



YOUR PENSION

AUTUMN 2022



INSIDE

- Our scheme is in better shape than a year ago
- Sustainability is key to our future business



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for details.

IN THIS ISSUE

Chairman's report	3
Who looks after your pension?	6
Our sustainability progress	8
Your questions answered	10
Financial report	11
Financial healthcheck	14

If you need to change your personal details,

such as your address or other information, please contact:

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Here to help

Who	What	Where
Money and Pensions Service (MaPS)	Free and impartial money and pensions guidance, backed by government	www.maps.org.uk 0800 138 7777
CAB (Citizens' Advice Bureau)	Independent and impartial advice on a wide range of subjects	www.citizensadvice.org.uk local bureaux around the country
Pension Tracing Service	Help with finding a lost pension	www.gov.uk/find-pension-contact-details 0800 731 0193
MoneyHelper	Find an independent financial adviser	www.moneyhelper.org.uk 0800 011 3797
Gov.uk	Find out what benefits you may be entitled to	www.gov.uk/browse/benefits www.gov.uk/browse/working
Gov.uk	Check how much state pension you could get	www.gov.uk/check-state-pension

Your Pensions Manager is Mark Winfield

- Bureau, 90 Fetter Lane, London EC4A 1EN
- The team's mailbox is pensions@ab-inbev.com

Taking action against a sea of troubles

Writing this in early May, the worst pandemic for 90 years seems to be less virulent, and life and work have been returning to something like normal, says *David Coldwell* (pictured, right), *Chairman of the Trustee Company*.

The damage to many people's lives, jobs and finances has been terrible, and the national economy will take decades to make

a recovery.

Putin's war on Ukraine is the next shock to the system, when most of us believed that national belligerence on this scale was in the distant past.

We cannot know the full consequences yet, but the spread of war seems likely.

For sure, we are all being affected by much higher costs and supply shortages, with inflation now at its highest level in 40 years, and the cost of living is a



painful issue for many families.

What are pension schemes and their trustees needing to do, faced with this damage? →



It's going to take decades for the national economy – and individuals' lives, jobs and finances – to recover from the covid pandemic.

← In our case, we are continuing with our low-risk investment strategy, while monitoring the health of the company that supports our scheme – ABInBev SA.

Chris discusses the investment part of this in his report on pages 11-13.

Our assessment of the company is that it's very strong and stable.

During the pandemic, the geographic spread of the company's operations showed its diversity.

Some markets in effect

closed for months on end, while others relatively prospered.

The actions our company took in its Russian and Ukrainian business was decisive and correct, with priority given to its people in Ukraine, and the exit from its Russian joint venture.

Those with a final salary section pension have the advantage of a good element of inflation protection, albeit capped at five per cent a year.

The last increase at

4.9 per cent didn't quite hit this cap.

This protection is seldom available in pension schemes available to the workforce nowadays.

Your pension scheme is in better shape than a year ago, and work has begun on the three-yearly valuation to confirm this.

At the end of 2021, our approximate funding position was 77 per cent, with an agreement with the company that it will make payments into the scheme to plug the remaining gap

by the end of 2026. We will continue to de-risk the scheme during this time.

We retain the guarantee from the company for up to £800 million, as additional security.

Your trustees believe your pensions are secure and in good shape.

While the covid and Ukraine worries have dominated concerns, what may be the greatest long-term concern of all – climate change – continues.

The Financial Conduct Authority and the Pensions Regulator expect pension trustees to report what action they are taking to address this problem.

We will need to report our thinking and make progress on this by July next year.

“Your pension scheme is in better shape than a year ago”

All our investments are in pooled tracker funds with Legal and General, which is widely regarded as a global leader in engaging with company boards on their environmental measures.

Your trustees are not

complacent about this, but we believe “index tracking with active engagement” will have the desired effect of reducing our carbon footprint steadily over the next 25 years. We will report more on this next year.

It has been a busy year for trustees, and there have been several changes on the team.

Arthur Hodgson retired after 17 years in the role, and new trustees have been appointed.

My thanks to all the trustees for giving up their time for this vital role, and also Mark and our advisers for all they do.



Putin's war on Ukraine is the latest shock to the system, leading to inflation in the UK that is at its highest level for nearly half a century.

Income and expenses during 2021

Money paid into the plan:

- £52.58m contributions from AB InBev

Money going out:

- £27.48m paid in members' benefits
- £11.4m transfers to other pension schemes

Fund at 31 December, 2021 – £956 million (excluding AVCs and other assets)

We have . . .

At the end of 2021, we had a total of 2,027 pensioners and 2,231 deferred members.

That's an increase of 88 pensioners compared with the year before.

Who looks after your pension fund?

An expert and tightly-regulated team of people works in the background to make sure that your ABI pension is the best it can be. Ian Williams introduces everyone involved.



Ian Williams
Key Account
Manager

In house, we have our trustees ...

David Coldwell (chair)
former finance director for
Whitbread/Interbrew

The **trustees** hold meetings at least once a quarter.

Chris Williams
former strategic planning
director for the UK

An **investment sub-committee**, chaired by Chris Williams, meets four times a year to review investment performance. Its key role is to ensure that the money is invested appropriately, so that every member gets his or her full benefit.

Mike Cass
former director of finance

An **administration sub-committee**, chaired by Chris Degg, meets the external administration companies twice a year, to check the level of service they provide.

Jim Calvert
former commercial
director

A **communications sub-committee**, chaired by Jim Calvert, aims to help everyone better understand their pension.

Chris Degg
former HR manager,
supply operations

Other sub-committees – **funding, governance, accounts, death benefits, cyber** – meet from time to time.

Adam Smith
National Account Manager

Externally, we have our advisers ...

WTW provides our plan's administration and actuarial services. You should contact them directly if you have any questions about your pension benefits or your monthly pensions. WTW's actuarial service's key role is to calculate the value of anticipated liabilities, so a funding plan can be agreed to ensure that all members' pension benefits are paid in full. WTW also provides payroll services for us, paying out monthly pensions.

Mercer gives us specific investment advice.

LGIM is one of the largest fund managers in the world, and is responsible for all our investments.

RSM provides us with an annual audit of the total ABI plan, ensuring that all benefits have been paid correctly

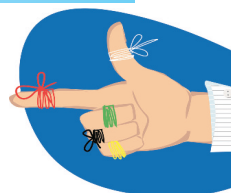
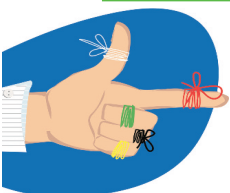
And your Pension Council members are ...

Graham Kantorowicz
Bob Coleman
Christine Glass

Ian Williams
Paul Fowler
Paul Brennan

Caroline Ball
Shaun Lillis
Dave Gibson

BBG also has its own in-house pensions team, of **Mark Winfield** and **Adrian Marchant**. You can contact them at pensions@ab-inbev.com



Sustainability is key

Sustainability is one of the key areas of focus in ABI's commercial strategy. A chief sustainability officer – Ezgi Barcenas – has been appointed to spearhead the drive. We look at just a few of the actions being taken around the world.



Water stewardship

We are helping restore ancestral water channels and infiltration systems around the Rimac aquifer in Peru.

This aquifer is vital to our Backus team and to more than 11 million people in the capital, Lima, but it is under growing stress from increased demand and climate change.

So far, we have helped restore nearly 13 km of the water channels, and trained 121 local residents in their management.



Sustainable agriculture

SAB is part of a project to create an innovative artificial wetland at one of its breweries.

The project treats brewery effluent, and uses the water and nutrients to irrigate a sustainable crop of spinach for a local grower. The system has enough nutrients to eliminate the need for extra fertilisers and water.

The spinach beds reduce the nutrient concentration, so about 90% of the water can be recovered and reused in the brewery.

We use reverse osmosis (energy-efficient desalination technology) at nearly 80 of our facilities around the world.

We have our first carbon-neutral breweries in Wuhan, China, and Ponta Grossa, Brazil, and our first carbon-neutral malthouse in Passo Fundo, Brazil.

Satellite imagery and weather data in our SmartBarley platform meant our agronomists could still provide support to farmers, remotely, during the pandemic.

We aim to be net zero across our value chain by 2040

2025 → 2030 → 2040

Catalysing action across our supply chain

- Reset short-term target
- Scale energy efficiency and renewable thermal energy solutions
- Scale renewables in retailers
- Accelerate low-carbon packaging solutions
- Implement Green Logistics
- Cascade regenerative agriculture practices

Creating a sustainable future

- Advanced agtech solutions
- Alternative fuel fleet
- Integrated solutions with suppliers
- Innovative cooling solutions at scale
- Nature-based solutions for remaining emissions

2025 goals on track

- 100% renewable electricity
- 35% absolute Scopes 1 and 2
- 25% across value chain
- 100% packaging in returnables or made from majority recycled content
- 100+ Accelerator identifying breakthrough solutions
- Launched supplier-collaboration platform Eclipse
- Three carbon-neutral facilities as best practice

Circular packaging

Corona is the first global beverage brand with a net zero plastic footprint, meaning that it recovers more plastic from the environment than it releases.

It combines a reduction in plastic usage via product redesign with removal of plastic waste from nature.

Corona has invested in a Mexican facility that recovers and recycles hard-to-recycle plastics, and challenges entrepreneurs to find new ways to cut more plastic from the supply chain.

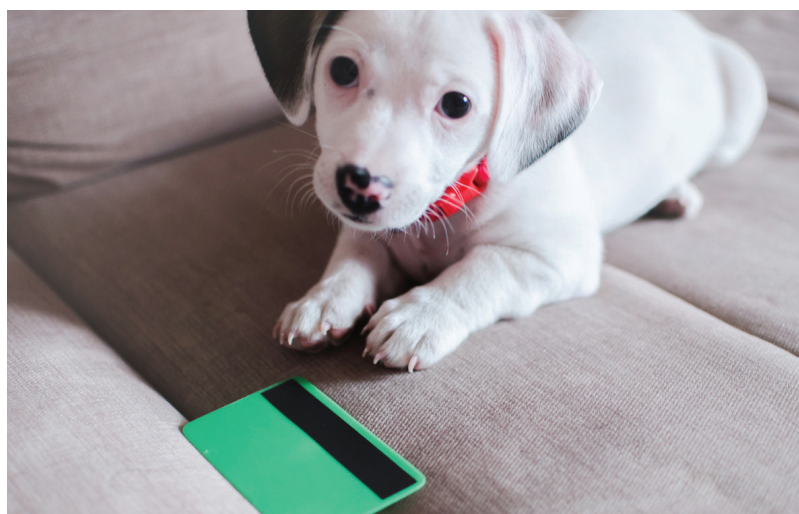


In the US, Anheuser-Busch joined Mothers Against Drunk Driving (MADD) and Uber to encourage consumers never to drive drunk.

“The future of business and of the planet is inclusive. It is nature-based. It is local. “We are proud to lead the way to that future. “It means more

sustainability, more innovation, more inclusivity, more natural ingredients, more local impact, more prosperity for all.” Michel Doukeris, ABI's CEO.

Your questions answered



This pup shouldn't bank on inheriting...

Dog's dinner

I believe that the Trustee must follow my instructions on an expression-of-wish form (if there are funds that need to be paid out when I die).

I want to nominate my parents' dog. Is that OK? [Ed: we didn't ask further questions at this point]

The Trustee would normally try to follow your wishes, but would be unlikely to be able to do so in this case, not least because they'd need details of the dog's bank account.

It's a most interesting question, and by no means the most bizarre that we've ever seen!

If the cap fits . .

If inflation is 6%, are the final salary scheme pension increases capped?

Yes, pension increases in payment are capped at 5%.

For the majority of members, the new increases apply from 1st February each year.

Cybercrime risk

With the war in Ukraine, is there an increased risk of cybercrime against our pensions?

Our administrators and investment managers are aware of possible extra risk.

We've contacted each of them and confirmed that

they have put increased preventative measures in place. None has yet reported any concerning activity.

RIP to RPI

Does the proposed change, in 2030, of aligning RPI with CPIH, mean that pensions will not increase by as much? If so, will the company look to increase by more?

Yes, pension increases in payment will most likely be lower. It is highly unlikely that the company will look to increase pensions above those set out in the plan rules, as that would increase the liabilities/deficit.

It's been a year of events, and yet more events



Harold Macmillan was asked, as prime minister, what he considered the greatest influence on his administration, *writes Chris Williams (pictured), Chairman of the Investment Sub-Committee.*

"Events, dear boy, events," he replied.

It seems largely irrelevant to write about 2021 in light of recent events in Ukraine.

Nevertheless, as at the end of December 2021, the invested portfolio was around £956m, and over the year, achieved a return of around 4% (see table 3).

Background

Successful covid vaccine trials, plus continued fiscal stimulus and "easy" monetary support in most advanced economies, allowed a faster-than-expected recovery.

Then came supply-chain bottlenecks, labour shortages, and sharp rises in energy prices, all

propelling inflation to levels not seen for many years.

Inflation concerns led to increased volatility.

Here, the Bank of England initially persevered with its view that price pressures were temporary but then seemed to get real about the obvious inflation threat and raised the bank rate from 0.1% to 0.25% – the first increase for more than three years.

2021 was a strong year for most world equity markets, with the FTSE All World Index increasing by around 20%.

In terms of regions, as shown in table 1, the US market, up 28%, was the star performer, due mainly to its successful large technology companies.

The UK picked up somewhat and delivered a respectable return of around 18%.

Broadly, performance in 2021 was on a steady upwards trend.

The UK had a couple of downturns, of around 3% to 4%, while the US →

Table 1 Major world equity markets

2021 return	Local currency return %	Sterling return %
FTSE All World	21.4	20.0
FTSE USA	26.8	28.0
FTSE Asia Pacific (excl Japan)	1.6	-0.1
FTSE Japan	14.5	2.5
FTSE Europe (excl UK)	24.4	17.6
UK FTSE All Share	18.3	18.3

Table 2 Interest rates – % per year

Yields	% per annum Dec 2017	% per annum Dec 2018	% per annum Dec 2019	% per annum Dec 2020	Dec 2021
Base rate	0.50	0.75	0.75	0.01	0.25
Over 15-year gilt index	1.68	1.76	1.26	0.67	1.34
Over 5-year gilt index	-1.64	-1.59	-1.83	-2.35	-2.29

← market kept edging forward.

Background – UK gilts and interest rates

There were signs in 2019 that, in terms of our pension fund, we might be starting to see higher interest rates and a more “normal” structure to them.

But covid violently reversed that in 2020.

In early 2021, the trend was to higher rates, but once again things reversed in the second half and we ended 2021 with rates trending lower.

The 20-year gilt yield opened 2021 at 0.73%. By late June it was 1.39%, but it then fell, reaching 1.23%, at the end of 2021.

Although substantially higher than the opening rate, it's still very low, and rates moved lower still

towards the year end.

Over recent years, economic activity has been sustained by quantitative easing (printing money).

The textbook next step is to unwind this process, thus raising interest rates.

This seemed set to start, albeit very slowly, in the first quarter of 2022.

But Russia changed all that, and the future path of interest rates is now very unclear.

During 2021, the 15-year gilt yield increased by a major amount of 0.67% points, from an eye-watering low, to 1.34%, while real interest rates improved by a tiny amount.

Both are still horror inputs into the valuation of pension scheme liabilities.

Portfolio activity

During the year, we

received around £52m from AB InBev, of which around £22m was used to pay current outgoings,

The balance was invested: £15m in our long corporate bond fund, and £15m in a single-stock 2055 index-linked gilt.

Our overall target asset allocation remains at 15% in equities and 85% in bonds; at the year end, we were close to target.

Table 3 shows the portfolio at the end of 2021.

Comments

Index-tracking funds

All our funds are passive index-tracking funds, where possible fully currency hedged.

All performed broadly in line with the relevant index.

Bonds

Over the year, bond fund returns were: over 5-year index linked gilts +4%; over 15-year index-linked gilts +4%; US corporate bond fund -2%; UK short corporate bond fund -3%; UK long corporate bond -6%; and our cash fund +0.1%.

We maintained our overweight position in short-term corporate bonds. If/when long-term

Table 3

December 2021	£m	Year end %	Estimated return %
Equities	153.4	16.0	20.6
UK	34.6		18.3
US	65.2		26.3
Europe	27.3		24.5
Pacific Rim	19.0		6.5
Emerging markets	7.3		11.6
Bonds and cash	803.1	84.0	1.5
UK short corporate	132.7		-3.2
US corporate	121.6		-2.4
UK long corporate	22.6		-5.8
Over 5-year index-linked gilts	184.3		4.2
Over 15-year index-linked gilts	323.5		4.0
2055 index-linked gilts	14.4		n/a
Cash/liquid funds	4.0		0.1
Portfolio	956.5	100.0	4.0

* Based on mid-market values as at 31 December 2021. Figures may not sum or reconcile, due to rounding and portfolio changes during the year; portfolio returns are estimates.

interest rates increase, we would look to move funds into our longer-term index-linked funds.

Equities

It was a strong year for equities, particularly the US.

Returns were: US +26%; Europe +25%; UK +18%; emerging markets +12%; and Asia Pacific +7%.

We began 2021 with

£127m in equities, made no additions or withdrawals, and by December 2021 the fund had risen to £153m, compared with a low of around £90m in March 2020.

Minimising risk

A crucial part of our investment strategy is our hedging strategy against future changes in interest

rates, and/or inflation.

At the start of 2021, we were around 60% interest-rates hedged, and around 70% inflation hedged.

By the end of the year, we were around 75-80% funded, interest rate hedged around 70-75%, and inflation hedged around 80-85%.

By December 2026, we hope to be 100% funded, and 100% hedged.

Ukraine

Following strong 2021 equity markets and static-to-declining interest rates, 2022 began with weaker equity markets and rising interest rates, which were then compounded by the Russian invasion of Ukraine.

The FTSE fell by 4% to 8%, while interest rates and inflation forecasts increased by around 30% points.

Volatility is the order of the day.

Summary

2021 was a strong year for equities, a “not quite” year for interest rate increases, but a year when inflation came to the fore, and looked like a future problem.

Funding and hedging ratios were improved.

It's time for our financial health check

Each year, we are required to update you on the financial health of the final salary section of the plan.

Remember that, in the final salary section, individuals do not have their own pension pots – there is one common fund from which all members' benefits are paid.



How do we work out what money the plan needs?

Every three years, the plan's actuary estimates how much it will cost to provide the benefits that members have built up in the plan.

This means making assumptions about inflation, future investment returns, and members' lifespans.

The valuation takes each member's pension and works out how much this might cost to provide.

The total for all members (the plan's liabilities) is compared to the plan's assets, giving the overall

December 2018 (December 2015 figures in brackets)

The plan's assets were valued at	£685.1m (£587.9m)
The value of the liabilities was	£1,132.6m (£1,012.9m)
This means there was a shortfall of	£447.5m (£425m)
Funding level on an on-going basis (assets as a percentage of liabilities)	60.5% (58%)

funding level.

Where the liabilities are greater than the assets, the difference is the funding deficit.

The Trustee must come to an agreement with the company about its future contributions to clear this deficit.

The plan actuary is now working on the triennial valuation, as at 31 December 2021.

Results of this will not be available until much later this year, so on these pages we are repeating the figures as at 31 December 2020, which are the last official figures available.

What is the plan's financial position?

The three-yearly valuation, as at 31 December 2018, is shown in the table above.

It was disappointing to see that, despite the plan's assets increasing by nearly £100m, the continued drop in gilt yields caused the deficit to grow as the increase in liabilities exceeded the growth in assets.

The funding ratio did improve, however.

In 2019 and 2020, the yields on government bonds reduced to record low levels – so the value of the plan's liabilities has risen by more than £218m since

December 2020

The plan's assets were valued at	£901.8m
The value of the liabilities was	£1,350.8m
This means there was a shortfall of	£449.0m
Funding level on an on-going basis (assets as a percentage of liabilities)	66.8%

the end of 2018.

However, performance of our assets along with contributions from AB InBev meant that our assets increased by almost the same amount, thus keeping the deficit broadly the same.

The funding ratio rose from 60.5% to 66.8%.

What is the company doing about the deficit?

The company and the Trustee agreed a substantial programme of contributions to address the deficit by the end of 2026.

You will note that all contributions are to be made by 30 June 2026, highlighting the company's commitment to get the plan fully funded.

Is there enough money to provide my full benefits if the plan were wound up?

The 2018 actuarial valuation showed that, if the plan were to wind up (ie buy annuity contracts from an insurance company to provide the benefits earned to date), its assets of £685.1m would have been around 47.5% of the estimated cost of £1,440.8m of securing the benefits.

On this basis, the deficit would have been £755.8m, which is less than the guarantee of £800m.

Buying annuity contracts is likely to be relevant only if the plan were to wind up, since the costs (of securing the annuity contracts,

administration costs and the insurance company's profit margin) charged by insurance companies for these contracts are high.

The company has expressed no intention of winding up the plan in the foreseeable future.

What happens if AB InBev UK Ltd goes bust?

In our previous editions of this newsletter, we have described the valuable guarantees provided by the AB InBev group of companies.

If this guarantee were to fail, members of the plan would be eligible to receive compensation from the Pension Protection Fund, established to protect members of UK final salary pension schemes.

You can find more details by logging on to pensionprotectionfund.org

To tackle the pension fund deficit, AB InBev will pay:

- £36.7m by 31 January 2023, 2024, 2025 and 2026
- £7.3m by 31 December 2023
- £9.3m by 31 December 2024
- £32.8m by 31 December 2025
- £32.8m by 30 June 2026



One small step for the trees

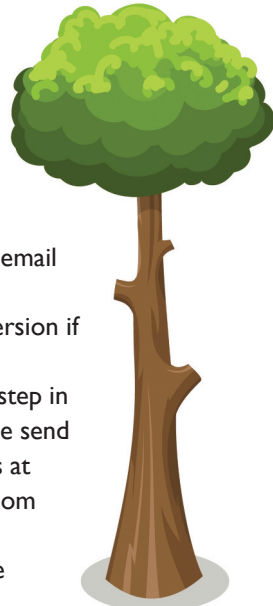
We're all trying to do our bit to help the

environment so, where possible, we'll be sending this booklet out in digital format, providing we have your personal email address (not your work one).

You can still ask for a paper version if you'd prefer.

To help us take another small step in protecting the environment, please send your personal email address to us at abinbevuk@willistowerswatson.com

Please include your national insurance number and your name (particularly if it is difficult to identify you from your email address!).



Speak to us!

The world of pensions is dominated by people like us who think we know what you want.

We have been known to be wrong!

Is there anything you'd like to see more/less of?

Are we missing something important?

Or are we including something that doesn't help you?

Please feel free to get in touch with us at pensions@ab-inbev.com

New address for website

Our pension plan administrators Willis Towers Watson have had a brand makeover.

WTW's website can now be found at www.wtwco.com

See page 2 for full contact details.



Off the hook

After a break in service, the WTW helpline is now back up and running.

You can still contact WTW by email (see page 2).

