

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

Introduction:

This statement sets out how, and the extent to which, the Trustee’s policy on Environmental, Social and Governance (“ESG”), Stewardship and Climate Change and the Investment Manager arrangements in the Statement of Investment Principles (“SIP”) has been followed during the year to 31 December 2021 in respect of the Defined Benefit (“DB”) Section of the Plan. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the guidance published by the Pensions Regulator. This document sets out the how, and the extent to which, the policies in the DB Section SIP have been followed.

Investment Objectives of the Plan:

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

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

Policy on ESG, Stewardship and Climate Change

The Plan’s SIP includes the Trustee’s policy on ESG factors, stewardship and Climate Change. This policy sets out the Trustee’s beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship. This was last reviewed in August 2020.

In order to develop its policies, the Investment Committee undertook investment training provided by their investment consultant on responsible investment which covered ESG factors, stewardship, climate change and ethical investing. The training was provided in March 2021 (“Sustainability”) May 2021 (“Aiming for a net-zero target”) and November 2021 (“Taking action on climate risk”). Specifically, the Trustee received training on TCFD (Taskforce on Climate-related Financial Disclosures) requirements, which come into effect from 1 October 2022 for schemes with assets over £1bn.

The following work was undertaken during the year to 31 December 2021 relating to the Trustee’s policy on ESG factors, stewardship and climate change, and sets out how the Trustee’s engagement

and voting policies were followed and implemented during the year. The Trustee keeps the policies under regular review, with the SIP subject to review at least every three years.

Engagement Activity

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

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

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

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

The Plan's investment manager engaged with companies over the period on a wide range of different issues including ESG matters. This included for example, engaging with companies on corporate governance to ensure that companies were electing independent directors and remuneration structures remained appropriate. Legal and General provided examples of instances where they had engaged with companies they were invested in or about to invest in which resulted in a positive outcome within their 2021 Active Ownership Report. These engagement initiatives are driven mainly through regular engagement meetings with the companies that the investment managers invest in or by voting on key resolutions at companies' Annual General Meetings.

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

Voting Activity

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

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

During the year to December 2021 the Trustee has not actively challenged the manager on its voting activity. Going forwards, the Trustee will be more active in reviewing and challenging voting activity.

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

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

Legal and General engaged in voting activity in respect of the following funds invested in by the Plan during the 12-month period to 31 December 2021:

- UK Equity Index Fund

Over the 12 months to 31 December 2021, Legal and General were eligible to vote on 9,923 company resolutions on behalf of the Trustee. They have voted in 100% of the resolutions that they were eligible, of which c.93% were voted with management and c.7% were voted against management.

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

Over the 12 months to 31 December 2021, Legal and General were eligible to vote on 7,665 company resolutions on behalf of the Trustee. They have voted in c.100 % of the resolutions that they were eligible, of which c.82 % were voted with management and c.17 % were voted against management.

- North America Equity Index Fund - GBP Currency Hedged

Over the 12 months to 31 December 2021, Legal and General were eligible to vote on 7,846 company resolutions on behalf of the Trustee. They have voted in c.100% of the resolutions that they were eligible, of which c.71% were voted with management and c.29% were voted against management.

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

Over the 12 months to 31 December 2021, Legal and General were eligible to vote on 2,308 company resolutions on behalf of the Trustee. They have voted in c.100% of the resolutions that they were eligible, of which c.72% were voted with management and c.27% were voted against management.

- FTSE RAFI Emerging Markets Equity Fund

Over the 12 months to 31 December 2021, Legal and General were eligible to vote on 8,934 company resolutions on behalf of the Trustee. They have voted in c.100% of the resolutions that they were eligible, of which c.81% were voted with management and c.15% were voted against management.