

YOUR PENSION

SUMMER 2023



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Join our trustee board

AB INBEV UK LTD PENSION PLAN PENSIONERS' FINAL SALARY SECTION

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If you have any questions at all about your pension,

such as obtaining figures or changing your personal details, please contact:

WTW

- 01737 788148
- abinbevuk@willistowerswatson.com
- Willis Towers Watson, PO Box 545, Redhill, Surrey RH1 1YX

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

If you still need help, contact our pensions team at:

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

Financial turmoil has helped our plan

The end of ultra-low interest rates means that our pension plan is within sight of being fully funded by ABI



Coldwell (pictured left), Chairman of the Trustee Company.

Covid-19 caused deaths, lockdowns and economic turmoil in 2020, and onwards into 2021; only very recently has the UN declared the pandemic to be over.

The past three years have been traumatic for the world, and the UK has been equally affected *writes David*

Then came Russia's invasion of its neighbour Ukraine, which lead directly to soaring energy prices, and food inflation at

a massive level.

The world central banks countered this by raising interest rates, which in turn led to market turmoil in bonds and equity markets, with losses in asset prices.

Chris writes about this in the investment section of this newsletter.

Events that have been terrible for many families worldwide have, bizarrely, been of some benefit →

The war in Ukraine has led to soaring energy prices and food inflation at a massive level.



The ABI pension plan is within sight of being safely and fully funded, with £90m earmarked by the company over the next two years.



← to your pension plan.

All UK final salary pensions schemes have suffered for some 15 years from ultra-low interest rates.

When we calculate the amount of money we will need to set aside to pay pensions in the future, we base our figures on yields from our bonds.

When interest rates are low, we need to set aside more money.

This makes our liabilities high, requiring sponsoring companies to make high

payments into the schemes to keep them funded.

It seems that this period of low rates has ended.

The ABI pension plan is now within sight of being fully funded.

We have a valuation

every three years, and have recently concluded the one as at 31st December 2021.

By then, the deficit was down to £291 million.

This sounds a large number, but since the valuation date, discount rates have fallen further, sizeable contributions have been paid by AB InBev, and

“We can be reassured that members’ pensions are safe, as promised”

the funding deficit is now around £90 million.

The company has agreed to pay £90 million into the plan in the next two years, and this is expected to fund the plan fully.

Should this slip, it has

agreed to pay further sums in 2026.

We still retain the guarantees from the asset-rich companies in the group for up to £800m, so we can be reassured that members’ pensions are safe, as promised.

There was a great deal of publicity during 2022 about what is named LDI, standing for Liability Driven Investments.

Most pension plans held these assets, and they came under great strain when interest rates increased, with the assets causing liquidity issues and consequently deteriorations in funding positions for some schemes.

We can reassure

you that your trustees declined to use the LDI instruments, and your scheme suffered no losses.

Climate change is seen as the main threat to our world, and the Financial Stability Board has decided that large pension plans must report annually on the impact their investments have on greenhouse gases and other emissions.

We know this is also of great interest to many of our members.

The trustees are working on this as I write, and will comply with the directive by publishing to you, our members, and on a publicly-available website, a report called the TCFD report (Task Force on Climate-Related Financial Disclosures).

This is an issue taken

We will be reporting later this year on the impact our investments have on the environment.



very seriously by AB InBev as a company, which also reports on sustainability on a regular basis.

We will be in touch on this shortly.

The greatest disaster to members with final salary pension plans is to lose the lot in a pension scam, so we remind members of this every year.

In the UK last year, 180

people lost all their money to scams, despite efforts to make this difficult, and frequent warnings to members.

The trustee board works well with our advisers to run the scheme effectively and in members’ interests.

I’d like to thank them, especially Mark Winfield, our Pensions Manager.

Income and expenses in 2022

Money paid into the plan:

– £52.5m contributions from AB InBev

Money going out:

– £28.87m paid in members’ benefits
– £10.2m transfers to other pension schemes

Fund at 31 December 2022 – £655m
(excluding AVCs and other assets)

We have . . .

At the end of 2022, we had a total of 2,093 pensioners and 2,126 deferred members – that’s an increase of 66 pensioners compared with the previous year.

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 2021 (December 2018 figures in brackets)

The plan's assets were valued at	£956.5m (£685.1m)
The value of the liabilities was	£1,248m (£1,132.6m)
This means there was a shortfall of	£291m (£447.5m)
Funding level on an on-going basis (assets as a percentage of liabilities)	76.7% (60.5%)

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.

We have now completed the triennial valuation, as at December 2021.

What is the plan's financial position?

The three-yearly valuation, as at 31 December 2021, is

shown in the table above.

It is pleasing to see that a combination of asset growth and significant contributions meant that our assets grew far more than the liabilities.

The result is that the deficit reduced from £447m to £291m, and the funding ratio increased from 60% to nearly 77%.

Since the date of the valuation, the company has paid further significant contributions.

Combined with the surge in gilt yields, this has led to a further improvement in the funding ratio.

The annual actuarial report, at 31 December

December 2022

The plan's assets were valued at	£657m
The value of the liabilities was	£788m
This means there was a shortfall of	£131m
Funding level on an on-going basis (assets as a percentage of liabilities)	83%

2022, indicates that the funding ratio is now more than 80%.

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.

Due to the improvement in the funding ratio, it is hoped that the contribution due in January 2025 may move the ratio above 100%.

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

The 2021 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 £956m would have been around 62.5% of the estimated cost of £1,531.5m of securing the benefits.

On this basis, the deficit would have been £575m – significantly 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:

- £44m by 31 January 2024
- £46m by 31 January 2025
- £69.5m by 31 January 2026*
- £32.8m by 30 June 2026*

* Note: these contributions will be paid only if the plan is not fully funded



Who looks after your pension fund?



Ian Williams
Key Account
Manager

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.

In house, we have our trustees ...

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

Chris Williams
former strategic planning
director for the UK

Mike Cass
former director of finance

Jim Calvert
former commercial
director

Chris Degg
former HR manager,
supply operations

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

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.

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

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

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

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. WTW'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

Marina Warren
Shaun Lillis
Dave Gibson

Book your one-to-one advice session

BBG has its own in-house pensions team.

If you're a **current BBG employee**, you can discuss your pension with them at their

monthly pensions clinic, held on the first Friday of every month.

Book your one-to-one appointment by contacting them at pensions@ab-inbev.com

Speak to us!

"The world of pensions is dominated by people like us who think we know what you want," says Pensions Manager Mark Winfield. "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?"

You can contact Mark at pensions@ab-inbev.com



Magor powers up its eco credentials

An investment of \$85million in green technology has turned Magor into an award-winning marvel of sustainable brewing.

It currently gets 80% of its electricity from solar farms, and the remaining 20% from a single wind turbine – one of the largest in the UK.

It aims to receive all its electricity from renewable sources by 2025.

As well as its new hydrogen facility (see right), it has also joined logistics provider EV Cargo in a project to switch 50 delivery trucks from diesel to vegetable oil.

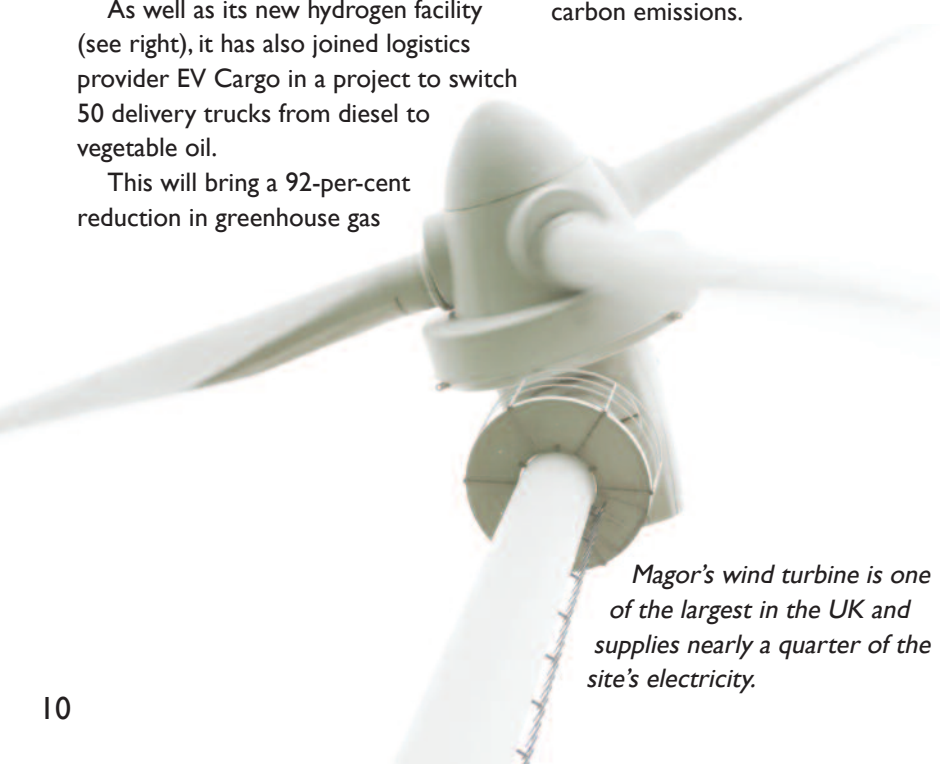
This will bring a 92-per-cent reduction in greenhouse gas

emissions per kilometre.

Magor has the world's largest wort cooler, four times the size of a standard model and using less energy.

Plastic rings have been removed across its entire portfolio, and it brews with 100% British-grown barley.

The brewery won the 2022 Footprint Drinks Energy Efficiency Award for its industry-leading efforts to reduce carbon emissions.



Magor's wind turbine is one of the largest in the UK and supplies nearly a quarter of the site's electricity.

Hydrogen hero

Magor and Samlesbury have teamed up with energy company Protium to manufacture zero-emission green (ie from renewable sources) hydrogen at new facilities next to the brewery sites.

The new facilities will feed directly into hydrogen-ready boilers, providing heat for brewing, bottling and other requirements.

And hydrogen refuelling stations will supply hydrogen fuel cell electric HGVs.

Debt drop

The global company has seen a drop of \$6.5 billion in debt.

At the end of 2022, the figure for net debt stood at \$69.7 billion – down from \$76.2 billion a year earlier.

Energy squeeze

High commodity and energy prices are affecting us all, including ABI.

Its quarterly report refers to “economic uncertainties, elevated input costs, and supply-chain disruptions,” which it says has “continued to constrain our full growth potential and outlook for the year”.

Said David Coldwell, Chairman of the Trustee Company: “We continue to monitor all aspects of the business, and have no concerns about its ability to continue to support the plan.”



Shared prosperity is ABI's aim

Environmental, social and governance (ESG) issues are high on ABI's agenda, bringing international awards and recognition.

Eight ESG priorities include smart drinking, water stewardship, sustainable agriculture, and transparency of diversity, equity and inclusion.

The aim is shared prosperity across the supply chain, the planet and the company.

This is achieved by ensuring that beer is inclusive, natural and local.

Inclusivity covers thousands of farmers and millions of small retailers, plus colleagues and consumers.

ABI works to ensure that its beers' simple, natural ingredients come from working with nature.

Via its portfolio of more than 500 local brands across nearly 50 operating countries, the company is boosting and investing in local economies.

Another challenging year but good for our funds



Last year was a challenging one for investors writes Chris Williams (above), Chairman of the Investment Sub-Committee.

Nearly all asset classes fell substantially, led by major falls in bonds, as interest rates increased.

At the end of December,

the invested portfolio was £655m – a fall of around £300m from the previous year.

Bizarrely this is not bad news for the ABI plan; although our assets have fallen by around £300m, our liabilities – valued using the higher year-end interest rates – have fallen by a greater amount, thereby improving our funding position.

Background

Last year marked the end of the era of cheap money, continued supply shortages post covid, and increases in energy prices, bringing the re-emergence of inflation.

War continues in Ukraine which, along with deteriorating US-China relations, particular over Taiwan, contributed to heightened geopolitical risk.

Central banks raised interest rates to bear down on inflation.

Equities suffered as liquidity dried up, and commentators began to talk about a recession.

Growth stocks saw sharp falls, which in part explains the downbeat performance of the US market.

Worldwide increase in interest rates was the key investment feature of 2022.

World equity markets fell by 16% over the year, with particular weakness in the first half.

In the US, the S&P 500 fell by more than 20% in the first six months – its worst performance since 1970.

The UK, unfashionably weighted towards mining and energy companies, performed relatively well.

Although slightly down at the half year, it recovered in the second half.

Table 1 Major world equity markets

2022 return	Local currency return %	Sterling return %
FTSE All World	-16	-7
FTSE USA	-21	-9
FTSE Asia Pacific ex Japan	-8	-1
FTSE Japan	-5	-2
FTSE Europe (excl UK)	-12	-8
UK FTSE All Share	0.3	0.3
Over 5-year indexed gilt	-38	-38

Background – UK gilts and interest rates

Last year, I wrote that we yearned for higher interest rates and a reversion to a more “normal” structure of interest rates.

This year it happened.

The 20-year gilt yield opened the year at 1.32%; by August it had climbed steadily to 3.30%; then came market mayhem in September and early October.

Rates climbed to the high 4.0s in later September, peaked at 5.09% in October, and ended the year at 4.15%.

One can point to the UK issues with changing prime ministers, and the ill-fated Truss mini budget, but interest-rate increases were worldwide, driven by the US Federal Reserve as a policy to tackle inflation.

Interest rates were always going to increase tomorrow, yet the day never quite arrived, until 2022.

UK monetary policy and interest rates are set by the Bank of England and communicated via changes in the bank base rate.

Table 2, above, shows how historically low the base rate was, and how suddenly it changed in 2022.

From a covid policy low of 0.01%, the bank has increased

Table 2 Interest rates – % per year

Yields	% per annum Dec 2018	% per annum Dec 2019	% per annum Dec 2020	% per annum Dec 2021	Dec 2022
Base rate	0.75	0.75	0.01	0.25	3.50
Over 15-year gilt index	1.76	1.26	1.67	1.34	3.91
Over 5-year gilt index	-1.59	-1.83	-2.35	-2.29	+0.43

the rate eight times, to 4.0% in February 2023.

Similarly in the US, the Federal Reserve increased the mid-range rate from 0.125% in December 2021, via seven changes to 4.375% a year later.

A really important thing for pension schemes is that there is now a positive real interest rate.

Portfolio activity

We received around £52m from AB InBev in 2022, and we paid out members’ benefits of around £39m, giving us new money of around £13m.

As interest rates increased, we invested in single stock conventional and index-linked gilts to increase our hedging ratios.

By the end of the year, we had invested a total of around £63m in gilts, sourced from equity sales

of around £40m, around £13m new money, and corporate bond sales of around £10m.

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 overleaf gives the portfolio as at 31st December 2022.

Index-tracking funds

All our funds are “passive” index-tracking funds, where possible fully currency hedged, and all performed broadly in line with the relevant index.

Bonds

As I said earlier, last year’s changes in interest rates and bond prices were dramatic.

When interest rates change, the impact on long-dated bonds is much greater than the impact →

← on shorter-dated bonds.

Table 3, below, shows that our long gilts fell in value by over 40%, but this is not an issue as we hold them to match our long liabilities, which would have fallen in value by a similar amount.

We maintained our 30% allocation to corporate bonds.

We are likely to continue to invest in conventional and index-linked gilts, to increase our hedge ratios.

AB InBev paid around £36m of recovery monies into the plan in January 2023; we have invested £17m of that in gilts, so far.

Equities

As mentioned earlier, 2022 was a weak year for equities, particularly the US.

Our returns were: UK 0.4%, Asia Pacific -8%, Europe -12%, and the US -21%.

We sold our holding in emerging markets of around £7m and, with further sales of around £33m, equity sales contributed around £40m towards our £63m gilt investment.

Hedging

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

and/or inflation.

As AB InBev's recovery payments improve our funding ratio, or as equities out-perform our forecast, we invest to increase our hedging ratios.

Our near-term objective is to match our interest rate and inflation hedge ratios to our funding ratio.

At the end of the year, our funding ratio was around 83%, interest rate hedge around 84%, and inflation hedge around 92%.

By the end of 2026, we are aiming to be 100% funded and 100% interest-rate and inflation hedged.

Summary

2022 was a dramatic year for interest rates, and a weak year for nearly all asset classes.

Bizarrely, for some pension schemes (including ours), the fall in interest rates was good news, and led to improved funding positions.

Table 3 Our portfolio's performance

December 2022	£m	Year end %	Estimated return %
Equities	92.6	14.0	-12
UK	25.2		0.4
US	37.5		-21
Europe	17.3		-12
Pacific Rim	12.6		-8
Emerging markets	0		n/a
Bonds and cash	562.5	86.0	-36
UK short corporate	105.9		-18
US corporate	91.0		-22
UK long corporate	14.8		-34
Over 5-year index-linked gilts	114.3		-38
Over 15-year index-linked gilts	171.7		-47
2055 index-linked gilts	7.4		-49
Single stock funds/other	57.4		n/a
Portfolio	655.1*	100.0	4.0

*(excluding AVCs and other assets)

How is inflation affecting your pension's value?

Inflation is soaring to nine or 10 per cent, so how does that stack up against lesser increases in our company pension? ABI Pensions Manager Mark Winfield answers your questions.

With inflation running at around 10%, would the trustees consider increasing pensions above the caps currently in place?

The rules of the plan are established by ABI, as the principal employer, and take account of all legislation.

The trustees have to run the pension scheme in accordance with the Trust Deed and Rules. They have no power to change them.

If that can't be done, could the trustees sanction a special bonus to offset the current inflationary pressure?

Any discretionary benefit, whether a one-off payment or a regular increase, can be paid only with the agreement of the principal employer.

On one of our much smaller schemes, the trustees asked for a discretionary increase; this was rejected by the company.

The plan's funding ratio has improved. Could this issue of possible pension increases be revisited in the future?

Yes, the scheme is better funded now than in previous years, but there is still a significant deficit.

The trustees must treat all members fairly – awarding benefits greater than those allowed in the rules would increase the deficit and potentially weaken the security of benefits for other categories of members.

Can I transfer my pensions so I can access my funds and potentially obtain a higher pension using pension drawdown?

It is a legal requirement, applying to every person in the UK that, once a benefit comes into payment, it cannot be transferred – for example, to a drawdown scheme.

What are other schemes doing?

Our actuaries told us that many trustee boards had investigated awarding discretionary increases but few, if any, had actually done so.

Court verdict may give your pension a boost

You may have seen in the press that, after many years of legal wrangling, a degree of clarity has been delivered by the courts about the equalisation of guaranteed minimum pensions (GMPs).

For those of you who have a pension benefit within the plan that covers any part of the period from 17 May 1990 to

6 April 1997, there will be a review of benefits.

Benefits can ONLY be equalised upwards, so you may be entitled to a modest uplift in your pension.

This exercise is complicated, lengthy and very technical, but we're working with our advisers and will update you as the project progresses.

Fancy a challenge?

Would you like to challenge yourself, and help other people too?

If so, you could consider joining the trustee board of our pension scheme.

Full training is given, providing the opportunity to learn about everything from investments to communications.

It would help you make important decisions about your own investments, as well as helping other people.

Pensioners can find out more by going to www.abinbevukpensionplans.com/DB, and clicking on the link "Become a trustee" at the foot of the page.



Going green!

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 protect the environment, please send your personal email address to us at abinbevuk@willistowerswatson.com

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

Any questions for our team?

Have you got a question for our pensions council?

Perhaps there's something you think our plan should be providing, or you feel you should be getting more information about a particular aspect.

If so, email your question to pensions@ab-inbev.com

