discount rate: 4.15%

RPI inflation: 3.83%

CPI inflation: 2.88%

Pension increases (RPI minimum 0%, maximum 5%): 3.42%

Mortality assumption: 103%/107% (males/females) of SAPS Series 3 Normal Health mortality tables based on year of birth. CMI 2021 projections with a 1.5% pa long term trend, default smoothing parameter of 7.0, an initial addition of 0.5% pa to the long term trend and 5% weighting to 2020 and 2021 experience data.

For the purpose of the mortality impact calculations the 5% weightings to 2020 and 2021 experience data have been removed.

Limitations

Although the projections in this paper serve to illustrate the potential variability in future mortality rates due to climate change, they are subjective and arguments could be made for different outcomes. They represent beliefs which are intended to form the basis of a discussion with the recipient of this paper and it is right that they should be debated.

Detailed analysis of the drivers of mortality carried out by our actuary, WTW's Insurance Consulting and Technology business, indicate that climate change and the resulting policy responses are not currently expected to have a material impact on the future path of UK longevity, with these impacts much more concentrated on populations in other geographies. However, the indirect effects of climate change and the transitional risks on economic, social and health factors would appear to have a potentially more material impact on longevity and could potentially lead to similar changes in mortality improvement trends as those observed over various periods during the past 50 years, supporting the belief that climate change represents a demographic risk to be managed by pension schemes and their sponsors.

In preparing this material our actuary, WTW, have considered scenarios for climate change that have been specified by our Investment Adviser, Mercer, which have also been used to separately illustrate the potential variability in financial conditions and how this may impact the assets and liabilities of the Plan. WTW have relied on the descriptions of the scenarios provided by Mercer to form a view on how these scenarios for climate change could potentially affect the longevity of the members of the Plan in the future. To do this, WTW have compared the scenarios provided with those they have considered in more detail before, including, for example, WTW's proprietary scenarios for climate change. If further information on the scenarios were to be provided, it is possible that a different conclusion could be reached on their likely impact on future longevity.

There may be impacts on other demographic assumptions and/or members' behaviour (in addition to the impact on mortality considered in this paper) as a result of direct or indirect climate risks which could be material to the Plan. For example, there could be a scenario where there is a flight to pension and members stop taking cash lump sums at retirement. This has not been explored further at this stage.

Climate metric analysis

Data sources

Methodology – Data Coverage and scaling (DB Section)

Many of the mandates do not have complete coverage of emissions data; this may be because some companies do not yet measure and report their emissions.

We don't recommend for absolute emissions you only report a figure covering the % of the portfolio that there is coverage for. This essentially assumes 0 emissions for the portion of the portfolio for which there is no coverage.

Therefore the portion of the portfolio for which there is coverage is scaled up, to estimate an absolute emissions figure to cover 100% of the portfolio.

Methodology – Data Quality (DB Section)

The stocklist received from the manager is analysed, and only the equity, corporate bonds, and/or sovereign portions are kept. The remainder asset classes, such as cash and derivatives, are removed from the portfolio.

The resulting stocklist is cross referenced vs MSCI's database to obtain data for the holdings. Not all positions are covered by the tool at this time.

The metrics for the DC sections have been obtained directly from the investment managers. The methodologies, caveat and limitations are as set out within the footnotes of the DC metric data tables.

Scope of emissions

Only Scope 1 and 2 emissions data has been included in this report except where noted. This means that for some companies the assessment of their carbon footprint could be considered an understatement.

Data coverage

Data coverage refers to the proportion of an asset in which the various climate-related metric data is available. There are gaps in the data as:

- Some public listed companies are not publishing climate-related data or are providing poor quality data. This is relevant to public equity and corporate bonds. Obtaining data for emerging market equity and debt can also be challenging due to general disclosure and transparency challenges.
- Many private companies do not currently produce climate-related data and coverage for private markets, such as private equity and private debt, will be low, or zero for mature funds.
- Sovereigns, or governments, may not publish climate-related data in the public domain. This is a particular challenge for emerging market debt. For UK government debt, data is available but there is a delay in the data being published.
- Short-term instruments, such as secured finance assets, have limited data available due to the short-term nature of the individual assets.
- For the long dated property portfolio, the occupiers of the buildings in the portfolio have full operational control and there are no Scope 1 or 2 emissions associated with the investments. The asset managers are looking to improve the collection of Scope 3 emissions data – this includes occupier activities where they have direct utility supplier contracts.

Important notices from data providers

Mercer

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MSCI

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Ortec Finance

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