Statement of Investment Principles – Molson Coors (UK) Pension Plan

Last reviewed: September 2020

Introduction

1 This document is the Statement of Investment Principles ("SIP") made by the Trustee of the Molson Coors (UK) Pension Plan ("the Trustee" and "the Plan" respectively) in accordance with the requirements of Section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004 and regulations made under it).

2 The Trustee will review this SIP at least every three years and without delay after any significant change in investment policy. Before finalising this SIP, the Trustee took written advice from the Plan's Fiduciary Manager (Towers Watson Limited) and consulted Molson Coors Brewing Company (UK) Limited (the "Employer"). The ultimate power and responsibility for deciding investment policy, however, lies solely with the Trustee.

Plan objectives

3 The Trustee recognises the importance of the Plan providing a reasonable level of benefit at a reasonable cost to the Employer. The primary investment objective is thus to invest the assets in such a way that the expected cost of providing the benefits is maintained at an acceptable level without reducing the security of the Plan (solvency) to an unacceptable level.

4 The Trustee is aiming to limit the risk of the assets failing to meet the liabilities over the long term, yet achieve a greater return than that assumed by the Scheme Actuary and thereby contribute to the repair of a deficit and/or create surplus on the Trustee agreed Technical Provisions basis. While the agreed objective is for the Plan to be fully funded on the Technical Provisions basis, the Trustee's ultimate goal is to be fully-funded on a more prudent Long-term target basis and subsequently for buy-out

5 The Trustee has opted to follow a strategy which is tailored to meet the specific demands of the Plan's liability profile and funding status based on the Technical Provisions, FAS87 and Long-term target bases, as well as to be consistent with the Plan's own objectives. In particular, the Trustee has received advice from the Scheme Actuary and from the Fiduciary Manager. Using this information, the Trustee has determined an appropriate strategy to achieve the two objectives set out above.

Investment strategy

6 The Trustee has agreed an interim Journey Plan to target reaching full funding on the Long-term target by 2025. In December 2019 following the initial Actuarial Valuation results, the Trustee agreed to reduce the Plan's return target to gilts+1.5% pa, with the expectation of still reaching the Long-term target by 2025. The Trustee anticipates reviewing its strategy in detail during 2020 to determine an appropriate framework to achieve full funding on the Long-term target and ultimately achieve buy-out.

7 The investment strategy makes use of two key types of investments which together enable the Trustee to diversify risk exposures and manage the investments effectively:

- using a range of instruments that provide a better match to changes in liability values
- a diversified range of return-seeking assets, including (but not limited to) equities, alternative credit, hedge funds, diversifying strategies, property and infrastructure

8 The Trustee has appointed an investment manager to manage the Plan's assets on a discretionary basis and to provide investment advisory services to the Trustee (the "Fiduciary Manager"). The balance within and between these investments will be determined from time-to-time at the discretion of the Fiduciary Manager, with the objective of maximising the probability of achieving the Plan's investment objective set by the Trustee. The Fiduciary Manager's discretion is subject to guidelines set by the Trustee in the Fiduciary Management Agreement between the parties as amended from time to time (the "FMA"). In exercising investment discretion, the Fiduciary Manager is required to act in accordance with its obligations in the FMA, including the guidelines and any investment resrictions set out therein, and in so doing is expected to give effect so far as reasonably practicable to the principles contained in this SIP. This ensures appropriate incentivisation and alignment of decision-making with the Trustee's overall objectives, strategy and policies.

9 In addition, the Trustee may also from time-to-time take opportunities to purchase bulk annuity policies as appropriate within the context of the Plan's investment strategy. These bulk annuity policies fall outside the remit of the Fiduciary Manager's discretion.

10 The Trustee has established a Strategy and Risk Committee (the "SC") to support the Trustee in setting and ongoing monitoring of strategy and risk to reach the Trustee's long-term objective of buy-out. The Terms of Reference for the SC are provided in a separate document.

11 The Plan will hold assets in cash and other money market instruments from time to time as may be deemed appropriate.

12 The Scheme Actuary performs a valuation of the Plan at least every three years, in accordance with regulatory requirements. The main purpose of the actuarial valuation is to assess the extent to which the assets cover the accrued liabilities and agree an appropriate funding strategy for the Plan.

13 The Trustee will monitor the liability profile of the Plan and will regularly review, in conjunction with the Fiduciary Manager and the Scheme Actuary and in collaboration with the Employer, the appropriateness of its investment strategy.

14 The expected return of an investment will be monitored regularly and will be directly related to the Plan's investment objective.

15 The Trustee's policy is that there will be sufficient investments in liquid or readily realisable assets to meet cashflow requirements in foreseeable circumstances so that the realisation of assets will not disrupt the Plan's overall investments, where possible. The Trustee, together with the Plan's administrators and the Fiduciary Manager, will hold sufficient cash to meet benefit and other payment obligations.

Investment managers

16 The Trustee has delegated investment selection, de-selection and the ongoing management of relationships with investment managers to the Fiduciary Manager within guidelines set by the Trustee in the FMA. Investments will be made by the Fiduciary Manager on behalf and in the name of the Trustee, either directly in pooled vehicles or by the appointment of third party investment managers to provide discretionary investment management services to the Trustee

17 The Trustee considers the Fiduciary Manager's performance in carrying out these responsibilities as part of its ongoing oversight of the Fiduciary Manager. The Trustee expects the Fiduciary Manager to ensure that the Plan's investment portfolio, in aggregate, is consistent with the policies set out in this SIP, in particular those required under regulation 2(3)(b) of the Occupational Pension Schemes (Investment) Regulations (2005). The Trustee expects the Fiduciary Manager to:

- check that the investment objectives and guidelines of any pooled vehicle are consistent with the Trustee's principles contained in the SIP;

- set appropriate guidelines within each investment management agreement for segregated investments with a view to ensuring consistency with the Trustee's principles contained in the SIP.

18 In accordance with the Financial Services and Markets Act 2000, the Trustee will set general investment policy, but will delegate the responsibility for selection of specific investments to an appointed investment manager or managers. The investment manager(s) shall provide the skill and expertise necessary to manage the investments of the Plan competently.

19 The Trustee and Fiduciary Manager are not involved in the investment managers' day-to-day method of operation and does not directly seek to influence attainment of their performance targets. However, the Fiduciary Manager may provide investment recommendations to third party investment managers appointed by the Trustee where it considers it appropriate. The Trustee has delegated the detailed monitoring of the Plan's investment managers to the Fiduciary Manager. The Fiduciary Manager will maintain processes to ensure that performance is assessed on a regular basis against a measurable objective for each investment manager, consistent with the achievement of the Plan's long term objectives, and an acceptable level of risk. The SC, on behalf of the Trustee, will monitor the performance of the Fiduciary Manager against the objectives set in its investment guidelines.

20 The Trustee expects the Fiduciary Manager to appoint third party investment managers and select pooled funds with an expectation of a long-term partnership with the Trustee, which encourages active ownership of the Plan's assets. When assessing an investment manager's or fund's performance, the Trustee expects the Fiduciary Manager to focus on longer-term outcomes, commensurate with the Trustee's position as a long term investor. Consistent with this view, the Trustee does not expect that the Fiduciary Manager would terminate an investment manager's appointment or disinvest from a selected fund based purely on short-term performance but recognises that this may happen within a short timeframe due to other factors such as a significant change in their business structure or investment team. The Trustee adopts the same long term focus as part of its ongoing oversight of the Fiduciary Manager.

21 For most of the Plan's investments, the Trustee expects the Fiduciary Manager to appoint third party investment managers or select pooled funds with a medium to long time horizon, consistent with that of the Plan. In particular areas such as equity and credit, the Trustee expects the Fiduciary Manager to work with investment managers who will use their

engagement activity to drive improved performance over medium to long term periods within the wider context of long-term sustainable investment. The Trustee notes that the Fiduciary Manager may invest in certain strategies where such engagement is not deemed appropriate or possible, due to the nature of the strategy and/or the investment time horizon underlying decision making. The Trustee expects that the appropriateness of the Plan's allocation to such mandates is determined in the context of the Plan's overall objectives.

22 The Custodian is responsible for the safekeeping of the Plan's assets, both individual securities and holding in collective vehicles, and for performing the associated administrative duties such as trade settlement, dividend collection, corporate actions and tax reclamation. In addition, the Custodian provides monitoring information on the Plan's investment performance.

23 The Trustee has delegated responsibility for the selection, retention and realisation of investments to the Fiduciary Manager and investment managers. However, the Trustee and Fiduciary Manager recognise that an investment's long-term financial success is influenced by a range of financially material factors including Environmental, Social and Governance (ESG) issues.

24 Consequently the Trustee (through the selection of the Fiduciary Manager and its associated approach to environmental, social and governance issues, as set out below) seeks to be an active long-term investor. The Trustee's focus is explicitly on financially material considerations. The Trustee's policy at this time is not to take into account non-financial matters.

25 The Fiduciary Manager has a dedicated Sustainable Investment resource and a network of subject matter experts. The consideration of ESG issues is fully embedded in the investment manager selection and portfolio management process, with oversight undertaken on an periodic basis. The Trustee expects the Fiduciary Manager to assess the alignment of each investment managers' approach to sustainable investment (including engagement) with its own before making an investment appointment of selection on the Plan's behalf. The Trustee expects the Fiduciary Manager to engage with the Plan's appointed investment managers where the Fiduciary Manager considers this appropriate regarding their approach to stewardship with respect to relevant matters including capital structure of investee companies, actual and potential conflicts, other stakeholders and ESG impact of underlying holdings. In addition, the Trustee expects the Fiduciary Manager to review the investment managers' approach to sustainable investment (including engagement) on a periodic basis and engage with the investment managers to encourage further alignment as appropriate. The Fiduciary Manager considers a range of sustainable investment factors, such as, but not limited to, those arising from ESG considerations, including climate change, in the context of a broader risk management framework. The degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy and particular exposures which the Fiduciary Manager takes into account in the assesment.

26 Where an investment manager's processes are deemed insufficient by the Fiduciary Manager and the investment manager does not take steps to improve their approach, the investment manager's position in the portfolio may be reviewed and/or a decision may be taken not to proceed with an investment.

27 The Fiduciary Manager encourages and expects the Plan's appointed investment managers to sign up to local or other applicable Stewardship Codes, in keeping with good practice, subject to the extent of materiality for certain asset classes. The Fiduciary Manager itself is a signatory to the Principles for Responsible Investment (PRI) and the UK Stewardship Code and is actively involved in external collaborations and initiatives.

28 The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers and to encourage the managers to exercise those rights. The Fiduciary Manager has appointed Hermes EOS to undertake public policy engagement on its behalf as well as company-level engagement and the provision of voting advice for the Plan's equity investments.

29 The Trustee expects the Fiduciary Manager to consider the fee structures of investment managers and the alignment of interests created by these fee structures as part of its investment decision making process, both at the initial appointment of an investment manager and on an ongoing basis. Investment managers are generally paid an ad valorem fee, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement. The Trustee expects the Fiduciary Manager to review and report on the costs incurred in managing the Plan's assets regularly, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual investment manager level, the Trustee expects the Fiduciary Manager to have regard to the actual portfolio turnover and how this compares with the expected turnover range for that mandate.

Other matters

30 The Plan is a Registered Pension Scheme for the purposes of the Finance Act 2004.

31 In the past, members were able to invest in defined contribution arrangements known as Additional Voluntary Contribution (AVC) schemes to improve their benefits. The AVC arrangements are now closed to further contributions. However, the AVC investments from previous contributions are held separately from other assets of the Plan. The Trustee will review the AVC arrangements periodically.

32 The Trustee recognises a number of risks involved in the investment of the Plan's assets:

- Solvency and mismatch risk:
  - are measured through a qualitative and quantitative assessment of the expected development of the funding level relative to the current and alternative investment policies.
  - are managed through the development of a portfolio by the Fiduciary Manager consistent with delivering the Plan's investment objective and assessment of the progress of the actual growth of the liabilities relative to the selected investment policy.
- Investment manager risk:
  - is measured by the expected deviation of the return relative to the benchmark set.
  - is managed by the Fiduciary Manager limiting exposure to any one investment manager, consideration of the appropriate amount of the Plan to allocate to each active portfolio and by monitoring the actual deviation of returns relative to the benchmark and factors supporting the managers' investment process.
- Liquidity risk:
  - is measured by the level of cashflow required by the Plan over a specified period.

  - is managed by the Plan's administrators and Fiduciary Manager assessing the level of cash held in order to limit the impact of the cash flow requirements on the investment policy and through holding assets of appropriate liquidity.

- Currency risk:
  - is measured by the level of exposure to non-Sterling denominated assets.
  - is managed by the implementation of a currency hedging programme (through a combination of a segregated currency hedging overlay and currency hedging carried out by some of the Plan's investment managers) which reduces the impact of exchange rate movements on the Plan's asset value.

- Interest rate and inflation risk:
  - is measured by comparing the likely movement in the Plan's liabilities and assets due to movements in inflation and interest rates.
  - is managed by holding a portfolio of matching assets (physical bonds and/or derivatives) that enable the Plan's assets to better-match movements in the value of the liabilities due to inflation and interest rates.

- Custodial risk:
  - is measured by assessing the credit-worthiness of the Custodian and its ability to settle trades on time and provide secure safekeeping of assets under custody.
  - is managed by monitoring the Custodian's activities and reviewing the performance of the Custodian.

- Political risk:
  - is measured by the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention.
  - is managed by through the level of diversification within the Plan's portfolio.

- Sponsor risk:
  - is measured by receiving regular financial updates from the Employer and periodic independent covenant assessments.
  - is managed through an agreed contribution and funding schedule.

- Fiduciary manager risk:
  - is recognised by the Trustee due to the level of delegation to the Fiduciary Manager
  - is managed through:
    - documentation of the Fiduciary Manager's powers and duties within the agreement with the Fiduciary Manager;
    - detailed investment guidelines determined by the SC and Trustee under which the Fiduciary Manager will operate and against which the Fiduciary Manager will report its compliance. The investment guidelines include parameters and constraints around: the investment objective, geographic restrictions, permitted financial instruments, asset allocation constraints, currency exposure, liability

hedging, diversification limits, liquidity, securities lending/borrowing/overdrafts, and strategic dynamic de-risking and downside risk management. These parameters and constraints are reviewed on an annual basis and as required;

- regular review of the investment strategy decisions and process;

- regular review of performance against the agreed objectives;

- external independent advice, including supporting the SC and Trustee in monitoring the Fiduciary Manager as required; and

- ultimately through the notice period agreed in the fiduciary management agreement.

- Derivatives risk

  - Counterparty risk – this risk is mitigated through collateral management, diversifying exposure across counterparties, and the use of robust ISDA, GMRA or other relevant derivatives documentation.

  - Basis risk – the returns from backing assets used to meet the payable leg of a derivative contract may not match exactly. This risk is addressed through the investment policy adopted by the Fiduciary Manager for the backing assets and the investment managers' asset management capabilities.

  - Liability risk – pension liabilities can only be estimated and there is a risk of divergence between the performance of the derivatives and the actual value of the liabilities (for example, due to changes in assumptions or demographics). This risk is mitigated by updating the liability hedging benchmark at appropriate regular intervals.

  - Legal and operation risk – the successful operation of derivatives depends on the various legal documents governing the derivative contracts and the correct completion of some operational tasks. The Trustee and Fiduciary Manager take appropriate advice when putting in place legal documents, reviewing legal documents already in place and appointing and monitoring providers capable of carrying out the required operational tasks.

The Trustee of the Molson Coors (UK) Pension Plan

Date: 15 September 2020