

Molson Coors UK Pension Plan

**Annual Implementation
Statement – Scheme year
ending 30 June 2021**

November 2021

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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 2021.

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 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.

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 September 2020 and incorporated new regulatory requirements coming into force from 1 October 2020. We consider that all SIP policies and principles relevant to this statement were adhered to.

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:

- 52 consultation responses or proactive equivalents (such as a letter), and 173 discussions held with relevant regulators and stakeholders during 2020;
- Climate Action 100+, an investor initiative aiming to ensure the world’s largest corporate greenhouse gas emitters take necessary action on climate change, where EOS lead or co-lead 30 engagements and support another 14;
- Working closely with the Principles for Responsible Investment (‘PRI’), including leading the engagement with Vale on tailings dam failure, and actively involved in other groups, including cyber risk, water stress, cattle deforestation, palm oil, plastics, cobalt and tax;
- Close collaboration with significant investor initiatives including Investors for Opioid & Pharmaceutical Accountability, Investor Alliance for Human Rights, Plastics Solutions Investor Alliance, 30% Club, and Investor Initiative on Mining & Tailings Safety.

The Fiduciary Manager is also engaged in a number of industry wide initiatives and collaborative engagements including:

- Being a Tier 1 signatory of the 2012 UK Stewardship Code and submitting its first annual report to the 2020 UK Stewardship Code;
- Being a signatory of the Principles for Responsible Investment (PRI) and active member of their Stewardship Advisory Committee;
- Being a member of and contributor to the Institutional Investors Group on Climate Change (IIGCC), Asian Investors Group on Climate Change (AIGCC), and Australasian Investors Group on Climate Change (IGCC);
- Founding the Coalition for Climate Resilient Investment (with the World Economic Forum);
- Co-founding the Investment Consultants Sustainability Working Group;
- Continuing to lead collaboration through the Thinking Ahead Institute and Willis Research Network.

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 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, an active manager in a REITs Fund and a pooled Investment vehicle investing in listed infrastructure at State Street Global Advisors (SSgA) on the AMX platform. The Fiduciary Manager rates these managers positively with respect to their ESG integration.

The Chinese equity manager has continued their strong commitments to corporate engagement and asset stewardship with a specific focus on behalf of minority investors. The manager maintains a "Strength" rating with respect to voting and engagement, however, more transparency surrounding firm-level voting activities would be beneficial. Please refer to the below voting table for a breakdown of their voting record, and appendix 1 for details of the managers voting policies regarding proxy voting.

The Investment Manager for Emerging Markets shows continued ESG commitments within their funds with strong support for sustainable investment initiatives. Because of this, it is estimated that they are less exposed to ESG related factors than their benchmark on average. Please refer to the below voting table for a breakdown of their voting record, and appendix 1 for details of the managers voting policies regarding proxy voting

The assets held with AMX SSgA 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 SSgA. Hermes EOS is a stewardship services provider that provides company voting, engagement and public policy voting activity on behalf of SSgA. Hermes EOS provide engagement-led voting recommendations where possible, tailored to individual company circumstances and utilising a three-tier framework to guide voting policy which considers country specific policies, regional EOS corporate governance principles and overarching global voting guidelines. Hermes executive voting recommendations directly for the Fund, and both SSgA and AMX have the ability to override voting recommendations, although this option has not yet been exercised. EOS is rated as a Strength on their ESG engagement activities by the Fiduciary Manager, where 83% of the engagements made across a wide range of ESG issues have resulted in positive progress over 2020. EOS' latest engagement plan can be accessed at [here](https://www.hermes-investment.com/ukw/wp-content/uploads/2021/01/eos-engagement-plan-2021-2023-public.pdf)¹.

The Fiduciary Manager views the REITs investment as positive from an ESG integration perspective due to its public commitment to sustainable investment initiatives and given the ESG policy's responsibility lies primarily with the Portfolio Manager themselves. Positively, all votes are exercised where feasible, including contentious voting made by the investment team.

¹<https://www.hermes-investment.com/ukw/wp-content/uploads/2021/01/eos-engagement-plan-2021-2023-public.pdf>

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

Manager and fund	Portfolio structure	Voting activity
Towers Watson Global Equity Focus Fund	Fund of funds	<p>Number of meetings at which the manager was eligible to vote: 174</p> <p>Number of resolutions on which manager was eligible to vote: 2921</p> <p>Percentage of eligible votes cast: 99%</p> <p>Percentage of votes with management: 90%</p> <p>Percentage of votes against management: 10%</p> <p>Percentage of votes abstained from: 0%</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: 10%</p>
GQG Emerging Markets Equity Fund	Pooled Investment Vehicle	<p>Number of meetings at which the manager was eligible to vote: 59</p> <p>Number of resolutions on which manager was eligible to vote: 952</p> <p>Percentage of eligible votes cast: 100%</p> <p>Percentage of votes with management: 91%</p> <p>Percentage of votes against management: 9%</p> <p>Percentage of votes abstained from: 1%</p> <p>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 54%</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>
First State China A Shares	Pooled Investment Vehicle	<p>Number of meetings at which the manager was eligible to vote: 111</p> <p>Number of resolutions on which manager was eligible to vote: 949</p> <p>Percentage of eligible votes cast: 100%</p> <p>Percentage of votes with management: 95%</p> <p>Percentage of votes against management: 5%</p> <p>Percentage of votes abstained from: 0%</p> <p>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 13.5%</p> <p>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 11%</p>
State Street Listed Infrastructure	Pooled Investment Vehicle	<p>Number of meetings at which the manager was eligible to vote: 84</p> <p>Number of resolutions on which manager was eligible to vote: 976</p> <p>Percentage of eligible votes cast: 100%</p> <p>Percentage of votes with management: 85%</p> <p>Percentage of votes against management: 14%</p> <p>Percentage of votes abstained from: 0%</p>

		<p>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 77%</p> <p>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 2%</p>
Resolution Capital Limited	Global Property Securities Fund, REITs	<p>Number of meetings at which the manager was eligible to vote: 39</p> <p>Number of resolutions on which manager was eligible to vote: 509</p> <p>Percentage of eligible votes cast: 100%</p> <p>Percentage of votes with management: 97.64%</p> <p>Percentage of votes against management: 2.36%</p> <p>Percentage of votes abstained from: 0%</p> <p>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 12.82%</p> <p>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: N/A</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 GQG did not provide any significant votes.

Coverage in portfolio	Size of holdings	Most significant votes cast
Towers Watson Global Equity Focus Fund	0.1%	<p>Company: Amazon</p> <p>Resolution Report on the impacts of plastic packaging</p> <p>Decision/Vote For</p> <p>Rationale for decision Promotes transparency around environmental issues</p> <p>Rationale for classifying as significant We consider ESG factors to be a major factor influencing the long-term predictability and sustainability of a company's revenue and earnings growth.</p>
Towers Watson Global Equity Focus Fund	0.1%	<p>Company: Facebook</p> <p>Resolution Amend Non-Employee Director Compensation Policy</p> <p>Decision/Vote Against</p> <p>Rationale for decision Continue to consider proposals whether from management or shareholders which enhance the ESG standards of the company.</p> <p>Rationale for classifying as significant We consider ESG factors to be a major factor influencing the long-term predictability and sustainability of a company's revenue and earnings growth.</p>

Towers Watson Global Equity Focus Fund	0.1%	<p>Company: IHS Market</p> <p>Resolution Advisory vote on golden parachutes</p> <p>Decision/Vote Against</p> <p>Rationale for decision Concern over excessive compensation, in particular the \$40mm retention bonus for CEO Lance Uggla to stay on for one year as adviser after the deal close</p> <p>Rationale for classifying as significant We consider executive compensation structures a key factor in determining management strength and sound governance practices.</p>
First State China A Shares	0.1%	<p>Company: Ping An Insurance</p> <p>Resolution Elect Soopakij Chearavanont XIE Jiren; Elect YANG Xiaoping</p> <p>Decision/Vote For</p> <p>Rationale for decision 4 Non-Executive Directors are from two shareholders CP group and Shenzhen Investments respectively. The size of board directors is fine. CP Group is a financial investor with 8.8% of total stakes in Ping An. The independence of committee is not the highest level but acceptable.</p> <p>Rationale for classifying as significant Against provider recommendations</p>
First State China A Shares	0.1%	<p>Company: Lenovo Group Ltd.</p> <p>Resolution Authority to Issue Shares w/o Pre-emptive Rights; Authority to Issue Repurchased Shares</p> <p>Decision/Vote Against</p> <p>Rationale for decision not supported due to potentially large dilution – rights issue for all shareholders would be preferred if large fund-raising is required.</p> <p>Rationale for classifying as significant Against management</p>
First State China A Shares	0.1%	<p>Company: Haier Smart Home</p> <p>Resolution Related Party Transactions (2020-2022)</p> <p>Decision/Vote Against</p> <p>Rationale for decision Intra-group deposit services. Pursuant to the Listing Rules, connected persons with a material interest in the transaction are not permitted to vote on this proposal.</p> <p>Rationale for classifying as significant Against management</p>
Resolution Capital Limited	0.1%	<p>Company: Prologis, Inc.</p>

		<p>Resolution: Advisory Vote to Ratify Named Executive Officers' Compensation</p> <p>Decision/Vote: Against</p> <p>Rationale for decision Primarily based on pay-for-performance misalignment and executive compensation being excessive relative to peers</p> <p>Rationale for classifying as significant Size of holding, and voting against management</p>
Resolution Capital Limited	0.1%	<p>Company: Alexandria Real Estate</p> <p>Resolution Director Re-election</p> <p>Decision/Vote Against</p> <p>Rationale for decision ARE governing documents prohibit shareholders' ability to amend the company's bylaws. However, we believe shareholders' ability to amend corporate bylaws is a fundamental right and as such a vote against directors on the governance committee is warranted.</p> <p>Rationale for classifying as significant Voting against management</p>
Resolution Capital Limited	0.1%	<p>Company: American Tower Corporation</p> <p>Resolution Amend articles/bylaws - shareholder proposal to reduce the ownership threshold for shareholders to call a special meeting from 25% to 10%. The proposal also called for the removal of a provision which excluded shareholders who had owned shares for less than one continuous year from being able to call a special meeting.</p> <p>Decision/Vote For</p> <p>Rationale for decision Against company recommendations, we voted for the shareholder proposal. We believe the existing ownership threshold of 25% is too high, requiring an aggregate investment of approximately US\$28bn in order for a shareholder to call a special meeting. Although arguably still too high, a 10% ownership threshold as proposed provides less of an obstacle for shareholders.</p> <p>Rationale for classifying as significant Voting against management recommendation</p>

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 Towers Watson Global Equity Focus Fund, 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.

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."

REITs manger voting policy is provided below

"Resolution Capital (ResCap) will vote on all resolutions that it has the ability to vote on in accordance with client investment management agreements. In the event that ResCap receives a direction from a separately managed client account in relation to the appointment of a proxy and the way the proxy should be voted, ResCap will use its best endeavours to implement the direction. In the absence of any direction, ResCap will exercise the right to vote as it sees fit, having regard to the objective of the investment mandate and taking into consideration any material conflicts of interests identified. For pooled products, ResCap will determine how to vote in accordance with the Proxy Voting Policy." The manager will use the Institutional Investor Service (ISS) 'ProxyExchange' platform for carrying out these votes.

Listed Infrastructure manager voting policy is provided below

The fund "utilises the proxy voting advisory and engagement service from Hermes EOS ("HEOS"). The proxy voting advisory service provides recommendations on how votes should be cast to the manager of the fund(s). Whilst uncommon, the Manager has the ability to decline that advice or abstain from voting all together. Paired with voting advisory, HEOS leverages its ~\$1.5Tr client base to actively engage companies on topics of concern for HEOS."