

YOUR 2019 DB MEMBER REPORT

Associated
British Foods | Pension
Scheme

Welcome to your 2019 DB Report. Within the report, you'll find brief summaries of the Scheme's investments and membership, as well as updates and changes in the pension world that may impact you.

IN THE NEWS

Member Nominated Trustee vacancy



We are seeking nominations for Member Nominated Trustee (MNT) Directors from the membership as the term for the Scheme's current MNT Directors ends in June 2020 and one MNT Director has retired.

Active and pensioner members are able to apply for the three vacancies. The existing MNT Directors are also able to re-apply for the positions.

Information on the role of the Trustee Director and the process for submitting your nomination is available on the website at www.abfpensions.com/1226/member-nominated-trustee-vacancy. The deadline for nominations is 31 March 2020.

DB AVCs – Storebrand ESG Plus Fund Now Available

The Trustees are continuously reviewing the investment funds which are made available to members and recognise the increasing interest in Environmental, Social and Governance (ESG) funds.

Having undertaken research and discussed the options with Mobius Life (the investment platform provider), the Trustees are pleased to announce the addition of the Storebrand ESG Plus Fund to Tier 2 of the investment platform.

The fund is a multi-asset fund with a portfolio that has a high ESG rating, low fossil fuel exposure, low carbon footprint, low climate risk, high green revenues, low tracking error and is available at a competitive fee.

You can find out more information on this fund and view the fund fact sheet at www.abfpensions.com/1356/tier-2-diversified-growthmulti-asset-funds.

What's coming next in the reconciliation of Guaranteed Minimum Pensions (GMP)

You may have read in the press that Her Majesty's Revenue and Customs made changes to National Insurance (NI) in April 2016. This change meant that it was no longer possible to pay lower rate NI and be contracted out of the State Second Pension through either an employer's pension scheme or a personal pension arrangement.

Following this change, all pension schemes must reconcile the NI histories they hold for each member going back as far as 1978. Once the data is reconciled, the benefits based on this data need to be recalculated. We will make contact with all affected members if this leads to a change in benefits.



All together, better



Transferring your DB pension

Flexibilities were introduced for Defined Contribution (DC) benefits in April 2015, however these flexibilities were not extended to Defined Benefit (DB) arrangements. If you are an active or a deferred member and you want to take advantage of these flexibilities, you will need to transfer your DB pension to a suitable DC arrangement. If your DB benefits are valued at £30,000 or more, then you will legally need to take financial advice from an approved financial advisor.

If you are considering transferring your benefits, it's important that you understand the risks involved and the value of the benefits that you will be giving up. The main risk when transferring benefits from a DB to a DC arrangement is that the resulting benefits may not match the benefits that you are giving up. This includes loss of a guaranteed pension and the benefits payable on your death, including a spouse's pension and potential lump sum.

You also need to be aware of the companies and individuals who may try to convince you to transfer your benefits to an arrangement that is later found to be a scam. You can find more information on how to identify and avoid potential scams on our website at www.abfpensions.com under the Information tab.

If you are considering transferring to an overseas arrangement, it's important that you understand that additional tax charges that may apply. You can find more information on the tax charges at www.gov.uk/government/publications/qualifying-recognised-overseas-pension-schemes-charge-on-transfers.

Your personal Annual Allowance (AA)

As you are aware, we are no longer able to calculate your personal Annual Allowance. It's therefore important that you understand what impacts your personal AA and how your pension savings compare to your AA.

We are only required to write to members who have pension savings over the standard Annual Allowance of £40,000, however you may also be due to pay a tax charge if your personal AA is less than £40,000.

If you have previously flexibly accessed a Defined Contribution (DC) pension arrangement, you will have a reduced Annual Allowance for all DC pension savings, this is referred to as the Money Purchase Annual Allowance (MPAA). The Government reduced the MPAA from £10,000 to £4,000 from 6 April 2017. Your previous pension provider will have given you a certificate at the time of payment, if you have triggered the MPAA.

You can find more information about the Annual Allowance on our website at www.abfpensions.com/db/taxation. HMRC have also made a calculator available to assist you with calculating your personal AA, you can find this at www.tax.service.gov.uk/paac.

If you do exceed your personal Annual Allowance and incur a tax charge, it is possible for this to be paid from your pension fund using a facility called Scheme Pays. If you would like further details on this, please contact us on 0800 090 2267.

The Lifetime Allowance (LTA)

The Lifetime Allowance increased to £1.055 million on 6 April 2019. If your total pension savings exceeded £1 million on 5 April 2016, there are still two types of protection that you can apply for; Individual Protection 2016 and Fixed Protection 2016; please note that Fixed Protection requires you to have ceased accrual or contributions by 6 April 2016. If you are interested in applying for protection, further information can be found on the HMRC website at www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance.



PENSIONER CORNER

Online payslips

All pensioners have access to their payslips online. You can login at www.abfpensions.com.

If you need a reminder of your login credentials or any help logging on, please contact the pensions team on **0800 090 2267**.

Telephone service

If you move house or change your bank, you can now call the team and we can take these details over the phone. We will take you through a series of security questions to make sure we're talking to you and you'll receive a letter confirming that the change has been made.

The number is **0800 090 2267** (or **+44 (0)207 636 8111** if you're calling from outside the UK). It's free to call from UK landlines and mobiles and the team are available Monday to Friday, from 9am to 5pm.

USEFUL INFORMATION

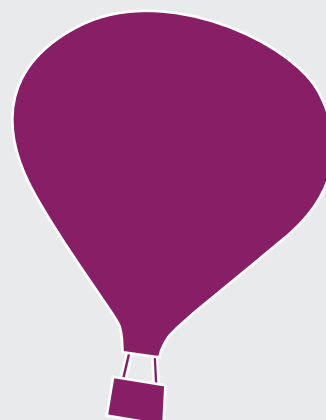
Don't let a scammer enjoy your retirement!

Unfortunately, pension scams have become more of a problem over recent years with fraudsters targeting pension scheme members with promises of accessing benefits early, guaranteed high rewards and new investment opportunities.

You can find out more about how to avoid being scammed on our website at www.abfpensions.com under the Information tab.

Data Protection

In May 2018, new data protection legislation (the General Data Protection Regulation) came into force introducing significant changes to how the Trustees process personal data fairly and securely. Information about how the Trustees process your personal data, and your rights in respect of your personal data (including the right to object in certain circumstances), is provided in the privacy notice available online at www.abfpensions.com/dataprotection (and is also available in printed form, please contact us if you would like to request this).



The Pensions website

You can find lots of useful information on the Scheme, your retirement benefits and options on our website www.abfpensions.com, including a secure area which you can use to view your personal information and documents. If you need any help accessing your secure online account then please call us on **0800 090 2267**.



THE FINANCIALS

Membership

On 5 April 2019, there were:

1,811	7,108	14,540
Active members	Deferred members	Pensioners and Dependants

Income and expenditure

This table shows the breakdown of income and expenditure for the year to 5 April 2019.

Members' contributions, Additional Voluntary Contributions and the company's contributions	£38,643,000
Investment income and change in market value of investments	£229,055,000

Total income **£267,698,000**

Retirement and death benefits	£111,786,000
Administration expenses	£5,930,000
Investment management expenses	£11,185,000
Transfers out	£40,219,000
Taxation where lifetime or annual allowance exceeded	£194,000
Taxation	£833,000

Total expenditure **£170,147,000**

Investing

How we invest the assets of the Scheme is summarised below:

Fund category	Percentage of holdings at April 2019	Target allocation of overall holdings
Cash	1.5%	1 - 3%
Property	9.4%	36.5 - 46.5 %
Global Equities (may include UK)	37.2%	
Fixed interest and index linked bonds (including illiquid credit)	51.9%	52.5 - 60.5%

General market update

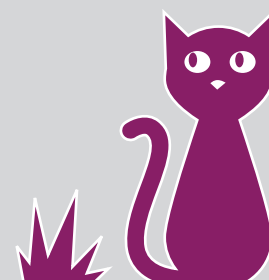
The global economy continued to be affected by a combination of Brexit and political leadership concerns. This weighed heavily on stocks where the falling value of Sterling did not provide support for the market, leading to falls over most of the year. However most major economies recovered to produce positive growth. Nearly all major Global Equity markets made positive returns over the year with the MSCI World Index returning 10.46%.

Gilt and Bond yields remained low as continued political and economic uncertainty took hold. Interest rates in the UK remained unchanged with inflation remaining stable.

In aggregate, the Scheme's managers slightly outperformed versus their individual benchmarks but continued weakening in Sterling against most major currencies detracted from overall performance versus the benchmark.

Average overall investment return

Over the last year until 31 March, the average annual return was 5.1% vs a benchmark of 5.8%.
Over three years, the average annual return for each year was 8.3% vs a benchmark of 7.9%.
Over five years, the average annual return for each year was 8.9% vs a benchmark of 6.9%



How members have invested their AVCs

Additional Voluntary Contributions (known as AVCs) are payments a member can make to help boost their retirement income. They are invested in the way that each individual member chooses from the investment options on offer. The Trustees holds members' AVC investments that are invested separately from the main fund. Members participating in AVC arrangements receive a statement confirming the amount held in their account(s) at April each year.

On 5 April 2019, a total of over £11million was invested with the following providers:

Current funds

Funds on the Mobius Life platform	£4,916,000
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Legacy funds

Phoenix Life Limited (formerly London Life Limited)	£7,000
Clerical Medical	£1,471,000
Equitable Life	£283,000
Prudential	£76,000
Reassure (formerly Guardian, formerly Scottish Equitable)	£19,000
Standard Life Aberdeen	£4,533,000

Total	£11,305,000
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LOOKING AFTER YOUR SCHEME

Trustee	Associated British Foods Pension Trustees Limited	
Company Appointed Trustee Directors	James West (Independent Chairman), John Bason, Paul Lister, Giles Haig, Richard Cloke (retired 5 December 2018)	
Member Nominated Trustee Directors	Paul Longley, Sarah Giffen, Hadden Graham (retired 31 March 2019)	
Secretary to Trustee and Group Pensions Director	Colin Hatley	
Investment Managers at year end	Alcentra Ltd Ares Management Ltd Artemis Investment Management LLP Beach Point Capital Management LP Bluebay Asset Management LLP Blackrock Investment Management UK Ltd Calamos Investments LLC Cordet Capital Partners LLP CQSM LLP EQT Credit Investment Advisors LLP Goldman Sachs Asset Management Inc Hay Financial Management LLP Hexavest Inc HG Capital LLP	H.I.G. Capital International Advisors LLP Insight Investment Management Ltd Investec Asset Management Ltd Liontrust Asset Management Plc Markham Rae LLP Morgan Stanley Muzinich & Co MV Credit Partners LLP Neuberger Berman River and Mercantile Asset Management LLP Schroder Investment Management Ltd Standard Life Aberdeen plc Veritas Asset Management LLP
Actuary	James Bourne, Mercer Ltd	
Administrator	ABF Group Pensions Department	
Auditor	Ernst and Young LLP	
Banker	Bank of Scotland	
Custodian	The Bank of New York Mellon	
Investment and Benefit Consultants	Mercer Ltd	
Property Manager	Workman LLP	
Property Valuer	CB Richard Ellis	
Solicitor	Travers Smith	

SUMMARY FUNDING STATEMENT 2019

What is a Summary Funding Statement and why is it needed?

The Trustee Directors are required to send you an annual statement that provides a summary of the Scheme's financial position – you may remember that we sent you a similar statement last year.

How is the Scheme's funding position measured?

The Scheme's funding position is measured by a complex actuarial valuation that is carried out at least every three years by the Scheme's appointed independent actuary. The Scheme's most recently completed actuarial valuation took place at 5 April 2017.

What were the results of the 5 April 2017 actuarial valuation?

The actuarial valuation at 5 April 2017 showed that:

- | | |
|--|-----------------|
| • The value of the Scheme's liabilities was: | £ 3,613 million |
| • The Scheme's assets were: | £ 3,789 million |
| • The Scheme had surplus assets of: | £ 176 million |

Is the Company still paying contributions?

The Company pays contributions towards the cost of new pension that members earn each year. No surplus assets have been refunded from the Scheme to the Company and the Scheme has not been subject to any interventions by the Pensions Regulator.

How has the Scheme's funding position changed since 5 April 2017?

In the period between valuations, the actuary checks the Scheme's funding position regularly. The latest review showed that the Scheme's funding position had improved, with a surplus between its assets and liabilities at 5 April 2019 of around £247 million. This increased surplus has been caused primarily by higher than expected growth in the Scheme's assets.

Is this change in funding position unusual?

It is important to remember that pension schemes are long term investments. Investment market conditions, which affect the value of both the Scheme's assets and liabilities, change on a daily basis. Therefore, as has been shown in the Scheme's annual funding statements over the past few years, fluctuations in the Scheme's funding position from year to year are common, in particular in the recent uncertain economic climate. At present, most pension schemes have a funding shortfall.

What would happen if the Scheme suddenly had to be stopped?

The actuarial valuation also looked at the situation if the Scheme was to be discontinued and members' benefits secured with an insurance company. At 5 April 2017, the Scheme's assets would have been sufficient to secure, on average, 76% of members' benefits. This situation is typical of the majority of UK pension schemes. The Trustee Directors are required by regulation to disclose this information to you. We currently consider it a remote possibility that the Scheme will be discontinued.

How important is the Company's support of the Scheme?

In March 2017, ABF plc provided a formal guarantee that it would cover at least £420 million of any future shortfall. This guarantee provides further security to benefits in the Scheme. ABF plc has also confirmed to the Trustee Directors that it currently has no intention of discontinuing the Scheme and that it is committed to paying the ongoing expenses of running the Scheme and paying extra contributions when necessary to fund the shortfall (including if the shortfall were to exceed £420 million). However, it is important to remember that the Scheme currently relies on the Company's continuing support.

What happens next?

The next actuarial valuation will be undertaken in 2020, however the actuary will continue to check the Scheme's funding position regularly. Looking further ahead, we can assure you that we will continue to keep the Scheme's financial situation under close review, with regular dialogue with the Company about the potential need for additional contributions if required.

Where do I get further information?

You can obtain further information through the website at www.abfpensions.com or by writing to: Group Pensions Director, ABF Pension Trustees Limited, 50/51 Russell Square, London WC1B 4JU.

