

AB InBev UK Pension Plan: Defined Benefit Section (The DB Plan)

Statement of Investment Principles (the DB SIP): 7 August 2023

1 Introduction

- 1.1 The Trustee has produced a Statement of Investment Principles in accordance with Section 35 of the Pension Act 1995, and subsequent legislation.
- 1.2 The Trustee has established an Investment Sub-Committee (the ISC) (with documented terms of reference) to make investment recommendations to the Trustee, or, if required, to take decisions on behalf of the DB Plan.
- 1.3 The ISC is responsible for proposing to the Trustee Board an investment plan covering, inter alia, the overall asset allocation, any further allocation within each asset class, including, where relevant, the allocation to geographic regions, and, the evolution of these metrics by year.
- 1.4 Day to day management of the assets is delegated to professional investment managers.

2 Investment objectives, and risk

- 2.1 The investment objective of the DB Plan is to be fully funded on a technical provisions basis, as outlined in the relevant valuation, by 31st December 2026.
- 2.2 An underlying aim is that the investment plan is aligned with the Technical Provisions, (as referenced to the 2015 De-Risking Agreement), and the Recovery Plan out-performance assumption, such that the investment plan takes no more risk than the implied risk in those assumptions.
- 2.3 The discount rate used in the 2021 Valuation is 1.42%; this a single equivalent rate of 1.05% derived from WTW's gilt market interest curve plus an equity risk premium of 2.5% points on a 15% allocation to equity (in effect, gilts plus 37.5 basis points).
- 2.4 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 c0.45% points per annum – see paragraph 4.5 below.

3 Risk and Financial Market Risk Management

- 3.1 The principal financial risks that the Plan is exposed to are:-
 - covenant risk as the DB Plan ultimately relies on the AB InBev SA (the ultimate parent Company) for future funding
 - interest rate risk
 - inflation risk
 - return from growth asset risk, including credit risk on corporate bonds
 - mortality risk in terms of revised forecasts, being greater than the prior Valuation assumption

3.2 At the December 2021 Valuation the DB Plan had liabilities of £1,248m, assets of £957m and a deficit of £(291m)

3.3 So as to agree a “longer-term” Recovery Plan, the employer’s parent company (AB InBev SA, and other relevant companies in the Group) provided a Company Guarantee, in PPF format, of up to £800m, which can be called if any payments by the sponsoring employer are not made

3.4 As such, the Trustee relies on AB InBev SA to support the Plan, and annually reviews the Company’s covenant

3.5 The Plan is exposed to financial market risk in terms of both the liabilities and the assets, some, but not all risks, are listed below:-

3.5.1 In terms of liabilities, the key risks are that, as compared with the Valuation assumptions, interest rates may fall, and inflation may be higher, such that future estimates of the liabilities are increased

3.5.2 Unless, the assets increase by an offsetting amount this would lead to an increase in the deficit

3.5.3 In terms of growth assets, the key risk is that they do not achieve the returns forecast in the Valuation, and the Recovery Plan

3.5.4 If growth assets did not achieve the required return, or declined in value, and there was no offsetting change in the liabilities, this would lead to an increase in the deficit

3.6 The DB Plan aims to manage the above risks by investing in indexed linked gilts, and aims to at least match the duration of the DB Plan’s liabilities with the duration of the Plan’s bond holdings; but the DB Plan’s equity holdings (as described in paragraph 3.5.4) remains exposed to equity market risk; and, on that part of the liabilities represented by the deficit, the DB Plan is exposed to interest rate risk, inflation risk, and equity market risk

3.7 Interest rate and inflation risk are addressed via the Plan's hedging strategy. The aim is to have interest rate, and inflation hedge ratios, at a similar level to the Plan's funding ratio, and to increase each hedging ratio as the funding level improves.

4 Defined Benefit Plan – Asset Allocation

4.1 As proposed by the Company, the Trustee has agreed to manage the Plan’s assets based on the following principles:-

- Simplicity : restricted asset classes, a limited number of managers and custodians with a clear understanding of the mandates and risks
- Transparency : invest only in asset classes that are publicly traded
- Liquidity : redemption periods of less than a week
- Results : consistently earn the market return while minimising costs

- 4.2 Based on these pillars, and, at the same time, aligning with the Valuation's discount rate assumptions, the Trustee has agreed an initial Asset Allocation of 85% in bonds and 15% in equities
- 4.3 Within equities, the central split between UK and overseas equities is broadly 30-35% UK, and 65-70% overseas
- 4.4 During the Recovery Period the forecast is to achieve investment out-performance of 0.45% points per annum based on an asset allocation, during that period, of 30% corporate bonds, 15% equities, and 55% gilts, so the Strategic Asset Allocation (SAA) in the Recovery Plan period is 15% equities, 30% corporate bonds, 55% gilts.
- 4.5 Post the Recovery Plan the SAA is, for the time being, 15% equities, 80-85% gilt, predominantly indexed linked gilts, with a small allocation to conventional gilts, based on the % allocation to fixed bonds as set out in any Liability Benchmark Portfolio work. The SAA can be amended, at any time, so long as the asset allocation generates a return of gilts plus 37.5 basis points.
- 4.6 Where practical, overseas assets are to be 100% hedged to sterling
- 4.7 If the funding level improves, above that forecast in the Valuation, the Trustee will look to reduce investment risk by switching funds from equities to bonds; such "de-risking" moves will be a one-way only process, and the DB Plan will not re-risk.
- 4.8 Notwithstanding the asset allocation above the Trustee can take tactical views for as long as they consider appropriate.
- 4.9 In implementing the asset allocation, the Trustee notes the following preferences highlighted by the Company:-
- Investment in passive mandates
 - No investment in balanced mandates
 - Pension assets should be listed and liquid
 - No leverage should be made
 - Plan will not make any direct investments in AB InBev SA or its associates
 - Where possible the Plan should hedge all currency back to sterling
 - Derivative positions to be used only for hedging of currency, interest rates, and inflation risks. Trustees agree to liaise with the Global Treasury prior to implementing any strategies with derivative exposure.

5 Management of the assets

- 5.1 All day to day investment decisions are delegated to properly qualified and authorised pension fund managers.
- 5.2 The manager for the DB Plan is Legal and General Investment Management (a passive manager); the DB Plan is invested in pooled funds.
- 5.3 The safe custody of the assets is delegated to the Legal and General custodian.
- 5.4 The Trustee will always take proper written advice from an authorised investment consultant before appointing an investment manager.

6 Socially responsible investments

- 6.1 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.
- 6.2 In practice, any detailed policy would be difficult to implement, and manage, so the Trustee relies upon Legal and General in these areas, and the reporting provided by Legal and General.
- 6.3 The Trustees do not actively canvass members to ascertain their investment views; however, if a member expressed an investment preference the Trustee would consider the implications, if any.
- 6.4 The Trustee has prepared a report to satisfy the regulations regarding to the Taskforce for Climate-Related Financial Disclosures (TCFD). This is available at <https://abinbevukpensionplans.com/tcfd>

7 Corporate Governance

- 7.1 The Trustee wishes to encourage best practice in terms of Stewardship.
- 7.2 As the Plan's assets are managed in pooled arrangements, the Trustee accepts the assets are subject to the investment manager's own policies on corporate governance. However, the Trustee may, where possible, instruct our passive manager to vote as the Trustee may wish on a particular asset.
- 7.3 The Trustee believe Legal and General are active in their pursuit of sound governance, and the Trustee receives Legal and General's quarterly and annual ESG reports. The Trustee reviews LGIM's 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.
- 7.4 The Trustee is satisfied that the policy above corresponds with their responsibilities to the beneficiaries, and in doing so is consistent with the guidelines set down by the UK Stewardship Code.

8 Investment Manager Appointment, Engagement and Monitoring

- 8.1 The Trustee appoints investment managers based on their capabilities and value for money. All the Plan's DB assets are managed passively by LGIM and so their perceived likelihood of tracking their relevant indices is a key criterion in selecting this manager.
- 8.2 The Trustee receives performance reports from Mercer on a quarterly basis, which present performance information over 3 months, 1 year and since the last actuarial valuation. The manager also provides reports, which cover performance, governance and transaction information. The Trustee reviews the absolute performance and relative performance against a suitable index used as the benchmark. The Trustee's focus is primarily on long-term performance but short-term performance is also reviewed.
- 8.3 If the manager is not meeting performance objectives, or their investment objectives for a fund have changed, the Trustee will review the fund appointment to ensure it remains appropriate and consistent with the Trustee's wider investment objectives. The Trustee regularly reviews

the manager's fees and may ask the manager to review their fees if they are higher than expected.

8.4 As the Trustee invests wholly in pooled investment funds, it accepts that it cannot specify the risk profile and return targets for these funds. However, appropriate funds are selected to align with the overall investment strategy.

8.5 The manager provides portfolio turnover and turnover costs in their reports where applicable. The Trustee does not explicitly monitor portfolio turnover costs across the whole portfolio but on an individual mandate basis. This will form part of the Investment Consultant's manager research assessment.

8.6 The Trustee is a long-term investor and is not looking to change the investment arrangements on a frequent basis.

9 Compliance with the DB SIP

9.1 The Trustee will monitor this DB SIP at least annually at the ISC, and, in any event, at least once every three years at the Trustee Board. The Trustee will obtain written confirmation from the investment manager that they exercised their powers of investment with a view to giving effect to the principles contained in the Statement so far as is reasonably practicable. The Trustee undertakes to advise the investment manager promptly and in writing of any material change to this Statement.

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Approved:
Trustee Trustee

On behalf of the Trustees of the AB InBev UK Ltd Pension Plan November 2023

INVESTMENT SUB-COMMITTEE (the ISC): Terms of Reference

Objectives

- To operate in accordance with the Terms of Reference;
- To monitor all the investments and areas of concern;
- To monitor performance against benchmarks.

Aims

DB section

- De-risk when possible;
- Achieve the asset allocation target;
- Manage cash and investment of contributions;

DC section

- Review, understand and agree the benchmarks for all funds;
Monitor / understand performance of all funds (especially the funds added in 2021);

TERMS OF REFERENCE

- 1 The Investment sub-committee will comprise two or more trustee directors, the UK Pensions Manager and a representative of the Company
- 2 The sub-committee will normally make recommendations to the Trustee Board, and seek Trustee Board approval prior to any investment decision being made; however, in exceptional circumstances, the ISC may take decisions in accordance with paragraphs 10, and 11, below
- 3 The meeting will be quorate with two members, one of whom must be the AB InBev representative
- 4 If the AB InBev representative is not present at any meeting but, provided that the UK Pensions Manager is present, the ISC can meet for the purpose of sharing information and formulating proposals. If at any such meeting, a proposal is formulated, then the Chair of the ISC will explain this proposal to the Company and will obtain the Company's agreement before presenting the proposal to the full trustee board
- 5 The Investment sub-committee will meet regularly, usually once every three months, and at other times as deemed appropriate
- 6 The Investment sub-committee agenda will be published for the whole Trustee Board prior to any Investment sub-committee meeting

- 7 The minutes of the Investment sub-committee will be attached as an item to the papers for the quarterly Trustee meetings. If requested to do so by the Trustee Board, a member of the Investment sub-committee will give a presentation on its activities at the Trustee meeting
- 8 The Investment sub-committee will produce an annual investment report for inclusion in the Trustee's Annual Report and Accounts and a further report for inclusion in the summary report
- 8 At its regular meetings the Investment sub-committee will:
 - 8.1 Put together advice to the Trustee Board on all matters relating to the investment of the assets of the AB InBev UK Ltd Pension Plan (the "Plan");
 - 8.2 Review the performance of the investment managers to the Plan against predetermined targets (to be recommended by the Investment sub-committee and approved by the Trustee Board);
 - 8.3 Review the suitability of the investment managers at least every three years, and to make recommendations on the appointment and removal of suitable managers and advisers;
 - 8.4 Ensure that the investment managers appointed by the Trustee Board are informed of, and follow, the agreed strategies of the Plan;
 - 8.5 Maintain the Plan's Statement of Investment Principles, and ensure that the investment managers comply with it;
 - 8.6 Seek assurance that the Investment managers and the custodians of the Plan's assets are operating in the ways described when selected by the Trustee Board, and that it have proper and adequate systems in place for the recording and safekeeping of these assets and the income there from;
 - 8.7 Undertake such other Investment related responsibilities as may be agreed from time-to-time with the Trustee Board.
 - 8.8 Consider other investment matters of relevance, and report to the Trustee Board as appropriate.
- 9 The Investment sub-committee will tackle ad-hoc financial matters as determined with the Trustee board.
- 10 The Investment sub-committee will, on behalf of the Trustee Board, take any investment-related decisions the sub-committee regard as necessary to be implemented prior to the next full Trustee Board meeting.
- 11 The Chairman of the ISC will execute any tactical decisions requested by AB InBev Treasury in line with the authorities in the appendix to the Guarantee Agreement.

In terms of decisions made under clauses 10, and 11, the Chairman of the ISC will notify all Trustees of any decision and its rationale within 3 working days of such decision.

All decisions, and their rationale, will be explained by the Company at both the following ISC and Trustee meetings.