

SUMMARY FUNDING STATEMENT 2021

Each year the Trustee provides a Summary Funding Statement that contains information on the funding position of the DB Section of the Scheme. The purpose of this statement is to help members understand more about the Scheme's finances and its ability to pay the benefits that members have been promised. We are continually reviewing how we can improve the information that we provide to members and have made some changes to how this funding update is presented this year, so it may look different compared to previous years but all of the same information is provided.

The Scheme's funding position

Your pension contributions and those made by the Company are paid into a trust fund, which is invested by independent investment managers appointed by the Trustee. The funding position is an assessment of how the Scheme's assets (its investments in the trust fund) are able to meet its future liabilities (all of the pension benefits that will need to be paid out in the future). If the assets are more than the liabilities, the Scheme is said to have a surplus. If the liabilities are greater than the assets, the Scheme is said to have a shortfall.

The Scheme's funding position is measured by the Scheme's independent actuary using a complicated actuarial valuation based on certain assumptions for future interest rates, life expectancy and how investment markets will perform. This is carried out at least every three years, the Scheme's most recently completed actuarial valuation took place at 5 April 2020.

The results of the 5 April 2020 actuarial valuation

The actuarial valuation at 5 April 2020 showed that:

- The value of the Scheme's liabilities was: £ 3,619 million
- The Scheme's assets were: £ 3,317 million
- The Scheme had a shortfall of: £ 302 million

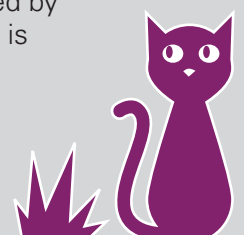
How the Scheme's funding position has changed since 5 April 2020

In the period between the three yearly 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 2021 of around £636 million. This surplus has been caused primarily by higher than expected growth in the Scheme's assets.

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. As has been shown in the Scheme's annual summary funding statements over the past few years, fluctuations in the Scheme's funding position from year to year are common. In particular, the markets' reaction to the COVID-19 pandemic resulted in particularly high volatility during 2020 and 2021 with a significant recovery since the fall in markets seen in April 2020.

The Company's contributions and support of the Scheme

The Company pays contributions towards the cost of new pension that members earn each year. In addition, the Company has agreed to make up the shortfall of £302m by paying shortfall contributions of £29.8m per year until 5 April 2026. These contributions are subject to the Scheme having a shortfall, as assessed by the Actuary, in that year. As the Scheme had a surplus at 5 April 2021, no shortfall contribution is due this year.



To calculate the amount of the shortfall, assumptions have to be made about what will happen in the future, for example, the rate at which the Scheme's assets will grow. If the assumptions do not all turn out to be exactly in line with what happens in future, it may be necessary to change the level of contributions to the Scheme or the period over which the shortfall is paid off.

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 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.

We are also required to confirm that no assets have been refunded from the Scheme to the Company and the Scheme has not been subject to any interventions by the Pensions Regulator.

Considering what would happen if the Scheme had to be stopped

The Trustee is required by law to look at what would happen if the Scheme was to be stopped and members' benefits secured with an insurance company. At 5 April 2020, the Scheme's assets would have been sufficient to secure, on average, 73% of members' benefits. This situation is typical of the majority of UK pension schemes. We currently consider it a remote possibility that the Scheme will be stopped.

Next steps

The next actuarial valuation will be undertaken in 2023, however the Trustee and 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.

Further information

If you have any questions about this statement or the Scheme, you can contact us on **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. You can also contact us by email at pensions.admin@abfoods.com or write to us at Associated British Foods Pension Scheme, 50/51 Russell Square, London, WC1B 4JU.

You can also find lots of information on the Scheme's web site www.abfpensions.com.

