

YOUR 2022 DB SECTION MEMBER REPORT

Welcome to your 2022 Member Report for the DB Section of the Scheme. Within the report, you'll find brief summaries of the Scheme's investments and membership, as well as updates / changes in the pension world that may impact you.

IN THE NEWS



STOP PRESS! - Pension Taxation Reforms announced in the Spring Budget 2023

In the Spring Budget 2023, the Government announced significant changes to the limits on the tax-relieved pension savings you can have, to take effect from 6 April 2023:

- The Government confirmed that the additional tax charge on any lifetime pension savings above a set amount, known as the Lifetime Allowance (LTA), will no longer apply from 6 April 2023. The current LTA is £1.0731 million but it is expected that this will be abolished with effect from 6 April 2024.
- The value of pension benefits that can be saved tax-efficiently each year, known as the Annual Allowance (AA), will increase from £40,000 to £60,000 from 6 April 2023. There will also be increases to the Money Purchase Annual Allowance (MPAA) and the Tapered Annual Allowance (TAA) from £4,000 to £10,000 each year.

Although the changes introduced in the Budget will apply to everyone only a very small number of people are likely to be affected by them. You are only likely to be affected if you meet one or more of the following conditions.

- You have opted-out of the Scheme for taxation reasons and/or you have a form of HMRC pension protection.
- Your ABF pension savings are close to or above the current LTA of £1.0731 million.
- Your pension contributions to the ABF Pension Scheme are capped for taxation reasons.
- You have received a pensions savings statement from Group Pensions in previous tax years because your pension savings have exceeded the AA or you are subject to the MPAA.

If your ability to save tax-efficiently into the ABF Pension Scheme is currently limited by either the LTA or the AA, the changes may provide you with the opportunity to start or increase regular pension savings. However, the Government's announcement was unexpected and we are currently waiting for more detail from HMRC. Please bear with us whilst we work to understand the detail behind these pension taxation changes. We will then send out a communication to you if you are affected to explain the options available to you.

If your pension contributions to the ABF Pension Scheme are capped then the existing cap will remain in place for now. You will be given the opportunity to change your level of pension contributions when we write to you again.

You can find out more information about LTA and AA on the ABF Pension Scheme website at www.abfpensions.com/db/taxation. The website also contains examples and further information about how the Tapered Annual Allowance and the Money Purchase Annual Allowance work.

Please note the Group Pensions Department is not allowed to give you advice about your personal tax position. We strongly recommend that you seek advice from a financial adviser before making any decisions about your pension if you believe you are affected by the tax relief limitations on your pensions savings. You can find information on financial advisers by visiting www.unbiased.co.uk.



Investment Update

Over the past year, the markets have continued to be volatile due to the combination of the Coronavirus pandemic, the situation in Ukraine, the impact of rising inflation and the reaction to the tax cutting plans announced by the UK Government in September. The impact that this may have on your pension will depend on the type of pension you have, and how close you are to retirement. We have produced a news article on our website which explains how your pension benefits may be affected. You can view this at www.abfpensions.com/news/2022/investment-update-30th-september-2022/.

In respect of your pension benefits held in the DB section of the Scheme, any investment risk is borne by the Company, not the member, although if you have made any Additional Voluntary Contributions (AVCs) in the Defined Contribution Section (or for long term AVC payers with the legacy providers) these would be exposed to market movements (explained further in the news article in the link above). The Trustee encourages you to think carefully and consider getting investment advice before changing your AVC investment options in the current market (see further information in our website news article above).

Are you missing out on Pension Credit?

You may have heard on the TV, radio or in the press recently that an estimated £1.7 billion of Pension Credit is being left unclaimed. Pension Credit is designed to help with daily living costs for people over State Pension age and on a low income, though you do not need to be receiving a State Pension to receive Pension Credit. To find out more about Pension Credit, you can visit the Government's web site at www.gov.uk/pension-credit which includes a free online calculator to check if you are eligible. You can also call the Pension Credit claim line on 0800 99 1234 (available 8am to 6pm).

Changes to legacy AVC arrangements

Over the past few years, we have been experiencing an increasingly reduced service from the providers of the Scheme's legacy AVC arrangements. The Trustees are obliged to monitor and regularly review all AVC investment options available to members and have decided that the Scheme's legacy AVC arrangements are no longer appropriate and do not provide value for money for members. From 1 April 2023, AVCs will no longer be paid to Clerical Medical / Standard Life and will instead be invested in the Target Date Funds on the Scheme's Defined Contribution Section investment platform. Members who have been contributing AVCs to these arrangements have been sent a letter with more details of this change and the options available to them.

Restrictions on transferring your pension

From 30th November 2021, the Government has introduced conditions which must be met if you wish to transfer your pension out of the Scheme. These have been introduced to help combat the increase in pension scams which are taking place. Based on reports to Action Fraud, over £30 million was lost to pension scams between 2017 and 2020 with scammers adopting increasingly sophisticated tactics.

Should you request a transfer and one or more of the new conditions cannot be met, you will not be able to transfer your pension out of the Scheme to your chosen provider. Please be aware that if you request a transfer we will ask you for certain information to be provided to help us determine if the new conditions have been met and we may also need to speak to you by phone. Should we require any further information or need to speak to you by phone, this must be directly with you and not via any third party (for example an Independent Financial Advisor). Please be patient when requesting a transfer as these new requirements are adding significant processing time whilst we carry out all of the required checks. You can find more information on how to identify and avoid potential scams on our website at www.abfpensions.com/db/scams.

Additionally, if you are considering transferring to an overseas arrangement, it's important that you understand additional tax charges 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.



Further information on 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 are considering taking 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 FCA 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.

As already noted above, there are a significant number of pension scams taking place and you 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/db/scams.

The Pensions Regulator and Financial Conduct Authority have also created a joint leaflet which contains useful information about pension scams, a copy of this can also be downloaded from our website using the link above - we also enclose this with all transfer quotation letters.

Changes to Normal Minimum Pension Age

The UK Government has confirmed that the normal minimum pension age (the earliest age at which most members can access their pensions without incurring an unauthorised payments tax charge, unless they are retiring due to ill-health) will rise from 55 to 57 from 6th April 2028.

Members with a protected pension age will still be able to access their pension at their earlier minimum pension age, where applicable.

MoneyHelper

You can get free and impartial guidance on money, savings and pensions from the MoneyHelper service. You can find out more at www.moneyhelper.org.uk.

Accessing your pension information online

Our website has a secure login area for all members of the Scheme. You can view details about your pension online through a dashboard, access certain documents and check / update your personal information and contact details (note that for active members a change of name or address must still be notified to us via your local HR team).

If you are a pensioner, you can access your payslip and P60 history online, check / update your personal information, contact details and also change the bank account details that your pension is paid into. You can also find lots of useful information on the Scheme.



If you have not yet registered to use the secure login area of the website you will need an activation code to register for the first time which can be obtained by contact us on **0800 090 2267** or email pensions.admin@abfoods.com.

If you have previously registered to use the secure login are of the website but are having problems logging on, please contact us on **0800 090 2267**.

Climate Change Reporting

The Government has introduced new legislation in the Pensions Schemes Act 2021 that requires pension schemes to produce a report demonstrating the actual and potential impacts of climate related risks and opportunities on the scheme's investment strategy and financial planning. This follows the recognition that the reporting of material climate-related information helps support investment decisions as the UK transitions towards a low-carbon economy. This new reporting is called the Task Force on Climate-related Financial Disclosures (TCFD) report.

The report will assess the potential of physical risks such as extreme weather events, and how the scheme intends to navigate or mitigate climate change risks. Schemes with assets of £1 billion or more (such as the ABF Pension Scheme) are now required to publish an annual TCFD report on their website. The Trustees together with their advisors are currently working on producing the first TCFD report that will be published on the Scheme's website by 5 November 2023 to comply with the new climate change legislation. More information will be included in the TCFD report and members may wish to look out for this report once it is published.

Statement of Investment Principles and Implementation Statement

The Statement of Investment Principles (SIP) records the investment arrangements (and the rationale behind those arrangements) adopted by the Trustee. The Implementation Statement sets out how, and the extent to which, the SIP produced by the Trustee has been followed during the year.

You can view the the SIP on our website at www.abfpensions.com/db/sip and the Implementation Statement at www.abfpensions.com/db/implementationstatement.

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 to request this).

Contacting us

We are currently experiencing a very high number of queries and it may take us several weeks to reply if you write to us by email or post. If your enquiry is urgent, please call the team on 0800 090 2267 (or +44 (0)20 7636 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.

If you need to send us documents securely then please ask us to provide you with access to our secure file transfer service, which you can use to send your documents to us securely online.

If you move house, 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 FINANCIALS

Membership

On 5 April 2022 there were:	1,252	6,277	14,435
	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 2022.

Members' and the company's contributions, and Additional Voluntary Contributions	£34,791,000
Investment income and change in market value of investments	£372,926,000

Total income **£407,717,000**

Retirement and death benefits	£115,657,000
Administration expenses	£5,743,000
Investment management expenses	£30,661,000
Transfers out	£24,192,000
Taxation on investments and where Lifetime or Annual Allowance exceeded	£1,849,000

Total expenditure **£178,102,000**

Investing

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

Fund category	Percentage of holdings at April 2021	Target allocation of overall holdings
Cash	0.6%	1 - 3%
Property	9.4%	36.5 - 46.5 %
Global Equities (may include UK)	31.7%	
Fixed interest and index linked bonds (including illiquid credit)	58.3%	52.5 - 60.5%

General market update

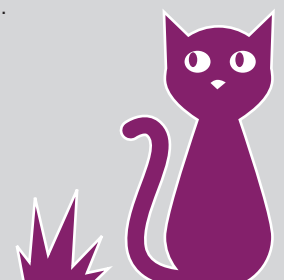
Against the backdrop of the prior year's global lockdown, markets rose during the first half of the year in response to the reopening of economies and the support which was provided through fiscal and monetary policy in many key global markets.

The second half of the year experienced heightened volatility due to the emergence of the highly transmissible coronavirus omicron variant, renewed concerns of inflation and the geopolitical turmoil triggered by Russia's invasion of Ukraine. This had an impact on interest rates with the Bank of England raising the base rates on several occasions.

The Trustee has monitored all investment strategies closely throughout the year, meeting with asset managers on a regular basis. All strategies have performed in line with expectations across the Scheme year.

Average overall investment return

Over the last year until 31 March, the average annual return was 10.1% vs a benchmark of 5.6%.
Over three years, the average annual return for each year was 8.3% vs a benchmark of 5.6%.
Over five years, the average annual return for each year was 6.7% vs a benchmark of 4.9%



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 Trustee hold 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 2022, a total of over £11 million was invested with the following providers:

Current funds

Funds on the Mobius Life platform	£5,989,000
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Legacy funds

Phoenix Life Limited (previously London Life Limited)	£5,000
Clerical Medical	£1,474,000
Prudential	£83,000
ReAssure (previously Guardian, previously Scottish Equitable)	£19,000
Standard Life	£3,852,000
Total	£11,422,000

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, Ciara Ruane (resigned 7 October 2021), Philippa Nibbs (appointed 3 March 2022)	
Member Nominated Trustee Directors	Jonathan Willis (appointed 3 June 2021), Paul Longley, Sarah Giffen, Trevor Smith (appointed 3 June 2021)	
Secretary to Trustee and Group Pensions Director	Colin Hately	
Investment Managers at year end	ABRDN Alcentra Ltd Arcmont Asset Management Ltd Ares Management Ltd Artemis Investment Management LLP Beach Point Capital Management LP BlackRock Investment Management UK Ltd Bridgepoint Advisors Ltd Calamos Investments LLC Cordet Capital Partners LLP CQSM LLP	Goldman Sachs Asset Management Inc Hay Financial Management LLP H.I.G. Capital International Advisors LLP Insight Investment Management Ltd Liontrust Asset Management Plc Morgan Stanley Muzinich & Co MV Credit Partners LLP NeuBerger Berman Schroder Investment Management Ltd 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	