

Stag Brewing Pension Plan (the Plan)

Statement of Investment Principles (the SIP): 12th August 2020

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. The Trustee has consulted a suitably qualified person by obtaining written advice from Mercer Limited (“the Investment Consultant”). The Trustee in preparing this Statement has also consulted the Company, in particular on the Trustee’s objectives.
- 1.2 Overall investment policy falls into two parts: the strategic management of the assets, which is fundamentally the responsibility of the Trustee, and the day-to-day management of the assets, which is delegated to professional investment managers. 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 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.

2 Investment objectives, and risk

- 2.1 The long term (5 years plus) Investment Objective of the Plan is to be fully funded on a gilts only basis, as outlined in the April 2018 valuation, and to match interest rate and inflation risk with indexed linked gilts.
- 2.2 The short term (0-5 years plus) Investment Objective of the Plan is to be fully funded using a mix of gilts, and corporate bonds, to remove any deficit.
- 2.3 An underlying aim is that the investment plan is aligned with the 2018 valuation assumptions, such that, as far as possible, the investment plan takes no more risk than the implied risk in those assumptions.
- 2.4 The April 2018 discount rate assumption was that the Plan would be 100% invested in gilts.
- 2.5 Interest, and inflation, hedge ratios targets set at 90%.

3 Risk and Financial Market Risk Management

- 3.1 The principal financial risks that the Plan is exposed to are:-

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- covenant risk as the Plan relies on AB InBev SA (the ultimate parent Company) for future funding
- interest rate risk
- inflation risk
- corporate bond or credit risk
- longevity risk in terms of actual or future forecast longevity being greater than the 2018 assumption.

3.2 At the April 2018 Valuation the Plan had liabilities of c£115m, assets of c£104m, outstanding recovery payments, from the previous Valuation, of c£10m, leaving a deficit of c£(1) m.

3.3 As a part of the Recovery Plan agreement, the employer's parent company (AB InBev SA, and other relevant companies in the Group) have provided a Company Guarantee, in PPF format, of up to £100m, 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 the Trustee regularly 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 detailed below:-

3.5.1 in terms of liabilities, the key risks are that, as compared with the Valuation assumptions, interest rates may fall, and forecast inflation may be higher, with the consequence that the future estimates of the liabilities will increase

3.5.2 Unless the assets are both equal to, and have a similar profile to the liabilities, any decrease in interest rates, or increase in inflation will lead to an increase in the deficit.

3.6 The Plan aims to manage the above risks by investing in indexed linked gilts, and aims over time to match the duration of The Plan's liabilities with the duration of the Plan's bond holdings.

3.7 To the extent market movements cause any increase in the deficit, the Plan will seek a higher return from tactical corporate bond investment in order, as far as possible, to achieve the Investment Objective.

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3.8 Notwithstanding the risks identified above, the Plan aims to ensure other risks, such as currency risks, and the risks of holding unsuitable assets are addressed through relevant policies.

4 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 agreed asset allocation is to be 100% invested in bonds.

4.3 To achieve full funding there will be an initial allocation of 35% to corporate bonds.

4.4 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 implicit leverage should be made
- Plan will not make any direct investments in AB In Bev 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. The Trustee agrees to liaise with the Global Treasury prior to implementing any strategies with derivative exposure
- Where practical, overseas assets are to be 100% hedged to sterling.

5 Additional Voluntary Contributions Objectives

5.1 With regard to the investment of Additional Voluntary Contributions (AVCs) for Members of The Plan, the primary investment objective is to offer members a choice of funds sufficient to enable members to tailor the investment strategy to their own needs. This includes providing funds expected to achieve investment returns above the median for the sector.

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5.2 By providing a range of funds the Trustee has set out to address risks arising from capital loss, erosion of value due to inflation, and poor active management.

6 Management of the assets

6.1 All day to day investment decisions are delegated to properly qualified and authorised investment managers.

6.2 The manager for the Plan is Legal and General Investment Management (a passive manager), and AVC funds are managed by Prudential; the Plan is invested in pooled funds.

6.3 The safe custody of the pooled assets is the responsibility of the investment managers and their custodians.

6.4 The Trustee will always take proper written advice from an authorised investment consultant before appointing an investment manager.

7 Socially responsible investments

7.1 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.

7.2 In practice, any detailed policy would be difficult to implement, and manage, so the Trustee relies upon their investment managers in these areas, and the reporting provided by them.

7.3 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.

8 Corporate Governance

8.1 The Trustee wishes to encourage best practice in terms of Stewardship.

8.2 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 their managers to vote as the Trustee may wish on a particular asset.

8.3 The Trustee believe their investment managers are active in their pursuit of sound governance. The Trustee receives Legal and General's quarterly and annual ESG reports. The Trustee reviews the managers' approach to corporate governance when

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meeting the managers, through Mercer's ESG ratings (which are presented on a quarterly basis) and through Mercer's other research on the manager.

8.4 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.

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Investment Manager Appointment, Engagement and Monitoring

9.1 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.

9.2 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.

9.3 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.

9.4 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.

9.5 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.

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

9 Compliance with the SIP

The Trustee will monitor the Plan's 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.

Approved: Date:..
Trustee

Approved: Date:.....
Trustee

On behalf of the Trustees of the Stag Brewing Pension Plan - September 2020

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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 in 2020

- De-risk when possible;
- Achieve the asset allocation target;

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

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member of the Investment sub-committee will give a presentation on its activities at the Trustee meeting

- 8 At its regular meetings the Investment sub-committee will:
 - 8.1 Put together advice to the Stag Brewing Pension Plan Trustee Board on all matters relating to the investment of the assets of the Stag Brewing 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 has 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 In terms of decisions made under clause 10, the Chairman of the ISC will notify all Trustees of any decision and its rationale within 3 working days of such decision.

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

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