

YOUR 2018 DB MEMBER REPORT

Welcome to your 2018 DB Report. Within the report, you'll find brief summaries on investments and membership, as well as updates and changes in the pension world that may impact you.

IN THE NEWS

Change to the Money Purchase Annual Allowance (MPAA)

If you have previously accessed a Defined Contribution (DC) pension arrangement by taking more than 25% as a lump sum, you will have a reduced Annual Allowance, 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 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.

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 would like to use the Scheme Pays facility, please contact the team on 0800 090 2267.

The Lifetime Allowance (LTA)

The Lifetime Allowance increased to £1.03 million on 6 April 2018. 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.

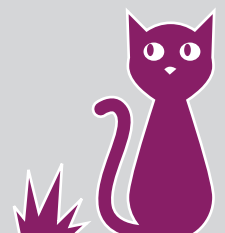
Transferring your DB pension

Flexibilities were introduced for Defined Contributions (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 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 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.



New ID requirements when settling benefits

As a result of the new Anti Money Laundering regulations, the Trustees are required by law to see additional ID documents before they are able to settle any benefits to members and dependents. This includes transferring out of the Scheme, retiring from the Scheme and the settlement of death benefits.

We will provide you with a list of the acceptable documents as part of the pack issued prior to benefits being settled.

Investment Review

The Trustees are currently reviewing all aspects of the funds available for members with DBAVCs, to ensure that they continue to provide the best possible value to members. This includes the investment platform provider, the fees and the glidepaths used for the Target Date Funds. Keep an eye on the website for further updates as the review progresses.

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).

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 the 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.

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

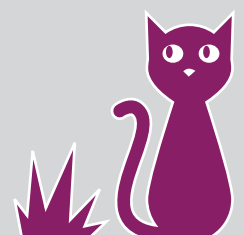
If you move house or change your bank, you can now call the team and we can take these details over the phone. We will take you through a service of security questions to make sure we're talking to you and you'll receive a letter confirming that the change has been made.

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.



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.



PROVIDING PROOF OF THE MEMBER'S IDENTITY		Associated British Foods	Pension Scheme
These requirements must be met for all benefit settlements			
The member should provide one document from List 1, one document from List 2 and if applicable one document from List 3. The same document cannot be used for more than one list, e.g. a photocard driving licence cannot be used as both a proof of name and proof of address.			
The documents provided should be certified copies; please do not send the original documents. The copies should be certified by the member as being true copies of the original; the member's signature should then be witnessed with the witnesses also providing their full name and address.			
List 1 – Proof of identity	Notes		
Current signed passport	A clear copy of the page containing the photograph of the member and the passport number		
Current signed UK or EEA photocard driving licence	A clear copy of the photocard licence, showing the licence number		
Original birth certificate	UK birth certificate issued within 12 months of the date of birth is full form including those issued by UK authorities overseas such as Embassies High Commissions and the Forces. If the birth certificate is not in English, an official translation should be provided along with the certificate.		
Full old-style driving licence	Issued before 1998		
National Identity Card bearing a photograph of the applicant	A clear copy of the identity card, showing the card number		
List 2 – Proof of address	Notes		
Utility bill	Acceptable utility bills are gas, electric, water, satellite television, landline phone – issued within the last 3 months. Mobile phone bills will not be accepted		
Bank, Building Society or Credit Union statement or facebook	Dated within the last three months		
Local Authority council tax bill	For the current council tax year		
Mortgage statement	From a recognised lender issued for the last full year		
Electoral Register entry	A recent poll card (dated within the last 12 months), a Confirmation of Residence letter provided by your local council, they may charge to provide this		
HMRC notification	Self assessment returns, tax demands or tax code notification dated within the current financial year		
Letter of confirmation from GP's practice of registration with the surgery	Your GP may charge for providing this letter		
List 3 – Proof of change of name	Notes		
If your name given in the document from List 1 is different to any other names you are or have been known by, please provide proof of any official changes of name.	Copy of marriage certificate, civil partnership, deed poll or other official change of name		

THE FINANCIALS

Membership

On 5 April 2018, there were:

1,989
Active members

7,471
Deferred members

14,773
Pensioners

Income and expenditure

This table shows the breakdown of what's come in and what went out for the year to 5 April 2018.

Members' contributions, Additional Voluntary Contributions and ABF's contributions	£33,355,000
Investment income and change in market value of investments	£96,013,000

Total coming in

£129,368,000

Retirement and death benefits	£108,013,000
Administration expenses	£5,908,000
Investment management expenses	£21,483,000
Leavers' benefits and transfers out	£119,374,000
Taxation where lifetime or annual allowance exceeded	£227,000
Taxation	£1,027,000

Total going out

£256,032,000

Investing

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

Fund category	Percentage of holdings at April 2018	Target allocation of overall holdings
Cash	1.3%	1 - 3%
Property	9.7%	31.5 - 46.5 %
Global Equities (may include UK)	35.8%	
Fixed interest and index linked bonds (including illiquid credit)	53.2%	52.5 - 60.5%

General market update

The global economy continued to be affected by volatility and political upheaval over the Scheme year. However, most major economies produced positive growth. Nearly all major Global Equity markets had positive returns over the year with the MSCI World index returning 2.37%.

Gilt and Bond yields flattened as continued political and economic developments took hold. Interest rates in the UK remained unchanged and inflation remained stable.

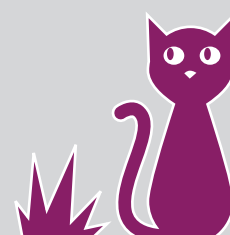
In aggregate, the Scheme's managers posted positive returns versus their individual benchmarks but continued weakening in Sterling against all major currencies detracted from overall performance versus the benchmark.

Average overall investment return

Over the last year until 31 March, the average return was 3.7% vs a benchmark of 1.6%.

Over three years, the average return for each year was 6.9% vs a benchmark of 6.8%.

Over five years, the average return for each year was 8.9% vs a benchmark of 6.2%



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 2018, a total of over £12 million was invested with the following providers:

Current funds

Funds on the Phoenix Wealth platform	£4,354,000
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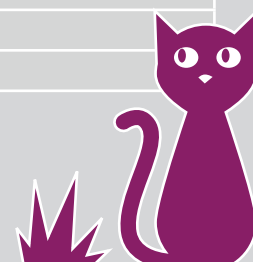
Legacy funds

Phoenix Life Limited (formerly London Life Limited)	£6,000
Clerical Medical	£1,801,000
Equitable Life	£301,000
Prudential	£95,000
Reassure (formerly Guardian, formerly Scottish Equitable)	£18,000
Standard Life Aberdeen	£5,702,000

Total	£12,277,000
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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, Richard Cloke, Paul Lister, Giles Haig	
Member Nominated Trustee Directors	Paul Longley, Sarah Giffen, Hadden Graham	
Secretary to Trustee and Group Pensions Director	Colin Hatley	
Investment Managers at year end	Ares Management Ltd Artemis Investment Management LLP Beach Point Capital Management LP Bluebay Asset Management LLP Blackrock Currency Hedge Calamos Investments LLC CQSM 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 MV Credit Partners LLP 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 2018

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 2018 of around £303 million. This increased surplus has been caused primarily by lower long term inflation expectations in April 2018 compared to April 2017 which has reduced the value of the Scheme's liabilities compared to 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

