



# Corporate Governance

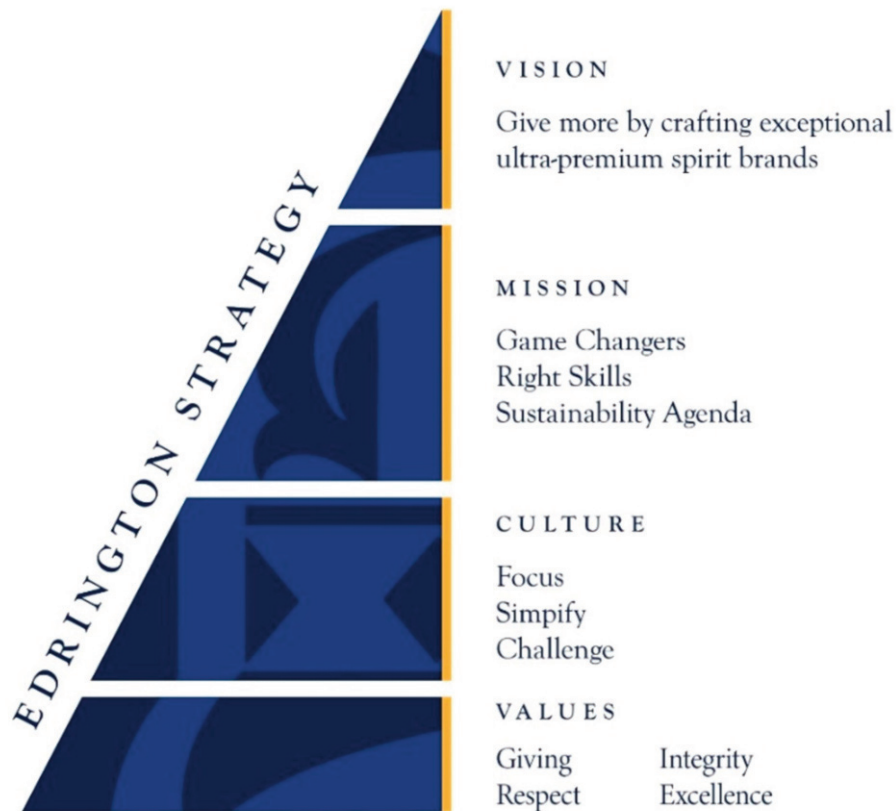
As a private business, Edrington is not required to follow the UK Corporate Governance Code. It is, however, committed to the highest standards of both governance and corporate citizenship, and the Company therefore voluntarily observes those elements of governance and disclosure that are appropriate and add value both to the organisation and its stakeholders.

The board continues to adopt and apply many of the Wates Corporate Governance Principles for Large Private Companies (the 'Wates Principles') and this section outlines how Edrington has incorporated these Principles into the business operations: -

## WATES PRINCIPLES

### Principle 1 – Purpose and Leadership

Edrington has a well-developed and defined purpose and strategy. Our vision, as set out in the refreshed Edrington 2025 strategy, is to give more by crafting exceptional ultra-premium spirit brands.



The board fosters effective stakeholder relationships aligned to the Company's purpose. Further details on stakeholder engagement are included in the Section 172(1) Statement in this section of the annual report.

Strategy and values are clearly articulated throughout the business at a variety of employee engagement sessions and events. These include our annual Edrington Leadership Conference and virtual townhalls by management. All employees have the opportunity to attend an annual Year in Review event delivered by a member of the senior

management team. These engagement forums allow employees to understand financial and strategic plans and to ask questions of senior management. The regular townhall sessions are where members of the executive team host an interactive session encouraging questions, thoughts, and opinions from the employee base. Each of these sessions and events were delivered virtually during the year due to the COVID-19 pandemic.

To monitor culture and to take account of the views of the workforce, Edrington has in place an employee engagement



## Corporate Governance (continued)

survey programme. The survey is run every two years, with pulse surveys operating at intervals in between. The board assesses the results of the engagement survey and forms an action plan to put in place improvements. Management at Edrington also engages with recognised trade union partners through partnership meetings, which are held on a quarterly basis. The annual board evaluation questionnaire also asks for board members to give feedback on the culture at board level. Finally, the business also monitors absenteeism rates and uses exit interviews to assist in monitoring the Company's culture.

Edrington believes it has in place workforce policies and practices that are consistent with the Company's values and with the long-term sustainable success of Edrington and has established and transparent policies in relation to raising concerns about misconduct and unethical practices. Through its Speaking Up Policy, Edrington enables employees to raise matters of concern anonymously relating to the interests of others, or the interests of the Company.

### Principle 2 – Board Composition

At 31 March 2021, the board comprises the Chairman, two executive directors and four non-executive directors, and is supported by the Group Company Secretary. The roles of Chair and Chief Executive are separated.

Graham Hutcheon, former Managing Director, Group Operations, resigned from the board on 31 March 2021.

The board believes that its composition – its size, mix of expertise and balance of executive and non-executive directors – is appropriate and that it has an appropriate balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. A biography of each director can be found on the Group's website at [www.edrington.com/our-company](http://www.edrington.com/our-company). Angus Cockburn is the Senior Director and is appointed on behalf of The Robertson Trust. Shinichiro Hizuka is appointed on behalf of Suntory Holdings Limited. Crawford Gillies, Stefanie Fitzgerald and Alice Avis MBE are considered by the board to be independent directors.

The board's process on nominations is undertaken by the Nomination Committee and includes assessing the composition of the board and its governance structures as well as considering appointments and succession planning. Further information on the Nomination Committee and other board committees is set out in the "Board Committees" section below.

### Evaluation of Effectiveness

On an annual basis, each director is asked to complete an evaluation on board structure, the governance process, strategy and leadership, before conducting a one-to-one interview with the Chairman. Based on the findings and the responses from each director, the Chairman prepares a report on the overall effectiveness of the board, which is then discussed by the board and any recommendations arising from it are implemented.

In addition to overall board effectiveness reviews, the individual performance of executive directors is monitored in the Group's UK performance appraisal programme and by the Remuneration Committee. Furthermore, the senior director seeks feedback on the Chairman annually by way of a questionnaire filled in by both the non-executive and executive directors.

The training needs of the board and its committees are regularly reviewed. Particular emphasis is placed on ensuring that directors are aware of proposed legislative changes in areas such as remuneration, corporate governance, financial reporting and sector specific issues. All directors are also encouraged to visit the Group's operating locations, although such visits were significantly restricted during the year due to the COVID-19 pandemic.

The board is able to approve potential conflicts of interest within the director group. Directors are required to inform the board of any actual or potential conflicts which may arise with their other professional or personal interests.

### Principle 3 – Director Responsibilities

The board is collectively responsible for the long-term success of the Company. The Chairman is responsible for ensuring that the board is effective and is led in the appropriate way. The offices of Chairman and Chief Executive are separate and distinct and the division of responsibilities between them is clearly established.

The board, which meets at least five times a year, has responsibility for defining and executing the Group's strategy, for reviewing trading performance and funding levels, assessing acquisitions and disposals, changes to the structure of the business and overall corporate governance issues. The board also approves the Group's budget together with its annual report and financial statements. The board retains overall responsibility for the Group's system of internal control, including the financial controls designed to give reasonable assurance against material financial misstatement or loss.



## Corporate Governance (continued)

The board believes the financial controls in place, together with the Edrington values, allow it to meet its responsibility for the integrity and accuracy of the Group's accounting records, and also to provide timely and accurate financial information to enable it to discharge its duties.

The directors attend all board and relevant committee meetings. If directors are unable to attend meetings in person or by telephone or video conference they are given the opportunity to be consulted and to comment in advance of the meeting. Board papers are circulated at least five working days prior to each board or committee meeting to ensure that directors have sufficient time to review them before the meeting and the chair ensures that sufficient time is made available for meaningful discussion. Documentation includes detailed reports on current trading and full papers on matters where the board is required to give its approval. All board meetings during the year were held by video conference due to COVID-19 restrictions.

Day to day management and control of the business is delegated to the executive directors and they routinely meet together and with other senior managers as appropriate. Where required and appropriate, ad hoc committees of the board are appointed to deal with matters which it is known will need to be dealt with between scheduled board meetings.

All directors have a responsibility to ensure that the strategies proposed by the executive directors are properly considered and challenged, and that the performance of the Company is monitored in the appropriate way.

The board has delegated certain responsibilities to established committees, details of which are set out in the "Board Committees" section below.

### Principle 4 – Opportunity and Risk

The board promotes the long-term sustainable success of the Company by considering and assessing how the Company creates and preserves value over the long-term. The Company works to a five-year strategy cycle and the board holds a two-day strategy session each year.

A dedicated Strategy and Innovation team, reporting to the Chief Financial Officer, assists in the identification of future opportunities for innovation and entrepreneurship. The Strategy and Innovation team reports to each board meeting and significant opportunities are considered and approved at board level.

The responsibility for risk management and internal control systems resides with the board, with a framework to support the process for identifying, evaluating and managing financial and non-financial risks. The board regularly reviews the

principal risks facing the Company including those that would impact its business model, future performance and solvency. To assist with this, the board carried out triennial reviews with the most recent being carried out in March 2021. Given the fast-evolving nature of Edrington's operating environment and external factors these reviews will be carried out on an annual basis going forward. Further details of the most recent review are set out on pages 14-16 of the Strategic Report. These reviews allow the board to assess the Company's risk appetite and ensure that the nature and extent of the significant risks facing the business are identified and adequately managed. These reviews consider both the likelihood and impact of the relevant risks and ultimately determine which risks will be included on the Company's Strategic Risk Register.

The Group Risk Management Committee maintains the Strategic Risk Register and provides scoring on these risks. New and emerging risks are identified in several ways – through the board directly, through the Group Risk Management Committee, or in a "bottom-up" process by the relevant Business Units presenting to the Group Risk Management Committee in scheduled reviews. The Audit Committee is responsible for the direct oversight of the Group Risk Management Committee and the internal control function. The Group Risk Management Committee reports to the Audit Committee and the Audit Committee chair attends at least one Group Risk Management Committee meeting per annum.

The board, through delegation to the Audit Committee and ultimately the Group Risk Management Committee, has established an internal control framework with clearly defined roles and responsibilities for those involved.

### Principle 5 – Remuneration

Details of the Company's remuneration policy are set out in the Remuneration Committee section below on page 26.

Directors' remuneration, which is determined by the Remuneration Committee, is benchmarked triennially with the assistance of independent specialist consultants.

Edrington reports gender pay statistics annually and has in place a series of improvement actions and targets to ensure demonstrable progress towards our commitment of narrowing the gender pay gap. In our most recent gender pay gap report published in February 2021, reflecting the 2020 reference period, the mean gender pay gap of 15.2% represents a decrease of 0.1% (2019: 15.3%) and the median pay gap of 13.9% represents an increase of 3.5% (2019: 10.4%). Our gender pay report, which explains these results in detail is available on the Edrington website.



## Corporate Governance (continued)

### Principle 6 – Stakeholder Relationship and Engagement

The board fosters effective stakeholder relationships aligned to the Company's purpose. Further details on stakeholder engagement are set out in the Section 172(1) Statement below.

This board considers how the Company's activities may impact both current and future stakeholders, including impacts on the environment, with a particular emphasis on sustainability. Further detail on Edrington's sustainability strategy and programmes are included in the Corporate Sustainability and Responsibility section on pages 30-34.

The Group maintains a website ([www.edrington.com](http://www.edrington.com)) to provide up-to-date, detailed information on the Group's values as well as its operations and brands, including sections on news and business performance. All significant Group announcements are available on this site, as are annual financial reports. The Group's corporate affairs team manages external communications and can be reached at [corporatecommunications@edrington.com](mailto:corporatecommunications@edrington.com).

### Section 172(1) Statement

The board's priority is to ensure that the directors have acted both individually and collectively in the way that they consider, in good faith, to be most likely to promote the success of the Company for the benefit of its members as a whole with regards to all its stakeholders and to the matters set out in paragraphs a-f of Section 172(1) of the Companies Act 2006. You can read more on how the board have regard to the matters set out in paragraphs a-f of Section 172(1) in the following sections of this annual report:

- |       |  |  |                                |
|-------|--|--|--------------------------------|
| (a)   | the likely consequence of any decision in the long term                                      | <i>Wates Principles</i>                                  | – pages 17-20                  |
| <hr/> |  |  |                                |
| (b)   | the interests of the company's employees   | <i>Wates Principles</i><br><i>Stakeholder Engagement</i> | – pages 17-20<br>– pages 20-25 |
| <hr/> |  |  |                                |
| (c)   | the need to foster the company's business relationships with suppliers, customers and others | <i>Stakeholder Engagement</i>                            | – pages 20-25                  |

- |       |   |  |               |
|-------|---|--|---------------|
| (d)   | the impact of the company's operations on the community and the environment                     | <i>Stakeholder Engagement</i>                      | – pages 20-25 |
| <hr/> |   |  |               |
| (e)   | the desirability of the company maintaining a reputation for high standards of business conduct | <i>Corporate Sustainability and Responsibility</i> | – pages 30-34 |
| <hr/> |   |  |               |
| (f)   | the need to act fairly as between members of the company  | <i>Stakeholder Engagement</i>                      | – pages 20-25 |

### Stakeholder Engagement

Effective engagement with our key stakeholders is critical to the long-term success of the Company. Dialogue with stakeholders helps the board understand the effects of company policies and practices, predict future developments and trends, and re-align strategy.

The Company undertook a stakeholder mapping exercise in 2019 to identify stakeholder relationships and the board and the business more generally continue to focus on enhancing engagement with key stakeholders. The table below sets out our key stakeholders, how we engaged with them during the year and, where relevant, the impact of that engagement on the Company's strategy and the principal decisions taken during the year. During the year, most of this engagement took place virtually due to the travel and other restrictions imposed in response to the COVID-19 pandemic. The board recognises that stakeholder engagement takes place at both the operational day-to-day level within the business and at a board level. In all cases, the level of engagement informs the board, both in relation to stakeholder concerns and the likely impact on decision-making throughout the year. The board uses its regular meetings as a mechanism to address and meet its obligations under Section 172(1) of the Companies Act 2006.



## Corporate Governance (continued)

Key Stakeholder	Principal Methods of Engagement	How this stakeholder group influenced Board / committee discussions and decisions
<b>Shareholders</b>	<p>The Company's principal shareholder is The Robertson Trust (the "<b>Trust</b>") and representatives from the Trust and from the Company meet regularly and where practicable prior to Edrington board meetings, through the Trust's Investor Relations Committee (the "<b>IRC</b>"). The IRC is the principal forum through which the Trust manages its investment in the Company, monitors the Company's performance and allows the exchange of ideas, thus providing an effective and meaningful engagement forum. The Chief Executive and Chief Financial Officer present Edrington's strategic plan annually, and at each meeting will provide an update on the performance and progress of the business. The board also meets formally with the Trust on an annual basis to report on financial performance, strategic development and business outlook. In addition, the Audit, Remuneration and Nomination Committees report to the Trust on their respective activities.</p> <p>The Company also maintains regular dialogue with employee shareholders through a variety of mechanisms, including an employee engagement survey programme and regular Year in Review and townhall sessions (please see "Employees" below for more detail on engagement with employees more generally).</p> <p>The Company also recognises the importance of maintaining communication and dialogue with its other shareholders. All shareholders were invited to briefing in relation to business performance and the investment by Suntory in the Company in early 2020. Due to the COVID-19 pandemic, it has not been possible this year for the Company to hold a similar annual briefing with shareholders. The Company continues to review opportunities and explore methods of fostering further engagement and communication with shareholders. During the year, the Company rolled out its electronic Share Portal platform to all shareholders. The Share Portal allows shareholders to submit electronic requests to buy or sell Edrington B ordinary shares in the internal market and acts as a communication platform.</p> <p>Each shareholder receives access to an electronic copy of the Group's annual report and audited financial statements, together with an unaudited interim financial report.</p>	<p>The Chief Executive and Chief Financial Officer brief the board on discussions with shareholders and the views of shareholders are considered in the decision-making of the board.</p> <p>The board is aware that the priorities and strategic imperatives of shareholders will not all be the same. For instance, some shareholders may prioritise dividends, whereas others (particular employee or ex-employee minority holders of B ordinary shares) may prioritise share liquidity. The board aims to understand the views of shareholders and to act fairly between members of the Company.</p> <p>The board recognises that liquidity in the internal market for B ordinary shares in the Company and dividend policy remain the priority issues for many minority shareholders and these issues continue to inform the board's decision-making.</p> <p>Given the uncertainty in global markets as a result of the COVID-19 outbreak and after assessing the financial position of the group under a number of scenarios the board concluded that no final dividend would be paid in July 2020. This approach was agreed with key shareholders and aligns with the impacts on other stakeholders during this period. An interim dividend was declared in December 2020 and paid in April 2021 after further consultation with key shareholders.</p>



## Corporate Governance (continued)

Key Stakeholder	Principal Methods of Engagement	How this stakeholder group influenced Board / committee discussions and decisions
<b>Employees</b>	<p>The Group is committed to engaging employees at all levels regarding matters which affect them and the performance of the Group. The board takes its responsibilities to hear and understand our employees' voices seriously and firmly believes that good corporate governance is underpinned by board members meaningfully engaging with stakeholders, including the employees.</p> <p>Employees of the Group are given the opportunity to participate in share ownership as part of approved incentive and savings schemes and may continue to hold their shares in the Group after retirement.</p> <p>Edrington has in place an employee engagement survey. The survey is run every two years, with pulse surveys operating at intervals in between. Our most recent survey, which was conducted early in 2020, confirmed an overall employee engagement score of 73%, an improvement of 5% from the last survey, with particular improvement in the area of communication.</p> <p>Edrington also surveys its employees on important matters that relate to the Company's culture and values.</p> <p>Currently all employees have the opportunity to attend an annual Year in Review event delivered by a member of the senior management team. This allows employees to understand detailed financial and strategic plans for the performance year and beyond and ask questions of senior management.</p> <p>There are also regular townhall sessions, which in the year were held virtually, in which members of the executive team host an interactive session encouraging questions, thoughts and opinions from the workforce.</p> <p>Executives at Edrington also undertake breakfast sessions aimed at fostering constructive and trusting relationships between executives and employees. In lieu of being able to hold these physically during the year, these were largely replaced with "10 Minutes With..." video interviews with executives. In addition, the Executive Committee host "Ask the Exec" sessions at the talent development programmes and the annual Edrington Leadership Conference.</p> <p>The Company's "Balance Network", has a remit to promote diversity within Edrington. The network is sponsored by the Chief Executive and the Group HR Director and allows employees at all levels within the organisation to candidly engage on the topic of diversity.</p>	<p>A report from the Group HR Director is submitted to each board meeting and the results of employee engagement surveys are also presented at board meetings.</p> <p>In 2020/21 we re-established our staff forum, known as Your Voice. Attendees are appointed and represent a cross-section of employees in the business. The Chief Executive and HR Director attend each meeting. The intent is to support meaningful engagement with employees on a number of topics that have a direct impact on the employees. Over the course of the year, the Your Voice forum has been extended and now operates group-wide on a regional basis.</p> <p>Engagement with our employees and trade union partners and the paramount importance of employee safety have informed our decisions relating to Global Supply Chain operations in light of the COVID-19 pandemic. We engaged extensively with our trade union partners and employee representatives on designing COVID-19 safe systems of working in order to recommence operations following a shutdown of operations in the UK on 25 March 2020. A controlled start took place from 6 April 2020 and engagement with our trade union partners and employee representatives has continued throughout the year.</p> <p>We have also engaged with employees on ways of working as COVID-19 restrictions begin to ease, including surveys in relation to employee preferences. Decisions on future ways of working will be informed by this engagement.</p>



## Corporate Governance (continued)

Key Stakeholder	Principal Methods of Engagement	How this stakeholder group influenced Board / committee discussions and decisions
<b>Joint Venture Partners and Co-Investors</b>	<p>Regular interaction with our joint venture partners and co-investors takes place in several different forums. For instance, there are four board meetings per year of the Highland Distillers Group and The 1887 Company Limited at which directors appointed by our partner William Grant &amp; Sons are present. Similarly, there are four board meetings of The Macallan Distillers Limited per year at which directors appointed by our partner Suntory are present. Alliance Board meetings are also held with Beam Suntory in respect of our joint venture distribution entities Edrington-Beam Suntory UK Distribution Limited, Maxxium España SL, Denview Limited (t/a Maxxium Russia) and Maxxium Rus. A Brugal &amp; Co., S.A. annual general meeting is held each year to which the minority holders of Brugal &amp; Co., S.A. are invited and at which they can ask questions of the Brugal &amp; Co. S.A. board.</p>	<p>The Chief Executive and Chief Financial Officer brief the board on discussions with joint venture partners and co-investors and their views are taken into account in the decision-making of the board.</p>
<b>Customers</b>	<p>We have regular engagement with our customers through face-to-face or virtual meetings, conferences and events. Quarterly and annual performance reviews are generally held by Edrington's commercial teams with our distributors, allowing for structured feedback from our distributors.</p>	<p>Customers and channels are reviewed in annual Performance and Strategy Reviews, which are attended by, among others, the Chief Executive, the Chief Financial Officer, the Managing Director for Group Operations and relevant business unit and commercial teams. Engagement with customers informs discussion at these Performance and Strategy Reviews.</p> <p>During the year we engage with certain key customers on new product development and launches.</p>
<b>Suppliers</b>	<p>We have regular engagement with our suppliers through face-to-face meetings, conferences and events.</p> <p>The Company has formal quarterly reviews with key suppliers, which involve senior management and cover quality, service, commercials, innovation, key business updates, strategic reviews and our vendor rating scores. With other suppliers, we generally have bi-annual reviews.</p> <p>We actively engaged with key suppliers to ensure we had sufficient stocks of key raw materials and finished goods in preparation for Brexit.</p>	<p>Updates on significant supply chain activities and issues are provided to board meetings and are considered and discussed by the directors.</p> <p>Engagement with key suppliers during the year informed the board's discussions and decisions regarding the annual budgeting and long-term strategic planning processes for the Group.</p>



Corporate Governance (continued)

Key Stakeholder	Principal Methods of Engagement	How this stakeholder group influenced Board / committee discussions and decisions
<b>Trade Associations</b>	<p>Edrington is an active member of the Scotch Whisky Association (the 'SWA'). The SWA is governed by a Council of 16 members, elected at its Annual General Meeting. Edrington has regular engagement with the SWA through a variety of forums and the Chief Executive and Chief Financial Officer serve on the SWA Council.</p> <p>At the international level, Edrington is a member of the Distilled Spirits Council of the United States (DISCUS), the Dominican Rum producers' association (ADOPRON), spiritsEUROPE (which represents producers of spirits drinks at the European level), and the Asia Pacific International Spirits and Wine Alliance (APISWA).</p> <p>Edrington's Corporate Affairs team regularly engages and actively partakes in the work of these trade bodies on pertinent matters, including understanding potential changes to the regulatory framework, promoting moderate consumption and advancing industry standards.</p>	<p>Where relevant, updates on engagement with the SWA, ADOPRON, DISCUS, spiritsEUROPE and APISWA are provided to the board by the Chief Executive or Chief Financial Officer.</p>
<b>Pension Trustees</b>	<p>Edrington operates two principal pension schemes based on final pensionable salary in addition to a number of schemes based on defined contributions. The assets of the schemes are held separately from those of the Group.</p> <p>There is regular interaction between the chair of the pension trustees in respect of the defined benefit schemes and Edrington's Chief Financial Officer and Group Company Secretary.</p> <p>Route map meetings are also held twice annually with the pension trustees, including attendance from the Chief Financial Officer among others.</p>	<p>The Chief Financial Officer and Group Company Secretary brief the board on the views of the pension trustees on matters of relevance.</p> <p>The pension trustees agreed to postpone the deficit repair contributions for 12 months from March 2020 in light of the forecast impact of the pandemic. Based on the group performance contributions recommenced in October 2020, with the 7 months postponed payments planned to be fully paid by November 2021.</p>



Corporate Governance (continued)

Key Stakeholder	Principal Methods of Engagement	How this stakeholder group influenced Board / committee discussions and decisions
<b>Lenders</b>	<p>Our Treasury team is in regular contact with our banking partners and Private Placement note holders. Annual review meetings are held with our lenders where business performance, future plans and strategy are presented to our lenders and they have the opportunity to ask questions and give their views to management. The Chief Financial Officer attends these review meetings. In addition, regular updates on performances are shared with our lenders.</p>	<p>The Company's lenders give their views on key areas of financial risk management strategy. These are regularly discussed by the Treasury Committee and additionally the Chief Financial Officer briefs the board on the views of the Company's lenders.</p> <p>The Company also engaged directly with its lenders in relation to the impact of the COVID-19 crisis, including providing scenario assessments and action plans for the management of cashflow and compliance with covenant conditions.</p>
<b>HM Revenue &amp; Customs</b>	<p>Edrington aims to develop and maintain professional working relationships with HM Revenue &amp; Customs. Regular dialogue is maintained with our relationship manager and the business has an annual Business Risk Review with HM Revenue &amp; Customs which is attended by the Chief Financial Officer and Group Tax Manager, among others.</p>	<p>The Chief Financial Officer briefs the board on tax matters.</p>
<b>Government and Regulatory Bodies</b>	<p>Edrington is committed to working constructively with all government and regulatory bodies across its office locations.</p> <p>Through our trade and industry associations (see above), executive directors and members of the Corporate Affairs team, among others, maintain open and positive dialogue with this group of stakeholders, building trust and reputation.</p>	<p>The Company aims to comply with all laws and regulations wherever it operates, and we actively monitor changes to these requirements.</p> <p>The Chief Executive, Chief Financial Officer and Group Company Secretary brief the board on the impact of relevant regulatory changes; this is assessed and taken into account when making decisions.</p>



## Corporate Governance (continued)

### Board Committees

In discharging its governance responsibilities, the board has established committees to provide oversight and guidance in certain areas on its behalf. Three principal committees report directly to the board and are supported by a number of advisory committees as detailed below. Each committee is governed by terms of reference, or similar mandate, which define their purpose, duties and interaction with the board, Company or other committees.

### Nomination Committee

The Nomination Committee is chaired by Crawford Gillies and meets at least twice per year to assess the composition of the board and its governance structures as well as considering board appointments and both senior executive and non-executive succession planning.

The Committee is responsible for leading the process for new appointments to the board and ensuring that these appointments bring the required skills, knowledge, experience and diversity to the board. As part of this, the Committee reviews the structure, size and composition of the board to ensure it is made up of the right people to direct the Company in the successful execution of its strategy. The Committee is also responsible for formulating succession plans for both executive and non-executive directors, as well as reviewing the overall talent and succession plans for Edrington's leadership group.

### Remuneration Committee

The Remuneration Committee is chaired by Alice Avis MBE and meets at least twice per year.

Together with the committee, the Group determines directors' remuneration policy with reference to an external triennial benchmarking review prepared with the assistance of independent specialist consultants. In addition, the committee recommends and monitors the level and structure of remuneration for senior management and reviews a number of reward initiatives and development programmes for all Edrington wholly owned businesses.

The principles of Edrington's executive remuneration strategy, frameworks and programmes are designed to:

- > Apply a pay for performance philosophy that directly links executive reward to the achievement of individual results and the strategic goals and performance of Edrington;
- > Align remuneration to business outcomes that deliver value to shareholders;

- > Balance incentives appropriately to reward superior performance in the short term and sustained performance over the long term;
- > Drive a performance culture by setting challenging objectives and rewarding individual performance;
- > Be transparent, consistent and fair; and
- > Ensure remuneration is globally aligned but with local flexibility, where required, to be competitive in the relevant employment marketplace.

### Audit Committee

The Audit Committee, chaired by Angus Cockburn, meets at least three times a year. Two of the meetings are with the external auditors and senior members of the management team and finance function to discuss audit planning, review statutory accounts and address issues arising from the audit. It also considers the ongoing independence of the auditors and the effectiveness of the audit process. The conclusions of the committee are reported to the board before the board approves the annual results. The opportunity is taken at each meeting for the committee to discuss matters with the auditors without management present. The committee also addresses risk management and internal controls, where they receive presentations from senior members of the management team and finance function and approve risk management plans going forward.

### *Financial statements and audit*

The Audit Committee has reviewed the plan presented by the external auditors and agreed the scope of the audit work. During the audit process, the committee kept under review the consistency of accounting policies on a year to year basis and across the Group, and the methods used to account for significant or unusual transactions. During the year the committee reviewed the accounting treatment of Covid related items including government grants, rent relief, the capitalisation of certain fixed overheads and restructuring costs. During the year the audit committee also updated its policy for non-audit services.

The financial statements were reviewed in detail prior to their submission to the board. Following the audit, the committee discussed the issues arising and any matters the auditors wished to discuss. The committee also assessed the effectiveness of the audit process through discussion with the auditors.



Corporate Governance (continued)

External auditor

Deloitte LLP continued their appointment as auditors, and during the year, the Audit Committee monitored the relationship with the auditors and assessed their performance, cost-effectiveness, objectivity and independence. The committee will assess the effectiveness of Deloitte LLP's appointment in relation to the 2021 audit in October 2021. The board is satisfied that the auditors are independent of the Group and that best practice is being observed.

Deloitte LLP regularly report to the committee to confirm compliance with their own policies, procedures and ethical standards in relation to auditor objectivity and independence. The Audit Committee has established a policy in relation to the use of statutory auditors for non-audit work and will award work to the firm which provides the best commercial

solution with reference to the skills, expertise and suitability of the firm.

The Chief Financial Officer may approve specific engagements up to £25,000 cumulatively and the Chairman of the Audit Committee may approve specific engagements up to £50,000. Fees in excess of £50,000 are subject to approval of the full committee. There was £50,213 of non-audit fee work completed by Deloitte during the financial year, this included secretarial services and certain government audits in our overseas subsidiaries.

Further information on the Audit, Remuneration and Nomination Committees and other advisory sub-committees established by the board is set out below.

Committee	Members	Remit
<b>Nomination Committee</b>	Crawford Gillies (chair) Alice Avis MBE Stefanie Fitzgerald Angus Cockburn Scott McCroskie	> reviews structure, size and composition of board > recommends appointments and considers succession planning
<b>Remuneration Committee</b>	Alice Avis MBE (chair) Angus Cockburn Crawford Gillies	> sets remuneration policy > sets executive director remuneration and incentives > approves annual performance objectives > approves granting of long-term incentives
<b>Audit Committee</b>	Angus Cockburn (chair) Stefanie Fitzgerald Shinichiro Hizuka	> reviews and monitors financial results and reporting > approves audit planning > monitors internal financial controls > oversees external audit relationships > considers auditor appointment > reviews audit effectiveness > oversees risk management



## Corporate Governance (continued)

The advisory sub-committees established by the board, whose remits are outlined below, comprise certain executive directors and senior members of the Edrington management team:

Committee	Chairman	Remit
<b>Capital Expenditure Committee</b>	Graham Hutcheon	<ul style="list-style-type: none"> <li>&gt; develops five-year capital expenditure plan</li> <li>&gt; ensures evaluation of business cases and that resources allocated on an appropriate basis</li> <li>&gt; ensures risks and interdependencies are clearly understood</li> <li>&gt; manages liquidity requirements and post evaluation reviews</li> </ul>
<b>Sustainability and Responsibility Steering Group</b>	Tim Patterson (Head of Sustainability)	<ul style="list-style-type: none"> <li>&gt; ensures Edrington conducts business in a socially responsible and ethical way</li> <li>&gt; setting and adhering to industry standards on responsible consumption of alcohol</li> <li>&gt; identification and monitoring of performance against targets on environmental sustainability</li> <li>&gt; in conjunction with The Trust and Edrington's network of Trust Ambassadors, ensures the business supports local communities in which it operates</li> </ul>
<b>Marketing Code Committee</b>	Alice Avis MBE	<ul style="list-style-type: none"> <li>&gt; sets marketing policy in compliance with industry standards to ensure responsible marketing practice</li> <li>&gt; reviews marketing practice on an annual basis and maintains processes for complying with marketing code prospectively</li> </ul>
<b>Group Risk Management Committee</b>	Lindsay Campbell (Group Finance Director)	<ul style="list-style-type: none"> <li>&gt; identifies and evaluates principal risks</li> <li>&gt; reviews the adequacy of risk management processes</li> <li>&gt; recommends improvements in risk management processes</li> <li>&gt; reports material findings to the Audit Committee</li> </ul>
<b>Treasury Committee</b>	Paul Hyde	<ul style="list-style-type: none"> <li>&gt; ensures compliance with the terms of group borrowing facilities</li> <li>&gt; minimises financial risk arising from exposure to fluctuations in foreign exchange rates, interest rates liquidity and counterparty risk</li> <li>&gt; determines hedging policy on interest rates and currency</li> <li>&gt; approves significant decisions on commercial credit limits</li> <li>&gt; monitors and approves cash signing authority in the Company</li> </ul>



## Corporate Governance (continued)

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Committee	Chairman	Remit
<b>IT Steering Committee</b>	Euan Fraser (Director of Business Technology)	<ul style="list-style-type: none"><li>&gt; ensures that the technology strategic plan aligns with business priorities and return on investment</li><li>&gt; approves proposed technology projects, and scrutinises ongoing activity</li><li>&gt; audits completed projects to ascertain effectiveness</li><li>&gt; oversees cyber security management and monitors cyber security improvements</li></ul>

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