

Molson Coors UK Pension Plan

**Annual Implementation  
Statement – Scheme year  
ending 30 June 2020**

November 2020

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# Section 1: Introduction

This document is the Annual Implementation Statement (“the statement”) prepared by the Trustee of the Molson Coors UK Pension Plan (“the Plan”) covering the scheme year (“the year”) to 30 June 2020.

The purpose of this statement is to:

- Set out the extent to which, in the opinion of the Trustee, the Plan’s Statement of Investment Principles (“SIP”) required under section 35 of the Pensions Act 1995 has been followed during the scheme year; including policy on engagement and voting.

The Plan makes use of a wide range of investments; therefore, the principles and policies in the SIP are intended to be applied in aggregate and proportionately, focussing on areas of maximum impact.

In order to ensure that investment policies set out in the SIP are undertaken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustee delegates some responsibilities. In particular, the Trustee has appointed a Fiduciary Manager, Towers Watson Limited, to manage the Plan’s assets on a discretionary basis. The Fiduciary Manager’s discretion is subject to guidelines and restrictions set by the Trustee. So far as is practicable, the Fiduciary Manager considers and seeks to give effect to the policies and principles set out in the Trustee’s SIP.

A copy of this implementation statement has been made available on the following website: <https://molsoncoorsukpensionplan.com/information/documents-and-forms/>

## **Review of and changes to the SIP**

The SIP in place as at the end of the year was dated as at December 2019 and incorporated comprehensive updates to reflect the appointment of the Fiduciary Manager over the year. We consider that all SIP policies and principles relevant to this statement were adhered to.

Since the end of the scheme year, a new version of the SIP was adopted as at September 2020 to reflect new regulatory requirements coming into force from 1 October 2020. The new SIP (including the latest regulatory changes) will be reported on in next year’s Implementation Statement covering the 2020/21 scheme year.

## Section 2: Voting and Engagement

Regarding engagement, the Trustee's SIP states that:

- “The Fiduciary Manager has appointed Hermes EOS to undertake public policy engagement on its behalf as well as company-level engagement”; and
- “The Trustee expects the Fiduciary Manager to assess the alignment of each investment manager’s approach to sustainable investment (including engagement) with its own before making an investment on the Plan’s behalf. The Trustee expects the Fiduciary Manager to engage with the Plan’s investment managers where the Fiduciary Manager considers this appropriate regarding their approach to stewardship. 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”

As noted above, the Fiduciary Manager has partnered with EOS at Federated Hermes (EOS) to undertake public policy engagement on behalf of its clients (including the Trustee). The Fiduciary Manager communicates client policies/sentiment to EOS via the Client Advisory Council (chaired by Willis Towers Watson) and EOS subsequently engages with legislators, regulators, industry bodies and other standard-setters to shape capital markets and the environment in which companies and their investors operate, a key element of which is risk related to climate change.

Engagement activities by Hermes EOS on public policy over the year included:

- Participation in a series of meetings with the UK Government’s Department for Business, Energy and Industrial Strategy in order to help set out the UK’s decarbonisation roadmap and steps to achieve agreed climate targets.
- Feedback/assistance on the production of a new anti-microbial resistance benchmark with the aim of reducing the use of antibiotics in agriculture.
- Co-signing of an investor letter to the Brazilian government in support of the Amazon Soy Moratorium, an agreement which aims to limit damage and deforestation caused by soy production, supporting expansion only on existing agricultural land.
- A consultation response to various chartered/certified accountant associations on suggested improvements to their new sustainable development goal reporting framework.

Similarly, the Fiduciary Manager participates in a range of collaborative initiatives.

- The Transition Pathway Initiative which assesses companies’ preparedness for transition to a low carbon economy
- It is a signatory of the Principles of Responsible Investment and active members of their working group for ESG / Sustainable Development Goals in Strategic Asset Allocations
- Being part of the integrated thinking task force for the International Integrated Reporting Council (IIRC), looking to promote communication about value creation as the next step in the evolution of corporate reporting
- Its environmental practice sponsors Wharton business schools’ initiative for Global Environmental Leadership promoting knowledge for business sustainability and the environment
- Sponsors the University of Cambridge’s centre of Risk studies Risk index, which looks to quantify the impact of future catastrophe shocks on the world’s economy, including cyber-attacks, commodity price volatility, geopolitical events and financial crises.

As set out above, the Fiduciary Manager of the Plan engages with the Plan’s investment managers on behalf of the Trustee. The Trustee has considered and reviewed its stewardship and engagement policies as part of the recent reviews of its Statement of Investment Principles.

The Fiduciary Manager's process for selecting, monitoring and de-selecting investment managers explicitly and formally includes an assessment of a manager's approach to sustainable investment (recognising that the degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy and exposures). The Plan is invested across a diverse range of asset classes which carry different ownership rights. This document focusses on the equity holdings, which have voting rights attached.

The majority of the Plan's Equity Asset assets were held within the Fiduciary Manager's pooled equity vehicle. The Fiduciary Manager delegates voting rights and the execution of those rights to the underlying managers for the securities they hold. The Fiduciary Manager has also appointed EOS to provide voting advice to the asset managers and to engage with the companies on their behalf, or in collaboration with them.

The remainder of the Plan's equity holdings are invested with an active manager in a China Equity Fund, an active manager in an Emerging Market Equity Fund and in a pooled Investment vehicle at listed infrastructure manager. The Fiduciary Manager rates these managers positively with respect to their ESG integration and engagement, except for the Emerging Market Equity Fund manager which is rated as acceptable.

Corporate engagement and asset stewardship is a key part of the investment process for the active manager in Chinese Equity. The managers long-term investment horizon, approach of investing in companies with strong governance structures and history and experience of investing in Asian and emerging markets, including China, supports that they are well-equipped to engage with company management with a view to improving outcomes. In terms of voting, the Chinese Equity Manager's policy is publicly disclosed annually, and it is positive that all votes are exercised where feasible. Please refer to appendix 1 for details of the managers voting policies with regard to proxy voting.

The Fiduciary Manager views the Emerging Market Equity Managers approach to SI as acceptable. Over the year, the manager has made improvements to its practices relating to ESG integration and engagement by upgrading its third-party research provider to Sustainalytics, developing a Stewardship Policy and enhancing its ESG Policy. The Fiduciary Manager continues to engage for further improvement.

The assets held with the listed infrastructure manager in a pooled investment vehicle are managed on a passive basis relative to a defined index. As such, the voting entitlements in these funds lie with the listed infrastructure manager. The Fiduciary Manager's view is that the listed infrastructure manager leads its peers in terms of proactivity and taking visible stances on topics they believe to be important. However, the Fiduciary Manager continues to engage with the listed infrastructure manager on areas for development, namely around resourcing, and improving the breadth and depth of corporate engagements. During the year, the Fiduciary Manager rated the listed infrastructure manager positively for ESG integration, voting and engagement. The listed infrastructure manager's voting policy can be seen in appendix 1.

Further information on the voting and engagement activities of the managers is provided in the table below.

Manager and fund	Portfolio structure	Voting activity
Global Equity Manager	Fund of funds	<p>Number of meetings at which the manager was eligible to vote: 157</p> <p>Number of resolutions on which manager was eligible to vote: 2304</p> <p>Percentage of eligible votes cast: 100%</p> <p>Percentage of votes with management: 89.4%</p> <p>Percentage of votes against management: 10.5%</p> <p>Percentage of votes abstained from: 0.2%</p> <p>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 58%</p> <p>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 8.1%</p>
Emerging Markets Equity Fund manager	Pooled Investment Vehicle	<p>Number of meetings at which the manager was eligible to vote: 76</p> <p>Number of resolutions on which manager was eligible to vote: 788</p> <p>Percentage of eligible votes cast: 100%</p> <p>Percentage of votes with management: 90%</p> <p>Percentage of votes against management: 10%</p> <p>Percentage of votes abstained from: 4%</p> <p>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 43%</p> <p>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 0%</p>
China equity manager	Pooled Investment Vehicle	<p>Number of meetings at which the manager was eligible to vote: 28</p> <p>Number of resolutions on which manager was eligible to vote: 186</p> <p>Percentage of eligible votes cast: 100%</p> <p>Percentage of votes with management: 97.8%</p> <p>Percentage of votes against management: 2.2%</p> <p>Percentage of votes abstained from: 0.0%</p> <p>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 3.6%</p> <p>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 7.5%</p>
Listed infrastructure manager	Pooled Investment Vehicle	<p>Number of meetings at which the manager was eligible to vote: 79</p> <p>Number of resolutions on which manager was eligible to vote: 974</p> <p>Percentage of eligible votes cast: 99.6%</p> <p>Percentage of votes with management: 86.4%</p> <p>Percentage of votes against management: 13.4%</p> <p>Percentage of votes abstained from: 0.2%</p> <p>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 69.6%</p> <p>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 8.6%</p>

In addition, the equity managers have reported on the most significant votes cast within the underlying funds managed on behalf of the Plan, including reasons from the underlying managers why the votes identified were considered significant, the rationale for the voting decision and the outcome of the vote. We note that the merging markets equity fund manager did not provide any significant votes.

Coverage in portfolio	Size of holdings	Most significant votes cast	
Global Equity Manager	0.1%	<b>Company:</b> <b>Resolution</b> <b>Decision/Vote</b> <b>Rationale for decision</b> <b>Rationale for classifying as significant</b>	Raytheon Approve merger agreement For We supported it because it diversified both companies across two different cycles - civil aerospace and defence - which increased the resilience of the combined Group. Merger
Global Equity Manager	0.1%	<b>Company:</b> <b>Resolution</b> <b>Decision/Vote</b> <b>Rationale for decision</b> <b>Rationale for classifying as significant</b>	Bayer Approve Discharge of Management Board for Fiscal 2018 Against The management board misjudged the legal and reputational risks of the Monsanto acquisition, including the fact that two California juries have found that one of Monsanto's most important products is cancer-causing. Headline risk: the Monsanto trials have been heavily covered by media around the world.
Global Equity Manager	0.1%	<b>Company:</b> <b>Resolution</b> <b>Decision/Vote</b> <b>Rationale for decision</b> <b>Rationale for classifying as significant</b>	Citigroup Inc. Reduce Ownership Threshold for Shareholders to Call Special Meeting For The reduction to a 15 percent threshold to call a special meeting would improve shareholder rights. Our proxy voting policies explicitly support such measures at a 10% threshold. We also believe that lower thresholds may be appropriate for large companies as abuse is less likely. We believe it was significant given the size of the holding (as a percentage of the Fund) and the outcome of the vote. The vote was non-binding and we believe our support likely had an influence on the company ultimately adopting this shareholder-friendly change.
Global Equity Manager	0.1%	<b>Company:</b> <b>Resolution</b>	Cigna Corporation Report on Gender Pay Gap

		<p><b>Decision/Vote</b> For</p> <p><b>Rationale for decision</b> We believe the disclosures requested would be very low cost to for the company to produce and that shareholders would benefit from additional information allowing them to better measure the progress of the company's diversity and inclusion initiatives, with significant benefits for the company related to employee and customer satisfaction as it would demonstrate that the company took the concerns seriously.</p> <p><b>Rationale for classifying as significant</b> We believe it was significant both given the size of the holding (as a percentage of the Fund) and our engagement efforts.</p>
Global Equity Manager	0.1%	<p><b>Company:</b> Cigna Corporation</p> <p><b>Resolution</b> Provide Right to Act by Written Consent</p> <p><b>Decision/Vote</b> For</p> <p><b>Rationale for decision</b> It would provide shareholders with a meaningful written consent right and a means to act between annual meetings. Our proxy voting policies support the right to act by written consent.</p> <p><b>Rationale for classifying as significant</b> We believe it was significant both given the size of the holding (as a percentage of the Fund) and our engagement efforts.</p>
Global Equity Manager	0.1%	<p><b>Company:</b> Novo Nordisk</p> <p><b>Resolution</b> Say on Pay</p> <p><b>Decision/Vote</b> For</p> <p><b>Rationale for decision</b> Compensation deemed fair</p> <p><b>Rationale for classifying as significant</b> We consider executive compensation structures a key factor in determining management strength and sound governance practices.</p>
Global Equity Manager	0.1%	<p><b>Company:</b> Visa</p> <p><b>Resolution</b> Say on Pay</p> <p><b>Decision/Vote</b> For</p> <p><b>Rationale for decision</b> Compensation deemed fair</p> <p><b>Rationale for classifying as significant</b> We consider executive compensation structures a key factor in determining management strength and sound governance practices.</p>
Global Equity Manager	0.1%	<p><b>Company:</b> Amazon</p> <p><b>Resolution</b> Say on Pay</p>



		<b>Decision/Vote</b>	For
		<b>Rationale for decision</b>	Compensation deemed fair
		<b>Rationale for classifying as significant</b>	We consider executive compensation structures a key factor in determining management strength and sound governance practices.
Global Equity Manager	0.1%	<b>Company:</b>	Alphabet Inc.
		<b>Resolution</b>	Establish Environmental/Social Issue Board Committee
		<b>Decision/Vote</b>	For
		<b>Rationale for decision</b>	A vote FOR this proposal is warranted because the existing board structure does not appear to provide adequate oversight on potential risks that the company's existing and emerging technologies present to the company's stakeholders, which, in turn, creates risks for the company in terms of employee retention, regulatory backlash, and reputational damage with users and advertisers.
		<b>Rationale for classifying as significant</b>	Corporate Governance/Business Practices
Global Equity Manager	0.1%	<b>Company:</b>	Alphabet Inc.
		<b>Resolution</b>	Assess Feasibility of Including Sustainability as a Performance Measure for Senior Executive Compensation
		<b>Decision/Vote</b>	For
		<b>Rationale for decision</b>	A vote FOR this proposal is warranted because Alphabet's compensation program lacks performance-based pay elements, and the adoption of this proposal may promote a more strongly performance-based pay program for executives.
		<b>Rationale for classifying as significant</b>	Corporate Governance
China equity manager	0.1%	<b>Company:</b>	Lenovo Group Ltd.
		<b>Resolution</b>	Authority to Issue Shares w/o Pre-emptive Rights; Authority to Issue Repurchased Shares
		<b>Decision/Vote</b>	Against
		<b>Rationale for decision</b>	Potentially large dilution – rights issue for all shareholders would be preferred if large fundraising is required.
		<b>Rationale for classifying as significant</b>	Against management
China equity manager	0.1%	<b>Company:</b>	Haier Smart Home
		<b>Resolution</b>	Amendments to the Company's articles of association; Amendments to the rules of procedure governing shareholders general meetings

		<b>Decision/Vote</b>	Against
		<b>Rationale for decision</b>	Shortened notice period; not ideal to change the notice period before AGM from 45 days to 20 days
		<b>Rationale for classifying as significant</b>	Against management
China equity manager	0.1%	<b>Company:</b>	Huayu Automotive
		<b>Resolution</b>	Elect Zhuang Jingxiong
		<b>Decision/Vote</b>	For
		<b>Rationale for decision</b>	It is more important to ensure sufficient independence for the board of directors compared to supervisors.
		<b>Rationale for classifying as significant</b>	Against provider recommendations
China equity manager	0.1%	<b>Company:</b>	China Telecom
		<b>Resolution</b>	Elect LIU Guiqing
		<b>Decision/Vote</b>	For
		<b>Rationale for decision</b>	It is a bit unfair to count a former representative of BlackRock (which owns 1.4%) as a non-independent board member.
		<b>Rationale for classifying as significant</b>	Vote against provider recommendations
China equity manager	0.1%	<b>Company:</b>	Great Wall Motor
		<b>Resolution</b>	Appraisal Measures for Implementation of 2019 Restricted Share and Share Option Incentive Scheme
		<b>Decision/Vote</b>	For
		<b>Rationale for decision</b>	Equity-linked incentives help improve alignment with minority interests. KPIs such as sales volume and profit have also been announced.
		<b>Rationale for classifying as significant</b>	Vote against provider recommendations
China equity manager	0.1%	<b>Company:</b>	Shanghai International Airport
		<b>Resolution</b>	Election of Supervisor
		<b>Decision/Vote</b>	For
		<b>Rationale for decision</b>	Supervisor committee of SIA has 5 members. 3 are nominated by the parent group and 2 are elected from employees. The structure is fine (at least 1/3 of supervisors should come from employees).
		<b>Rationale for classifying as significant</b>	Vote against provider recommendations

# Appendix 1: Manager voting policies

## **TWIM's Voting Policy is provided below**

Our underlying managers use ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. For the Global Equity Manager, we also use EOS at Federated Hermes for voting recommendation services (via the ISS platform) to enhance engagement and achieve responsible ownership. Our underlying managers are ultimately responsible for the votes.

## **The listed infrastructure manager's voting policy is provided below:**

### **"Policy on consulting clients:**

The listed infrastructure manager's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all our clients. Our voting policies are reviewed annually and take into account feedback from our clients.

Every year, the listed infrastructure manager holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as we continue to develop our voting and engagement policies and define strategic priorities in the years ahead. We also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

### **Process for deciding how to vote:**

All decisions are made by the listed infrastructure manager's Investment Stewardship team and in accordance with our relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures our stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

### **Use of proxy voting services:**

The listed infrastructure manager's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by the listed infrastructure manager and we do not outsource any part of the strategic decisions. Our use of ISS recommendations is purely to augment our own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that we receive from ISS for UK companies when making specific voting decisions

To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what we consider are minimum best practice standards which we believe all companies globally should observe, irrespective of local regulation or practice.

We retain the ability in all markets to override any vote decisions, which are based on our custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows us to apply a qualitative overlay to our voting judgement. We have strict monitoring controls to ensure our votes are fully and effectively executed in accordance with our voting policies by our service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform us of rejected votes which require further action."

**Emerging Market Equity manager voting policy is provided below**

The Emerging Market Equity manager uses the proxy voting services of the Institutional Investor Services (ISS).

**China active manager voting policy is provided below**

“[We use] Glass Lewis as proxy voting service vendor to process votes on resolutions of investment companies in their shareholders’ meetings. The service platform allows us to source voting ballots from multiple custodians, provide voting research papers with detailed analysis and recommendations it also allows us to submit voting decisions in an efficient centralised manner. It also possesses a reporting function on voting data in various formats which is helpful in reporting to our clients.”