



EDRINGTON

## The Edrington Group Limited

### Annual Report and Financial Statements

for the year ended 31 March 2021

Company Registration No. SC036374





EDRINGTON

*The*  
**MACALLAN**

  
**THE FAMOUS  
GROUSE**

**BRUGAL** 

  
**HIGHLAND  
PARK**

**THE  
GLENROTHES**  
ESTD 1879  


  
**SNOW  
LEOPARD**

  
**TEQUILA  
PARTIDA**

**WW**

  
**NOBLE OAK**  
DOUBLE OAK BOURBON



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\* In the context of the Annual Report, the 'Company' or 'Edrington' refers collectively to The Edrington Group Limited, and its subsidiary and joint venture undertakings. Differentiation is made between Company and consolidated group results in the financial statements and the related independent auditor's report.



## Key Financial Highlights

### CORE REVENUE



⊖ 15%

Total revenue from our sales of continuing Edrington branded products on a constant currency basis.

#### ANALYSIS

Core revenue fell by 15% to £576.2m driven by the impact of the pandemic on the demand for our brands through the on-trade and travel retail channels together with trade destocking in key markets.

### BRAND INVESTMENT



⊖ 8%

Advertising and promotional expenditure excluding discounts, on our core brands, on a constant currency basis.

#### ANALYSIS

We invested £118.9m in brand-building marketing activities this year, which is 8% lower than last year. This lower reduction than our decline in revenue has meant that our investment ratio has increased by 2 percentage points to 21%.

### CORE CONTRIBUTION



⊖ 19%

Profit from our branded sales and distribution after the deduction of overheads on a constant currency basis.

#### ANALYSIS

Core contribution decreased by 19% to £196.5m this year, reflecting the trading performance, our cost reduction measures and our focus on protecting the level of brand investment. The measures implemented to reduce our discretionary cost base included the cancellation of annual bonus schemes, pay freezes and salary reductions for our senior leaders.

### EARNINGS BEFORE INTEREST AND TAX\* (EBIT)



⊖ 23%

EBIT is a measure of the profit generated by the business before the impact of interest, tax, minority interest charges and items deemed to be exceptional in nature.

#### ANALYSIS

EBIT fell by 23%, in line with the reduction in statutory revenue which is a greater reduction than core contribution due to the impact of a stronger average £ during the year compared to last year.

\* before exceptional items



## Key Financial Highlights

### FREE CASH FLOW

2021 - £122.5m

2020 - £64.8m

2019 - £87.7m

**+ 89%**

Net cash flow excluding the movements in borrowings, shares, dividend payments, expansionary capital expenditure and exceptional items.

#### ANALYSIS

Free cash flow represents the cash the business generates after maintaining our asset base. The increase in the year represents the efforts made to conserve cash as a result of the pandemic. The cash conservation measures implemented included reduced capital expenditure, lower investment in new fillings, suspension of dividends and the postponement of pension deficit contributions.

### RETAINED PROFIT\*

2021 - £77.6m

2020 - £90.3m

2019 - £91.6m

**- 14%**

Earnings after tax and minority interests excluding exceptional items.

#### ANALYSIS

Profits attributable to Edrington Shareholders (before exceptional items) declined by 14% to £77.6m. The underlying rate of decline for the year is 20% with a non-recurring prior year deferred tax charge of £6.5m (net of minority interests) benefitting the comparison this year.

\* before exceptional items

### STRATEGIC INVENTORIES

2021 - £896.9m

2020 - £845.1m

2019 - £756.2m

**+ 6%**

The net book value of our maturing inventories of whisky and rum and the casks in which they are held.

#### ANALYSIS

The 6% growth in strategic inventories reflects the ongoing investment in maturing stock to support the long term growth of our brands. The insurance and market value of our maturing whisky and rum is significantly higher than the carrying value.

### NET DEBT/EBITDA

2021 - 1.7

2020 - 1.5

2019 - 1.8

**- 13%**

The ratio of bank and private placement debt at hedged rates, where applicable, after deduction of cash balances compared to reported earnings before interest, tax, depreciation and amortisation.

#### ANALYSIS

The 13% reduction in the ratio is driven by a partial decrease in our EBITDA offset with a reduction in our net debt.



## Directors and Advisers

### **Directors**

C S Gillies, Chairman  
S J McCroskie, Chief Executive  
P A Hyde  
A G Cockburn  
A M C Avis MBE  
S Fitzgerald  
S Hizuka

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### **Secretary**

G J Murray

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### **Registered Office**

100 Queen Street  
Glasgow  
G1 3DN

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### **Independent Auditor**

Deloitte LLP  
Statutory Auditor  
110 Queen Street  
Glasgow  
G1 3BX

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### **Solicitors**

Dentons  
1 George Square  
Glasgow  
G2 1AL

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# Chairman's Statement

## Dear Shareholder

Welcome to our Annual Report for 2021.

While the heritage and history of Edrington extends back across two centuries, the company celebrated its 60th anniversary on 25 April 2021. That was a moment to reflect on what had been built over the last six decades, but also on the unprecedented challenges of the past year and the way in which everyone across the Edrington world has helped navigate our way through the most testing 12 months in our history.

## 2020/21

At the time I wrote my introduction to last year's Annual Report we had just finished our best year ever in 2019/20. The pandemic had started but we did not know the depth of the COVID-19 economic downturn, or its length. During the early days of the pandemic the outlook looked bleak for businesses around the world. Edrington was not immune to the seismic challenges with our on-trade and travel retail channels closed for much of the year in most markets around the world.

The business's response to these unprecedented challenges has been outstanding. In just his second year as Chief Executive Officer, Scott McCroskie and his Executive Team had to make some of the hardest decisions that I suspect Edrington leaders have ever had to make. Prudent and tough decisions on cost and cash controls meant sacrifices by many within the business, our shareholders, and other stakeholders.

Colleagues around the globe demonstrated remarkable resilience and resourcefulness as they embraced new ways of working, many working from home for over a year. Our supply chain teams in our distilleries, warehouses, and bottling halls implemented industry-leading safe systems of working that have kept our ultra-premium spirits flowing to our markets.

As I look at how we finished financial year 2020/21, inevitably, our results have been significantly impacted by the pandemic. While no chairman is happy to see results drop, in the situation we found ourselves, I believe our performance is very creditable.

I would like to express my deep thanks to Scott, his leadership team and Edrington people worldwide for their hard work and the sacrifices they have made to finish the year as positively and strongly as could have been imagined in those early months.

## Looking to the year ahead

There is no doubt that Edrington like every other international business still faces significant challenges. While I am confident that our financial results will return soon to their pre-pandemic levels, the economic and geopolitical environment will remain volatile, and the precise timing of the rebound is uncertain.

We are likely to face significant headwinds for some time. Higher taxation will come at some point as governments look to repay debt and accelerate the build back process. Consumer spending may be impacted by a lack of consumer confidence, and ongoing hospitality sector restrictions. Continuing reductions in international air travel means travel retail sales may remain depressed. That said, consumer appetite for our exceptional brands stands us in good stead.

Organisationally, Edrington has displayed impressive agility and a remarkable ability to adapt and change during the past 12 months. Our teams have moved quickly to focus on areas of the business that will help us to return to growth as we emerge from the pandemic. From an increased and improved approach to e-commerce, a renewed focus on growth markets like China, and ongoing new product development, Edrington people continue to innovate.

The combination of our strong brands, record brand investment, our capabilities and culture, and our refined strategy which Scott describes later, allow us to look to the future with confidence.

## Our vision

I have written in previous annual reports about Edrington's very special *Giving More* ethos, instilled in the company thanks to the vision of the Robertson sisters back in 1961, when they set up both the company and our principal shareholder, The Robertson Trust. *Giving* is one of the company's four core values, along with *Respect*, *Integrity* and *Excellence*.

I am pleased to report that *Giving More* is alive and well in Edrington, with our people and teams across the world continuing to support the communities that they live and work in despite the challenges of the past year. That vision to *Give More* by crafting exceptional ultra-premium spirits can be seen in the fundraising and community activity in our Sustainability and Responsibility report.



## Chairman's Statement (continued)

### Dividend

Paying a healthy dividend is an important obligation of the company. We know it is important to The Robertson Trust and other shareholders. Last year as we faced the uncertainty of the pandemic, we made the difficult decision that in the interests of the long-term sustainability of the company, we would suspend these dividends. That was the right thing to do, and we thank all our shareholders and other stakeholders for their understanding.

I am pleased that the conditions are now stable enough for us to recommence the payment of dividends. Going forward we will seek to grow the dividend at a rate that reflects the sustainable underlying growth of the business.

### Board changes

After 21 years with Edrington, 18 of those on our Board, Graham Hutcheon, Group Operations Director, is retiring from the business at the end of June. On behalf of everyone at Edrington I want to thank Graham for his huge contribution to Edrington and I wish him a long, happy, and well-deserved retirement.

I would like to extend a very warm welcome to Angus Cockburn, who last year joined the Edrington Board. Angus' experience as a board member, CEO, and finance director of several public companies is already proving invaluable to our company.

### In Conclusion

Edrington has navigated our way well through a tumultuous year that included Brexit, US tariffs and the effects of the pandemic. We did so thanks to the dedication, capability, and resilience of our people. We now look to governments across the world to play their part in the post-Covid recovery and to create the trading conditions where companies like Edrington and industries like Scotch Whisky can grow and prosper.

**With clarity, focus and confidence in the future I am confident that we will emerge from the pandemic ready to build an even stronger Edrington.**

**Crawford Gillies**

Chairman

22 June 2021



## Chief Executive's Review

**It almost goes without saying that 2020/21 was a challenging year for Edrington. As well as facing severe disruption from the COVID-19 pandemic, we had to navigate Brexit and the impact of US tariffs on Single Malt Scotch Whisky. Whilst our results show a decline after several years of strong growth, I am pleased that we were able to hold this to a moderate level and emerge from a difficult year in sound financial health.**

Our people around the world responded admirably to the pandemic. They demonstrated personal resilience and a caring and supportive approach both to colleagues and the societies in which they live and work. They also showed an agile and collaborative approach to work, which allowed the company to reshape our business to make the most of the opportunities which emerged. I am especially grateful to our manufacturing employees, who were unable to work from home, for their efforts in keeping our products flowing from our distilleries and bottling plants to consumers across the globe.

I would also like to thank our shareholders for their support during the crisis. We appreciate the impact that pausing dividend payments has, but that has allowed us to get through the pandemic with a strong balance sheet and at the same time invest in our brands and capabilities. I believe that this gives us a strong base from which to grow the business in coming years.

### Results

In my last report, I anticipated a significant decline in global sales and profits. After four consecutive years of profit growth, Edrington's core contribution declined by 19% last year, reflecting the impact of COVID-19 and tariffs on Single Malt Scotch Whisky in the USA.

Whilst the decline in profit is disappointing to see, it was less severe than we initially anticipated as consumer demand remained solid in most markets. A significant proportion of purchases previously made in bars, restaurants and Duty Free shops moved to retail stores and online channels. The company adapted quickly to maximise the opportunities, principally by redirecting inventory and reallocating people and investment to growth areas.

Trade destocking caused a significant proportion of the year on year profit decline, driven by the USA. Trade buy-in ahead of the introduction of tariffs in October 2019 and concerns in early 2020 about the reliability of supply chains led to a high

level of trade stock at the start of our financial year. As the pandemic caused on-trade closures, our customers sought to manage stocks down and as a result their purchases from us were lower than sales out to their customers. We believe that we start the new year with in-market stocks close to optimal levels in most markets.

### Strategic Review

As we reacted and adapted to the pandemic, we have taken the time to conduct a full review of the business' 2025 strategy. The refreshed strategy maintains our vision of Giving More and sharpens our focus on ultra-premium spirits. Our expertise in ultra-premium, prestige and luxury spirits has fueled the company's growth in recent years and we believe that we can build on this trend by developing our existing strengths further, and building our skills and capabilities in areas where we need to do better.

### Market Context

COVID-19 had a very significant impact on our operations, affecting our employees, customers and consumers. Lockdowns meant that many outlets selling our products were forced to close, with bars, restaurants, hotels and Duty Free stores especially badly affected. In most markets retail stores remained open and they, along with e-commerce sales, picked up most of the demand from the restricted channels. The business responded by reprioritising channels, stock allocations and brand investment, and by building capability in areas such as e-commerce. We anticipate that disruption will continue for some time, but that demand for our products will remain healthy. The reopening of on-trade and travel retail channels will shift demand back towards these channels so the business will have to remain agile to deploy our resources effectively.

Exports to the USA, which is the world's largest market for premium spirits, were hit hard by a 25% tariff on Single Malt Scotch Whiskies that was in place from October 2019 until March this year. We are encouraged by the recent agreement between the UK and US governments to suspend tariffs for five years, and grateful for the continuing efforts of the Scotch Whisky Association and the UK Government to resolve the dispute permanently.



## Chief Executive's Review (continued)

We have worked hard since the outcome of the referendum in 2016 to be as prepared as possible for Britain leaving the EU. Thanks to the expertise of our Brexit team, the business had planned for a range of scenarios, and we navigated the end of the transition period with minimal disruption.

### Performance Highlights

Despite a decline in its overall net sales and contribution, demand for The Macallan remained high in several markets, particularly in China, South East Asia and Russia. As the world's most valuable single malt Scotch Whisky The Macallan continued to lead the category with a number of new launches including the Red Collection, Edition 6, and extensions to the Fine & Rare Collection of vintage bottlings.

Our other single malt brands, The Glenrothes and Highland Park, continued to build their profile in ultra-premium spirits with a series of highly regarded releases including 50-year-old vintages of The Glenrothes and Highland Park. Naked Malt, Edrington's blended malt started the execution of its re-branding, targeting the fast-growing contemporary whisky category.

Brugal rum generated outstanding growth, driven by demand in its home market of the Dominican Republic.

The Famous Grouse proved resilient in its core markets across northern Europe and particularly in its home market the UK.

### People and Culture

Edrington's culture informs our vision: to give more by crafting exceptional ultra-premium spirit brands.

On countless occasions over the past year, I have seen the behaviours we call out in our new strategy as being key elements of Edrington's culture; the ability to focus on what makes a difference, to adapt at pace, and to challenge and embrace diversity of thinking. We will continue to build on our culture.

### Looking Forward

The roll-out of COVID-19 vaccines gives us hope that the worst of the pandemic is behind us. However, the risk of outbreaks in countries with low vaccination rates and the threats from vaccine-resistant variants will be with us for some time to come. Despite the uncertainties I believe we are well placed to navigate these challenges. We have demonstrated our ability to adapt to a crisis and we have emerged in good shape. A strong balance sheet and the recent and forthcoming investments in brand-building and developing our capabilities provides a solid basis on which to build.

Edrington is powered by great people and exceptional brands. I am proud of our results, and of the people who have achieved them. I am confident that our business is poised for the recovery and ready to power forward.

**Scott McCroskie**  
Chief Executive

22 June 2021



## Financial Review

### STATUTORY KEY PERFORMANCE INDICATORS

	2021	2020	% movement
Revenue	<b>£625.6m</b>	£792.2m	(21%)
Earnings before interest and tax	<b>£196.7m</b>	£250.9m	(21%)
Profit before tax	<b>£178.4m</b>	£227.0m	(21%)
Profit for the financial year	<b>£81.5m</b>	£87.7m	(7%)
Total equity	<b>£1,153.8m</b>	£1,105.9m	4%

### MANAGEMENT KEY PERFORMANCE INDICATORS

	2021	2020	% movement
Volume (case equivalents)	<b>7.6m</b>	8.1m	(6%)

#### Presented in constant currency rates:

Core revenue*	<b>£576.2m</b>	£680.3m	(15%)
Brand investment*	<b>£118.9m</b>	£129.5m	(8%)
Core contribution*	<b>£196.5m</b>	£242.5m	(19%)

#### Presented in actual currency rates:

EBITDA	<b>£220.9m</b>	£273.5m	(19%)
Profit before tax (pre-exceptional)	<b>£171.3m</b>	£222.4m	(23%)
Profit for the year (pre-exceptional)	<b>£77.6m</b>	£90.3m	(14%)
Free cash flow	<b>£122.5m</b>	£64.8m	89%
Net debt/EBITDA	<b>1.7</b>	1.5	
Strategic inventories	<b>£896.9m</b>	£845.1m	6%

#### Volume

The total quantity of cases sold, where a case equivalent is measured as 12 70cl bottles at 40% abv.

#### Core revenue

Total revenue from our sales of continuing Edrington branded products on a constant currency basis.

#### Brand investment

Advertising and promotional expenditure excluding discounts, on our core brands, on a constant currency basis.

#### Core contribution

Profit from our branded sales and distribution after the deduction of overheads on a constant currency basis.

#### EBITDA

Earnings before the deduction of interest, tax, depreciation and amortisation.

#### Profit before tax (pre-exceptional)

Profit before exceptional items and the deduction of tax.

#### Profit for the year (pre-exceptional)

Earnings after tax and minority interests excluding exceptional items.

#### Free cash flow

Net cash flow excluding the movements in borrowings, shares, dividend payments, expansionary capital expenditure and exceptional items.

#### Net debt/EBITDA

The ratio of bank and private placement debt at hedged rates, where applicable, after deduction of cash balances compared to reported earnings before interest, tax, depreciation and amortisation.

#### Strategic inventories

The net book value of our maturing inventories of whisky and rum and the casks in which they are held.

\* A reconciliation of constant currency measures is provided at Note 34 to the accounts.



## Financial Review (continued)

### Group Financial Performance Overview

The financial results presented reflect a year which has been significantly impacted by the COVID-19 pandemic. We entered the year with several of our key markets in full lockdowns, closures of large parts of the global on-trade, and a sudden contraction of the global travel retail business. Our financial imperatives were to reduce our discretionary spend, conserve cash and secure our liquidity. With the support of a number of different stakeholders including employees, shareholders, pension trustees and funding partners we delivered against these priorities.

Our core revenue declined by 15% on a volume decline of 6% for the year. We have been able to dampen the full impact of this revenue decline with our reduced cost base to deliver a core contribution which has declined by 19%. Investing behind our brands remained a key priority in the second half of the year and with only an 8% decline year on year in brand investment we have ensured that we enter the coming financial year with our brands positioned strongly for the future.

Our improvement in free cash flow of £122.5m (2020: £64.8m) reflects our disciplined cash management supported with reductions in investment in capital expenditure and stock. This has resulted in our net debt reducing to £375.5m (2020: £451.8m) allowing us to enter the new year with strong financial fundamentals.

### Group Financial Performance (reported on a constant currency basis)

#### Core revenue

Core revenue fell by 15% to £576.2m driven by the impact of the pandemic on the demand for our brands particularly through the on-trade and travel retail channels together with a significant reduction in inventories held by our distributors in certain markets.

The reduction in core revenue was higher than the 6% volume decline due to product mix with higher declines of our malts brands which are more exposed to the on-trade and travel retail channels.

#### Brand investment

We invested £118.9m in brand-building marketing activities this year, which is 8% lower than last year. This lower reduction than our decline in revenue has meant that our investment ratio has increased by 2 percentage points to 21%.

### Core contribution

Core contribution decreased by 19% to £196.5m this year, reflecting the trading performance, our cost reduction measures and our focus on protecting the level of brand investment. The measures implemented to reduce our discretionary cost base included the cancellation of annual bonus schemes, pay freezes and salary reductions for our senior leaders.

The Macallan saw a significant decline in contribution of 28% driven by the contraction of the travel retail channel, on-trade closures and distributor and trade destocking in the US. Brugal rum had an exceptional year with contribution growing by 93% driven by the high demand and ongoing premiumisation in its home market in the Dominican Republic. Malt whiskies saw a significant contribution decline of 53% due to the reduction in sales from the on-trade together with the decision to continue to support brand investment for Highland Park and The Glenrothes. The Famous Grouse contribution declined by 16% which reflects strong performance in its key equity markets of the UK and Sweden, offset by a reduction in travel retail and Southern European countries

From a regional perspective our REEMEAT region (led by Russia) and the Dominican Republic were strong growth drivers. Asia Pacific was flat year on year with growth in China and South East Asia offset by trade de-stocking in other markets. Europe was marginally down with strong growth in off-trade dominated markets being offset by declines in Southern Europe markets where on-trade closures had a significant impact. In the Americas, the underlying demand for our brands was resilient as consumption moved from the on-trade to the off-trade however our sales to distributors were materially affected by de-stocking due to the combined effects of COVID-19 and purchasing patterns related to the US tariffs imposed on Malt Whisky in October 2019. The significant decline in travel retail sales reflects the shutdown of large parts of the travel industry across the world for the majority of the financial year.

### Statutory results (reported at actual currency rates)

Statutory group revenue (pre-exceptional) fell by 21% to £625.6m and pre-exceptional profit before tax decreased by 23% to £171.3m. The decline in statutory revenue is greater than the decline in core revenue due to a negative impact from average foreign exchange rates versus the prior year.

Profits attributable to Edrington Shareholders (before exceptional items) declined by 14% to £77.6m. The underlying rate of decline for the year is 20% with a non-recurring prior year deferred tax charge of £6.5m (net of minority interests) benefitting the comparison this year.



## Financial Review (continued)

### Exceptional items

The disposal of a 33% shareholding held by Brugal in Vinicola del Norte, a company specialising in the production and marketing of spirits, wines and mass consumer products in The Dominican Republic, has been treated as an exceptional item in the year resulting in a gain of £7.1m.

Profits attributable to Edrington Shareholders including exceptional items declined by 7% to £81.5m. We have included a table which sets out the movement before and after exceptional items in the current and prior year along with the prior year deferred tax rate change to aid the understanding of their effect compared to the underlying trading performance.

### Statutory results table adjusted for non-recurring items

	2021	2020	% movement
Profit for financial year before adjustment for impact on deferred tax of changes to future UK tax rates	<b>£77.6m</b>	£96.8m	(20%)
Impact of deferred tax rate change (net of Minority interest of £5.0m)	-	(£6.5m)	
Profit for the financial year pre-exceptional items	<b>£77.6m</b>	£90.3m	(14%)
Exceptional items	<b>£3.9m</b>	(£2.6m)	
Profit for the financial year	<b>£81.5m</b>	£87.7m	(7%)

### Interest

Net finance charges, totalling £18.3m, largely comprised interest costs on funding from the Group bank and US private placement debt.

The constituent elements of the interest charge were:

	2021	2020
Interest payable on funding	<b>(£25.7m)</b>	(£25.5m)
Interest expense on lease liabilities	<b>(£0.7m)</b>	(£0.9m)
Non-qualifying cash flow hedge	<b>£3.2m</b>	(£1.1m)
Other finance costs	<b>(£1.4m)</b>	(£1.4m)
Interest on defined benefit pension scheme (note 27)	<b>£1.4m</b>	£0.3m
Other interest receivable	<b>£4.9m</b>	£4.7m
	<b>(£18.3m)</b>	(£23.9m)



## Financial Review (continued)

### Cash flow and financial position

Despite the significant fall in profits our net debt at 31 March 2021 was £375.5m (excluding the impact of IFRS 16), a decrease of £76.3m from 2020.

The reduction in net debt reflects the cash conservation measures implemented with the support of all our stakeholders from the beginning of the pandemic.

The Group is financed by both US private placement notes and bank debt. The consolidated group net debt to EBITDA ratio at 31 March 2021 was 1.7 times (2020: 1.5 times) and within the 1887 group, where the debt is principally held, we finished the year with a ratio of 2.3 times (2020: 2.0 times) which is comfortably within the limit of our debt covenants.

We retained a robust financial position this year with total equity increasing by £47.9m to £1,153.8m. Total assets fell by £46.3m (2%) to £2,221.2m, primarily as a result of the reduction in the defined benefit pension asset. Property, plant and equipment increased by £5.6m reflecting our cash purchases in the year. Inventories, of which maturing whisky stocks account for the majority of the value, increased by £48.0m. The value of our investments has decreased due to the disposal of Vinicola del Norte, previously held by Brugal, and the purchase of the remaining 50% of Row & Co Limited which moves this out of our Joint Venture assets. An increase in our cash and other liquid resources of £51.2m reflects the suspension of dividends.

Total liabilities reduced by £94.2m to £1,067.4m, primarily reflecting the reduction in borrowing of £25.2m.

### Post-employment benefit obligations

The Group operates two defined benefit pension schemes for employees of its principal UK subsidiaries. These have been closed since 2014. At the 31 March 2021, the Group had a surplus of £13.4m in relation to the post-employment benefit obligations of these schemes, as calculated in accordance with accounting standards. This is a decrease of £39.5m from the £52.9m asset recognised at 31 March 2020.

Changes in the mortality and discount rate assumptions increased the present value of the schemes' liabilities by £29.3m. Deficit repair contributions of £5.6m were made in the year following the agreement to reinstate the postponed deficit repayments 5 months earlier than planned from November 2020. The postponed deficit repair contributions will be fully paid by November 2021.

While this surplus position reflects the required accounting treatment for the post-employment benefit obligations, on an actuarial basis, the defined benefit schemes are in deficit. At 31 March 2021, the deficit was valued at £48.9m, £5.6m

lower than last year. The Group is committed to make payments to close this deficit by 2026.

### Derivatives and financial instruments

The Group uses derivative financial instruments to hedge its exposure to fluctuations in foreign exchange and interest rates. The fair value of these instruments at 31 March 2021 is included in the Statement of Financial Position.

Assets of £26.1m (2020: £41.1m) related primarily to cross currency swaps. These are used to hedge the value of our private placement debt which is denominated in US dollars. At the prevailing year-end rate, the value of the asset decreased compared with the prior year.

Liabilities of £1.9m (2020: £12.4m) principally reflect the fair value of forward foreign exchange contracts outstanding as at the 31 March 2021. The liability decreased from the prior year in line with the movement in the year-end exchange rates on our key trading currencies which we hedge on a rolling 24-month basis and floating interest rates.

### Summary

Whilst the results are showing a material decline in revenue and profitably the Group has managed successfully through a difficult and challenging year. We have sought to ensure that our brands continue to have the level of investment required for future growth, and we move forward with a strong underlying business and strengthened balance sheet. This gives us the confidence that we can continue to navigate the ongoing uncertainties and the inevitable short-term challenges and return to growth in the coming year.

### Going Concern

To assess the appropriateness of adopting the going concern basis for the Group, the directors have reviewed the strategic and financial plan together with the continuing impact that COVID-19 will have on performance for the next two years. The underlying assumption is that our operations, both in Scotland and Dominican Republic will remain open in line with safe working practices, and that our global supply chain continues to support the shipment of product to our markets.

Whilst the impact of the pandemic has been material on the sales in 2020/21, the Group has managed to dampen the impact by reducing expenditure to manage our EBITDA, and scale back significantly on cash outflows to protect our debt and covenant position. This has given us the confidence that we have the ability to adapt quickly and decisively and with the support of the multiple stakeholders, flex the level of dividends



## Financial Review (continued)

and investment levels to manage our liquidity. The Group ended the fiscal year to 31 March 2021 with results that reflect this.

The plan for 2021/22 shows core contribution recovering to 2019/20 levels and then continuing to grow over the two-year period to 2024. The geographic and channel mix of our sales is different to that in 2019/20 with the assumption that our travel retail business will still be affected longer term by the pandemic but offset by increases in contribution from developing markets, the gradual reopening of the on-trade and a greater contribution from ultra-prestige products.

The Group has reviewed a number of different scenarios of revenue decline, together with cost and cash savings, to assess the impact on the Group liquidity and our debt covenant conditions.

We have modelled a further year of sales in line with 2020/21, a decline of 21% from our plan.

The business has the ability to manage such a decline in sales with reductions in the cost base and the levels of investment to maintain the lenders covenant conditions.

### Debt facilities and covenant tests

The scenario planning shows that there is adequate headroom within the debt facilities and that the covenant tests are met in each test period to 31 March 2023. The Group has two underlying financial covenants, one that measures net debt/ EBITDA and the second EBITDA/net interest (banking covenant), EBIT/net interest (private placement covenant).

Performance in the initial two months of the financial year to March 2022 show that the Group is currently outperforming our plan however we will continue to monitor and adjust our resources as we see the evolving performance across the different markets and channels.

The results of these assessments were reviewed considering the financial position of the Group at 31 March 2021, the cost and cash mitigation measures available, and the access to ongoing funding facilities. Based on these assessments the Board of Directors have a reasonable expectation that the Group will be able to meet its financial obligations for the foreseeable future and have adequate resources to continue to operate for at least 12 months from the date of this annual report. The directors therefore consider it appropriate to adopt the going concern basis in preparing these financial statements.

### Principal Risk and Uncertainties

The board is responsible for risk management and the controls and compliance environment with a framework to support the process for identifying, evaluating and managing financial and non-financial risks. They are supported by the Executive Committee, and the Audit Committee which has direct oversight of the Group Risk Management Committee and the internal control and assurance function.

Edrington's risk management processes minimise its exposure to unforeseen events and identified risks, allowing the business to focus on delivering its strategic objectives.

The board regularly reviews the principal risks facing the Group including those that would impact its business model, future performance and solvency. A full review and assessment of principal risks was carried out in March 2021 to help update the principal risks facing the Group. These reviews allow the board to assess the Group's risk appetite and ensure that the nature and extent of the significant risks facing the business are identified and adequately managed. In line with best practice, the assessment includes a review of the impact and likelihood of each risk, together with the controls in place to mitigate the risk. Given the fast-evolving nature of Edrington's operating environment and external factors, the review of principal risks will be performed by both the Executive Committee and the board on an annual basis going forward.

Risk categories are predominantly macroeconomic or operational in nature. Macroeconomic risks relate to the external environment and the international markets in which Edrington operates, over which the Group has less control. Operational risks include issues such as product quality, supply chain, or failure in business technology. The environment in which Edrington operates is becoming increasingly volatile and is constantly evolving, so the Group remains vigilant to be sure that new and emerging risks are identified and assessed on a timely basis, and that appropriate actions are taken where possible to mitigate the impact of these risks on the business.

The COVID-19 outbreak resulted in several of the previously identified risks materialising simultaneously. These included increased financial risks, the ability of the Group to manufacture and a reduced demand across the markets. The Group was able to react promptly and apply the necessary mitigating actions to protect our people and our operations. The knock-on effect of measures required to address the ongoing impact of COVID-19 continues to be monitored closely, including the interdependency of principal risks and how the size and speed of the impact of these can be accelerated with a single event such as a pandemic or a natural disaster.



## Financial Review (continued)

During the year, the Audit Committee reviewed reports received from the internal audit teams. These have allowed the committee to assess the general control environment, identify control weaknesses and quantify associated risks.

The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only therefore provide reasonable assurance against material misstatement or loss. It is continuously reviewed to ensure it remains robust and embedded in business processes to enable Edrington to continuously address its relevant business risks.

### Principal Risks

Below is the list of risks that the board believes to be the most important risks and uncertainties that may impact the Group's ability to deliver its strategy effectively. Following the board's

most recent triennial risk review changes and updates have been made to the principal risks disclosed in previous annual reports, including:

- > Risk reprioritisation: given the current macroeconomic environment, the impact and likelihood of some risks materialising have increased. These include changes on tariffs and the risk of material cyber-attacks;
- > New risk additions: these include misuse of consumer personal data, due to the increase in digital activity and the ongoing shift towards e-commerce and sustainability, due to the increased focus on the sustainability of our end to end supply chain; and
- > Risks removed: generic risks that are under management's control, such as regulatory compliance or financial risks have been deprioritised from the list of principal risks given that, whilst still relevant, they are considered to be part of the day-to-day management of our operating activities.

Identified Risk	Impact	Mitigating Actions
<b>Geopolitical and Economic Conditions</b>	Economic or political instability restricts market activity, affecting market access, demand or increased costs.	Edrington's diverse geographic spread reduces the exposure to specific market risks. Direct ownership of the Group's route to market in its major markets provides local insight combined with a robust central overview. This enables the Group to react quickly and flexibly to such changes.
<b>Cyber Attack</b>	Theft, failure or corruption of digital assets and/or key systems could lead to business disruption, reputational damage and have an adverse impact on profit.	Edrington has further enhanced our system and information management security in the light of increased remote working as a result of the pandemic.  An annual business-wide information risk management assessment is carried out which reviews and updates the cyber incident response plan. Additional guidelines and training are provided regularly to all employees as part of a user awareness training and education programme.  Edrington carries out ongoing activities to review and enhance security, including vulnerability management monitoring and testing measures, the segregation of the network to protect business critical systems, and ongoing enhancements on authenticating user access to our systems.
<b>Product Contamination</b>	Product contamination due to human error or malicious intent may result in reputational damage and financial loss due to fines and damage management.	Manufacturing processes are reviewed and monitored regularly to ensure full compliance with Hazard Analysis and Critical Control Point (HACCP), ISO and Food Safety standards.  All relevant employees have received appropriate training and there is an internal program in place to continuously review and ensure compliance with all relevant manufacturing standards.



## Financial Review (continued)

Identified Risk	Impact	Mitigating Actions
<b>Misuse of Consumer Personal Data</b>	Inadequate management of consumer data could lead to reputational damage and financial loss due to penalties and fines.	<p>Further resource is being put in place to ensure the business continues to comply with all necessary data privacy and data security regulations as the business expands its digital activities and increases the use of personal data.</p> <p>Data Privacy compliance is a core element of Edrington's Code of Conduct and annual training is provided to support this.</p> <p>Additional IT Security measures have been introduced including data encryption and contractual protections with key third party data processors.</p>
<b>Long-Term Impact of COVID-19 on Consumer Drinking Behaviours</b>	The impact of ongoing COVID-19 measures may significantly change consumer behaviours and choice of category, resulting in loss of revenue.	<p>Ongoing monitoring of consumer behaviours and brand performance are performed both at local market and brand strategy reviews. Regular monitoring of key performance indicators including brand performance, and brand health across key market segments and geographies, are in place.</p> <p>Continued focus on delivering the premiumisation strategy is enabled through the increase in e-commerce footprint and Direct to Consumer activities.</p>
<b>Adverse Political and Social Attitudes to Alcohol</b>	Tighter restrictions on alcohol promotion, sales and/or consumption may limit market access resulting in loss of revenue.	<p>Edrington supports a responsible approach to alcohol and considers this a core element of its strategy to grow a sustainable, long-term business.</p> <p>Edrington is a member of national and international organisations that work to encourage the responsible promotion and consumption of alcohol and reduce alcohol-related harms.</p> <p>Our Company Code of Conduct and Global Marketing Code proactively promote responsible drinking and are reinforced through the group-wide training programme.</p> <p>Edrington's policies and campaigns are reviewed annually by the Marketing Code Committee.</p>
<b>Counterfeit Products and Brand Protection</b>	Ineffective or inadequate protection of intellectual property rights, resulting in reputational damage, an increase in counterfeit goods and a decline in sales volumes and/or market share.	<p>The Group invests considerable effort in proactively protecting its intellectual property rights. Edrington has a clear brand protection strategy with processes aimed at addressing the principal exposures and risks likely to affect alcoholic beverage brands.</p> <p>Cross-functional brand protection reviews are performed and complemented by activities on brand security education, surveillance and enforcement in order to identify and address any potential counterfeit.</p> <p>A group-wide review of brand protection activities and oversight is being performed in order to further enhance efficiency and effectiveness of brand protection effort.</p>



## Financial Review (continued)

Identified Risk	Impact	Mitigating Actions
<b>Sustainability</b>	Failure to meet our key sustainability goals results in supply chain disruption or revenue loss.	With the appointment of the Head of Sustainability, a sustainability strategy has been developed to address the key environmental concerns, including carbon emissions, habitat conservation, raw material protection and the promotion of a circular economy.
<b>Disruption of Production / Supply Chain</b>	Major supply chain failure affecting the supply of raw materials or equipment, loss of maturing inventory or the customer orders process.	<p>Assets managed by the business include plant and equipment, people and business technology. Disaster recovery, incident management plans and contingency measures are in place and tested regularly.</p> <p>Contingency bottling/blending options are in place and assessed regularly to ensure that Edrington's operations can be maintained in the event of a loss or impairment of its own facilities.</p> <p>Energy and water supplies are reviewed to ensure continuity, sufficiency and quality of supply.</p>

Approved and signed on behalf of the board

**Paul A Hyde**  
Chief Financial Officer

22 June 2021



# 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 '<b>SWA</b>'). 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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# Corporate Sustainability and Responsibility

Edrington was created to be a company that makes a positive contribution to the communities in which we live and work. Over 160 years we have built a responsible and sustainable business that respects the environment around us. Our sustainability strategy is underpinned by a governance structure and key performance indicators for delivery.

During 2020 we revised our Sustainability Strategy sharpening the focus in the environment and have subsequently created a revised Sustainability and Responsibility Strategy with four focus areas:



The strategy is driven by Edrington’s Sustainability and Responsibility Steering Group which is chaired by our Head of Sustainability. Senior leaders head up each of the four focus areas and the Head of Sustainability reports directly to the Chief Executive. The strategy is underpinned by a range of KPIs spanning each area, which are reviewed and reported internally on a quarterly basis.

## 1. PROTECTING THE ENVIRONMENT

Edrington recognises and embraces our responsibility to do everything we can to support and protect the environment around us. We have revisited our environmental strategy and the elements within it to deliver a strategy which significantly increases and sharpens our environmental focus areas.

Our new sustainability management team comprises key leaders in our environmental focus areas. They are supported by six regional leaders to ensure that our strategy is understood and implemented at a commercial level across our global business. The company is developing a network of ‘Green Teams’ across our locations to drive engagement from all our sites and employees.

Each of our brands has developed their own environmental sustainability strategy, each of which will dovetail with the broader Edrington corporate strategy and ensure that our brands take responsibility for their own greener future.

Our new environmental sustainability strategy identifies five focus areas in which we need to deliver measurable targets to ensure continued focus and delivery.



## Reduce carbon emissions

### Our commitment:

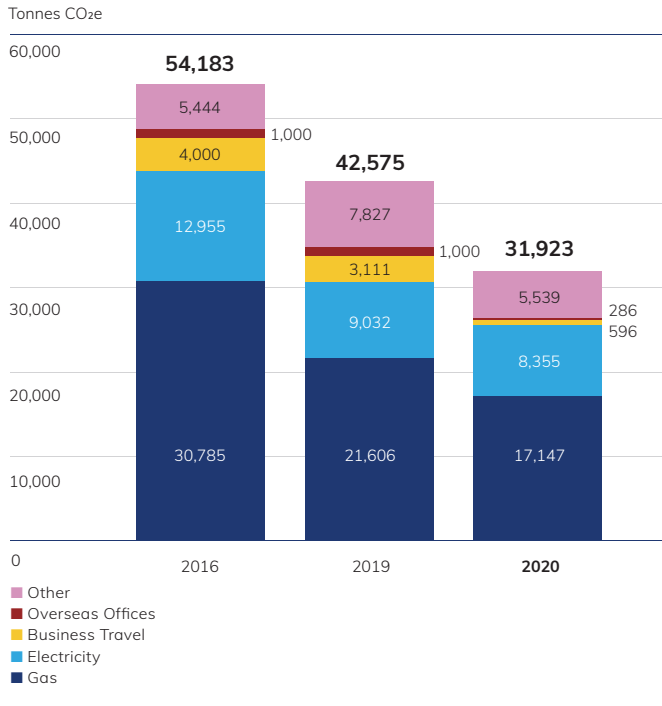
“We will become a carbon-neutral business by 2030 for our distilleries, offices (Scopes 1 & 2) and travel, reducing greenhouse gas emissions by at least 70% compared to 2016 levels.”

In 2020, our reported CO2e emissions reduced by 25% compared to 2019. Our carbon intensity ratio (kg CO2e per litre of pure alcohol produced) reduced by 10%. The Company considers that these numbers reflect the impact of the global pandemic on the business, which resulted in the temporary closure of our distilleries in Scotland and almost no business travel.

We report our emissions in line with the Greenhouse Gas Protocol Corporate Standard. This document reports Scope 1 and 2 emissions from our operations as well as the majority of Scope 3 emissions from business travel in line with the Streamlined Energy and Carbon Reporting requirements (SECR). Additionally, we now include Scope 3 emissions relating to the grain whisky used in our blended whisky.



## Corporate Sustainability and Responsibility (continued)



In 2020 we sourced 31% of our energy requirements from renewable sources in the UK. This is ahead of Scottish Government targets, and we expect to make further progress during 2021. We are also committed to significantly reduce the emissions from business travel having understood the capacity to make greater use of communication technologies and to travel more efficiently. Business travel that allows us to understand and meet the demands of consumers in international markets will continue to be an essential element of our business. However, added to the new focus on scope 3 emissions, we are determined to take significant steps forward in reducing all carbon emissions associated with our business.

### Protect water

#### Our commitment:

*“We will replenish 100% of water consumption from production sites in water-stressed areas.”*

We recognise our responsibility as custodians of a scarce natural resource which is an essential ingredient in all our spirits. We will reduce water consumption used to support the production processes, we will return the highest quality water to the environment and we are committed to replenish 100% of water consumption from our production sites in water-stressed areas, namely the Dominican Republic. This means working closely with our suppliers in the agricultural sector to ensure that water is used as efficiently as possible in the

growing of sugar cane. We will also be pursuing ISO 46001 certification for water efficiency management systems by 2025 in the Dominican Republic.

We will reduce our process water use in Scotland in line with the Scotch Whisky Association target by 2025. We have maintained an ‘Excellent’ rating – the highest possible standard - from the Scottish Environmental Protection Agency compliance scheme for the abstraction and return of water. We have also invested significantly in biological water treatment plants in both Scotland and the Dominican Republic to ensure high quality water is returned to rivers.

### Promote circular economy

#### Our commitments:

*“We will ensure that all packaging is sustainably sourced and widely recyclable by 2025”.*

*“We will achieve zero waste to landfill from our own operations by 2025.”*

This enhanced focus area for our environmental strategy reflects a commitment to ensure that the business is maximising its ability to reduce, re-use and re-cycle materials used for its products. We will specifically focus on re-purposing waste from the making of our spirits, reducing the environmental impact of packaging and marketing materials and eliminate sending waste to landfill.

We will continue to focus on reusing all co-products from the distillation process and where possible and appropriate we will be reducing packaging weight. Our commitment also includes evolving cardboard to become fully recyclable, sourcing from only FSC accredited suppliers, increasing recycled glass content, reducing packaging weight and extending our commitment to 100% sustainable sourcing and recyclability of all marketing materials and point of sale by 2025.

### Conserve habitats

#### Our commitment:

*“We will execute a nature and wildlife strategy across all Edrington sites.”*

Edrington’s distilleries and associated land are located in beautiful natural landscapes. We have both a desire and a responsibility to ensure that the environment around us is maintained and that we support and develop the landscapes and wildlife that surround us. We are committed to introducing



## Corporate Sustainability and Responsibility (continued)

and executing nature and wildlife strategies across all our sites and actively developing the 3,000 acres of land that we own to improve the environment. In the UK, we are recognised by ISO14001 Environmental Management certification for our environmental protection in Scotch Whisky distillation operations and we continue to source barley to the highest UK standard (Sustainable Agricultural Initiative – Farm Sustainability Assessment) and source sugar cane in the Dominican Republic from local sustainable partners.

### Sustain wood

#### Our commitment:

*“We will advocate sustainable wood sourcing by tracing oak supply to region of origin in Europe by 2025 and US by 2030.”*

The use and management of wood is recognised as central to our business and as such we believe that we have a responsibility to focus on wood as one of our key environmental pillars. From the management of the forests from which we select our oak, to the creation and careful use of our casks, to the packaging and marketing materials we create, wood is at the heart of our business and our brands. We will achieve our sustainable sourcing target for European and American Oak supply by working with our wood partners to understand wood origin and only sourcing from sustainably managed areas, sourcing over 50% of all Oak from PEFC/FSC suppliers by 2030 and continuing to responsibly manage the lifecycle of our casks.

#### Climate Change and Risk:

In the context of climate change, the most significant risks relating specifically to environmental sustainability are already captured within the ‘Sustainability’ and ‘Disruption of Production/Supply Chain’ risks which form two of our Principal Risks and are detailed within the Principle Risks and Uncertainties section on page 13 of the Annual Report.

We recognise that there are other business risks associated with both climate change and the failure to deliver on a green agenda, specifically around potential corporate and consumer trust and reputational damage and also the potentially high financial costs. In 2021/22 we will develop a separate and specific risk assessment for our environmental strategy.

## 2. GIVING MORE

We will continue our positive contribution to society and the communities that we live and work in, with Giving More at the centre of everything we do.

#### Our commitments:

*Contribute up to 1% of EBIT to Giving More initiatives around the world*

*Double Match all employee initiated Giving More fundraising*

*Inspire all employees to take up to 4 days’ paid leave for Giving More activities*

Giving is one of Edrington’s four core values, along with Respect, Integrity and Excellence. Giving is woven into the history and fabric of our business in a way that is unique in our industry. This ethos was inherited from our principal shareholder – The Robertson Trust – Scotland’s largest independent grant-making trust. Since 1961, when the Robertson Sisters incorporated Edrington, The Trust has donated £301m to a variety of causes to advance its aims of working for a fairer Scotland, funded by dividends from the company.

In the UK, Edrington and The Robertson Trust continue doing good together, both matching the charitable fundraising of employees. Thanks to this support, £1 raised for charity by an Edrington employee in the UK becomes £3 after additional contributions from The Robertson Trust and Edrington. In 2020/21 the total raised and donated by Edrington employees to causes in Scotland was £268,514. With the obvious challenges to fundraising caused by the COVID-19 pandemic, our employees focused their efforts on volunteering and making a difference in their local communities. This included donating hand sanitiser in the UK and Dominican Republic, and supporting more than 170 charities which tackle inequality, poverty, and illness.

The value of giving is alive and well in Edrington’s international locations. As Edrington has grown internationally, the company has encouraged our people to contribute to the wellbeing of the communities in which they live and work. Across our international locations, our employees are supported in making a difference by championing causes they feel passionate about. To do this, Edrington sets aside 1% of pre-tax earnings each year for charitable giving by its employees worldwide, with their fundraising efforts being double matched. Last year Edrington empowered its people across the world to make donations valued at £1.3m, bringing the total raised and donated by Edrington’s international employees to £13 million since Giving More was rolled out internationally in 2012.



## Corporate Sustainability and Responsibility (continued)

Edrington sees participation in Giving More as a key ingredient of a healthy lifestyle and staying true to our heritage. A healthy lifestyle is as much about getting involved and contributing to the health and wellbeing of our societies as it is about personal wellbeing. That is why we encourage all our people to use their four days' paid leave to volunteer in their communities. Employees are encouraged to make use of these days to give back and support local causes.

### 3. PROMOTING RESPONSIBLE CONSUMPTION

Edrington is committed to promoting responsible consumption of its brands by those adults who choose to drink alcohol.

The company structures its responsible consumption agenda under three pillars that represent commitments to our people, our partnerships, and our brands:

#### Our commitments:

*We support our people to work and live as alcohol responsibility ambassadors, with year-round education and support, and a commitment to 95% of eligible roles completing Edrington Marketing Code training every 2 years.*

*We partner with leading responsibility organisations to help people make positive choices about alcohol.*

*We ensure that our brands will promote alcohol responsibility to the people who enjoy them, that our brands adhere to the Edrington Marketing Code in all communications, and pledge that 100% of our brands' packaging will carry responsibility advice by 2025.*

A healthy population and a relationship of trust with consumers are vital to the success of our business. Our responsibility starts with ensuring our brands are distilled, packaged, and promoted to a consistently high standard everywhere in the world. We have an important role to play in promoting responsible attitudes to alcohol.

In 2020/21 we launched a new online Edrington Marketing Code training course in English, Spanish, Chinese and Simplified Chinese to ensure that everyone in the business has the appropriate level of knowledge to enable them to be alcohol responsibility ambassadors. Two versions of this important training course were launched. A shorter version for all our people to raise awareness of our marketing code, including substantial new measures relating to digital compliance, gender stereotyping and events management. A longer, more substantive course was launched for everyone involved in marketing and promotion of our brands.

As part of our year-round package of education and training on promoting responsible consumption, last year we upgraded our annual Alcohol Responsibility Week to a month long focus. Due to ongoing COVID-19 restrictions, Alcohol Responsibility Month included a series of videos, and other online training events on and the launch of a new "Promoting Responsible Consumption" online training course.

Within local markets, our business works with and funds organisations that support responsible consumption and work to reduce the harms associated with alcohol misuse.

### 4. ENGAGING GREAT PEOPLE

We want to cultivate an inclusive environment that celebrates diversity of thinking and enables everyone to make meaningful contributions.

#### Our commitments:

*Employ 33% female leaders by 2022 and ensure a minimum of 50% female candidates at first round interviews*

*Target 95%+ of employees to have development plans*

*Drive top quartile employee engagement*

*Ensure all employees and their families have 24/7 support via Employee Assistance Programme*

We are proud to be an international business with an incredibly diverse set of consumers, customers and employees, 70% of whom are based outside Scotland. To achieve an inclusive and high-performance culture we have introduced progressive initiatives and policies focussing on diversity & inclusion, development of our great people, engagement and wellbeing.

#### Diversity & Inclusion

As with many organisations, we have work to do to ensure we foster a diverse and inclusive culture that enables diversity of thinking. Over the past few years, we have made considerable progress on gender equality by putting in place ambitious targets and a clear action plan. We are on track in achieving our target of having 33% female leaders in the business by 2022 (currently at 31%) and we are making progress towards our recruitment target of having 50% female candidates for every first-round interview (currently 43%). We narrowed our gender pay gap in the UK and introduced a number of progressive policies such as Modern Family Leave and new ways of working guidelines allowing for more flexibility.



## Corporate Sustainability and Responsibility (continued)

We have also started to widen our diversity agenda and have communicated our diversity and inclusion (D&I) strategy to the business. In the UK we became a Disability Confident Committed employer in line with our commitment to the SWA Diversity & Inclusivity Charter. In addition, we focussed on raising awareness on mental health with over 250 managers undertaking mental health awareness training. Having just recruited a D&I Manager we are now in the process of putting together a comprehensive plan focussing on culture and engagement, awareness and education, and impactful interventions.

### Development

Developing our great people by building the skills and capabilities needed to deliver our vision is a key area of our business strategy.

We also continued to evolve our Edrington Academy by collaborating with colleagues from across the business to build learning sprints, pathways, and skill frameworks.

### Employee Engagement

Despite the challenging environment we are pleased to have increased our engagement score by 2% to 75% in the most recent pulse survey. This is an excellent result and a great testament to teams across the business who successfully implemented their action plans following the 2020 survey.

### Wellbeing

In early 2020 we implemented our Employee Assistance Programme (EAP) to support all employees and their immediate families globally. Over the course of last year, we have seen many of our employees benefit from the resources and counselling sessions available via the EAP.

We also increased our wellbeing offerings by focussing on mental health awareness and building resilience which was particularly important during the pandemic.



## Directors' Report

The directors present the audited financial statements for the year ended 31 March 2021.

### Results for the year

The Company's financial results, which are detailed in the income statement, cover the year to 31 March 2021.

No dividends were paid in the current year (2020: 12.4p per share) however a dividend of 7.0p per share was declared in December 2020 and paid in April 2021. The directors agreed a further interim dividend of 27.0p per share will be paid on 16 July 2021. The aggregate dividends recognised in the year amounted to nil (2019: £24.9m).

Revenue (pre-exceptional) for the year amounted to £625.6m (2020: £780.2m) resulting in a profit before tax (pre-exceptional) of £171.3m (2020: £222.4m) and overall profit for the financial year (pre-exceptional) of £140.5m (2020: £173.8m). Exceptional items totalling £3.9m (2020: (£2.6m)) (after taxation and minority interest) were incurred, leading to a profit for the year, attributable to Edrington shareholders, of £81.5m (2020: £87.7m).

A detailed review of the Company's business strategy along with associated risks and uncertainties is included within the strategic report.

### Future developments

This is detailed within the strategic report within the "Going Concern" section on page 12 and the "Looking Forward" section on page 8.

### Directors

The directors who served during the year and to the date of this report were:

C S Gillies  
S J McCroskie  
G R Hutcheon (resigned 31 March 2021)  
P A Hyde  
D H Richardson (resigned 15 September 2020)  
A G Cockburn (appointed 1 September 2020)  
A M C Avis MBE  
S Fitzgerald  
S Hizuka

### Directors' responsibilities for the financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company for that period.

International Accounting Standard 1 requires that directors:

- > properly select and apply accounting policies;
- > present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- > provide additional disclosures when compliance with specific requirements of IFRSs or FRS 101s are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- > make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



## Directors' Report (continued)

### Employee share schemes

The Company operates two share schemes for eligible employees.

The ShareSave Scheme is an annual scheme enabling eligible employees to save for a three year period to buy Edrington 'B' Ordinary Shares at 80% of the market price. The scheme has been approved by HM Revenue and Customs. The Company charges the fair value of the option at the date of grant to the income statement over the vesting period of the scheme.

The ShareReward Scheme allows Edrington 'B' Ordinary Shares to be awarded annually to eligible employees of the Company. The employee's entitlement to receive shares is dependent on the growth in the Company's core contribution in the year, exceeding a pre-determined growth rate. The scheme has been approved by HM Revenue and Customs. The Company charges the annual fair value of this scheme to the income statement if the performance criteria have been met.

The ShareReward Scheme was withdrawn for the performance year ended 31 March 2021.

### Executive incentive plans

An Annual Incentive Plan rewards executive directors and senior executives based on the Company's financial results and the executives' individual performance against business objectives.

The Annual Incentive Plan was withdrawn for the performance year ended 31 March 2021 and therefore no associated costs have been included within the income statement.

The Long Term Incentive Plan rewards senior executives based on the Company's performance over a three year period, by awarding a cash incentive. The Company charges any associated costs to the income statement over the period of the plan. The financial performance conditions, which represents 75% of the award, did not meet threshold performance in respect of the three year period ended 31 March 2021.

### Energy and Carbon Reporting

Reporting of the Group's energy consumption is detailed within the Corporate Sustainability and Responsibilities Report on page 31.

### Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

### Employee Engagement

A summary of how the Company engages with its employees is detailed within the "Stakeholder Engagement" section within the Corporate Governance report.

### Business Relationships

Fostering business relationships with our suppliers, customers and lenders is key to the success of the business. Further details of our engagement with our business partners is detailed within the "Stakeholder Engagement" section within the Corporate Governance report.

### Corporate Governance

The group has adopted and is complying with the Wates Principles which apply to financial years beginning on or after 1 January 2019. Further detail on the compliance with each of the principles is detailed within the "Corporate Governance" report on pages 17-20.

### Going Concern

The Company has carried out assessments of the future trading performance and cash flows with sensitivities completed to reflect the current uncertain environment and is discussed on page 12 of the Strategic Report. The results of these assessments were reviewed considering the financial position of the Group at 31 March 2021, the cost and cash mitigation measures available to it, and the access to ongoing funding facilities. Based on these assessments the board and directors have a reasonable expectation that the Group will be able to meet its financial obligations for the foreseeable future and have adequate resources to continue to operate for at least 12 months from the date of this annual report. The directors therefore consider it appropriate to adopt the going concern basis in preparing these financial statements.



## Directors' Report (continued)

### **Auditors**

As auditors are now deemed, under section 487(2) of the Companies Act 2006, to be reappointed automatically, Deloitte LLP, having expressed their willingness, will continue as statutory auditors.

Approved and signed on behalf of the board

A handwritten signature in black ink, appearing to read 'G. Murray', written in a cursive style.

**Gavin Murray**

Group Company Secretary

22 June 2021



# Independent Auditor's Report

to the members of The Edrington Group Limited  
for the year ended 31 March 2021

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

In our opinion the financial statements of The Edrington Group Limited (the 'parent company') and its subsidiaries (the 'group'):

- > give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2021 and of the group's profit for the year then ended;
- > have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- > have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- > the consolidated income statement;
- > the consolidated statement of comprehensive income;
- > the consolidated and parent company statement of financial position;
- > the consolidated and parent company statements of changes in equity;
- > the consolidated cash flow statement;
- > the statement of accounting policies; and
- > the related notes 1 to 35.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing,



## Independent Auditor's Report (continued)

as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the group operates in, and identified the key laws and regulations that:

- > had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Companies Act 2006, pensions legislation and tax legislation; and
- > do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including significant component audit teams and relevant internal specialists such as tax, valuations, pensions and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- > reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- > performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- > enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- > reading minutes of meetings of those charged with governance.

### **Report on other legal and regulatory requirements**

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- > the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- > the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.



## Independent Auditor's Report (continued)

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- > adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- > the parent company financial statements are not in agreement with the accounting records and returns; or
- > certain disclosures of directors' remuneration specified by law are not made; or
- > we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**David Mitchell**  
(Senior statutory auditor)

For and on behalf of Deloitte LLP  
Statutory Auditor  
Glasgow, UK

22 June 2021



# Group Consolidated Income Statement

year ended 31 March 2021

	Note	Pre- Exceptional 2021 £m	Exceptional (Note 2) 2021 £m	Total 2021 £m	Pre- Exceptional 2020 £m	Exceptional (Note 2) 2020 £m	Total 2020 £m
<b>Revenue</b>	<b>1</b>	<b>625.6</b>	-	<b>625.6</b>	780.2	12.0	792.2
Cost of sales		<b>(421.6)</b>	-	<b>(421.6)</b>	(518.6)	0.1	(518.5)
<b>Gross profit</b>		<b>204.0</b>	-	<b>204.0</b>	261.6	12.1	273.7
Other administration costs		<b>(22.5)</b>	-	<b>(22.5)</b>	(22.0)	(3.7)	(25.7)
<b>Group operating profit</b>		<b>181.5</b>	-	<b>181.5</b>	239.6	8.4	248.0
Share of profit in joint ventures	12	<b>8.0</b>	-	<b>8.0</b>	6.9	-	6.9
Income/(cost) from other investments	3	<b>0.1</b>	-	<b>0.1</b>	(0.5)	(9.4)	(9.9)
Gain on sale of investment		-	<b>7.1</b>	<b>7.1</b>	-	5.9	5.9
<b>Earnings before interest and tax</b>		<b>189.6</b>	<b>7.1</b>	<b>196.7</b>	246.0	4.9	250.9
Finance income	4	<b>6.3</b>	-	<b>6.3</b>	5.0	-	5.0
Finance costs	4	<b>(26.4)</b>	-	<b>(26.4)</b>	(26.1)	(0.3)	(26.4)
Other finance income/(costs)	4	<b>1.8</b>	-	<b>1.8</b>	(2.5)	-	(2.5)
<b>Profit before taxation</b>	<b>5</b>	<b>171.3</b>	<b>7.1</b>	<b>178.4</b>	222.4	4.6	227.0
Taxation	7	<b>(30.8)</b>	<b>(1.4)</b>	<b>(32.2)</b>	(48.6)	(2.5)	(51.1)
<b>Profit for the financial year</b>		<b>140.5</b>	<b>5.7</b>	<b>146.2</b>	173.8	2.1	175.9
Attributable to non-controlling interests		<b>(62.9)</b>	<b>(1.8)</b>	<b>(64.7)</b>	(83.5)	(4.7)	(88.2)
<b>Profit for the financial year attributable to owner</b>		<b>77.6</b>	<b>3.9</b>	<b>81.5</b>	90.3	(2.6)	87.7

All the activities of the Group are classed as continuing.

The notes and accounting policies on pages 48 to 102 form an integral part of these financial statements.



# Group Statement of Comprehensive Income

year ended 31 March 2021

	2021 £m	2020 £m
Profit for the year attributable to owner	81.5	87.7
Profit for the year attributable to non-controlling interests	64.7	88.2
	<b>146.2</b>	175.9
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Actuarial (loss)/gain on pension schemes net of non-controlling interests		
Group	(35.7)	22.7
Associates and joint ventures	(5.5)	10.3
Non-controlling interests	(9.4)	8.9
Movement in deferred tax on pension schemes		
Group	7.3	(4.1)
Associates and joint ventures	1.0	(2.0)
Non-controlling interests	1.5	(1.3)
Pension fees paid direct to Pension Fund	(0.1)	(0.2)
Revaluation reserve movement	0.2	0.2
Movement in financial instruments taken straight to reserves		
Group	1.9	0.1
Non-controlling interests	(1.9)	(0.1)
Cost of hedging reserve movement	(0.1)	(0.3)
Capital gains tax on sale of shares by the Employee Benefit Trust	-	(2.7)
<b>Items that will be or have been reclassified to profit or loss</b>		
Exchange differences on foreign operations		
Group	(9.5)	(0.2)
Associates and joint ventures	(1.2)	(1.2)
Non-controlling interests	(6.1)	(1.6)
Exchange difference on foreign dividend	(1.9)	(1.5)
Movement on deferred tax taken straight to reserves		
Group	(3.3)	(2.1)
Non-controlling interests	2.7	1.3
Share based payment movements	(2.0)	(0.9)
Non-controlling interest share of Share based payment movements	(2.3)	(0.2)
Cash flow hedge reserve movement	5.8	5.3
Cash flow hedge amounts recycled	0.2	0.2
Other comprehensive (loss)/income attributable to parent	(42.9)	23.6
Other comprehensive (loss)/income attributable to non-controlling interest	(15.5)	7.0
<b>Total other comprehensive (loss)/income for the year</b>	<b>(58.4)</b>	30.6
<b>Total comprehensive income for the year, net of tax</b>	<b>87.8</b>	206.5
<b>Attributable to parent</b>	<b>38.6</b>	111.3
<b>Attributable to non-controlling interest</b>	<b>49.2</b>	95.2
<b>Total</b>	<b>87.8</b>	206.5

The notes and accounting policies on pages 48 to 102 form an integral part of these financial statements.



# Statement of Financial Position

as at 31 March 2021

	Note	Company		Group	
		2021 £m	2020 £m	2021 £m	2020 £m
<b>Non-current assets</b>					
Intangible assets	9	-	-	404.6	407.5
Property, plant and equipment	10	-	-	556.1	550.5
Right-of-use assets	11	-	-	21.9	26.4
Investment in subsidiary undertakings	12	308.9	318.4	-	-
Investment in joint ventures	12	-	-	63.7	70.3
Investments in other interests	12	-	-	5.6	14.3
Derivative financial instruments	20	-	-	0.6	41.1
Deferred tax asset	21	-	-	43.8	40.1
Pension and other employment assets	27	-	-	10.2	48.1
<b>Non-current assets</b>		<b>308.9</b>	318.4	<b>1,106.5</b>	1,198.3
<b>Current assets</b>					
Inventories	13	-	-	667.4	619.4
Trade and other receivables	15	0.6	3.3	96.2	170.5
Assets held for sale	14	-	-	0.7	0.8
Derivative financial instruments	20	-	-	25.5	-
Cash and liquid resources		59.5	57.9	320.0	268.8
Current tax asset	15	0.2	-	4.9	9.7
<b>Current assets</b>		<b>60.3</b>	61.2	<b>1,114.7</b>	1,069.2
<b>Total assets</b>		<b>369.2</b>	379.6	<b>2,221.2</b>	2,267.5

The notes and accounting policies on pages 48 to 102 form an integral part of these financial statements.



Statement of Financial Position (continued)

	Note	2021 £m	Company 2020 £m	2021 £m	Group 2020 £m
<b>Equity and liabilities</b>					
<b>Equity</b>					
Share capital	22	6.3	6.3	6.3	6.3
Share premium		0.5	0.5	0.5	0.5
Merger reserve		-	-	29.5	29.5
Capital reserve		-	-	35.8	35.8
Capital redemption reserve		1.3	1.3	1.3	1.3
Revaluation reserve		-	-	6.3	6.5
Liability for share based payments		0.9	4.6	0.9	4.6
Retained earnings		269.6	256.5	592.4	571.4
Cash flow hedge reserve	24	-	-	2.2	(3.8)
Cost of hedging reserve	24	-	-	-	0.1
Equity attributable to owners of the parent		278.6	269.2	675.2	652.2
Non-controlling interests	12	-	-	478.6	453.7
<b>Equity</b>		<b>278.6</b>	269.2	<b>1,153.8</b>	1,105.9
<i>Non-current liabilities</i>					
Borrowings	17	-	29.8	480.7	675.5
Lease liabilities	30	-	-	19.4	24.1
Deferred tax liabilities	21	1.8	3.0	147.0	150.0
Derivative financial instruments	20	-	-	0.1	1.9
Other liabilities	16	-	-	0.3	0.4
<b>Non-current liabilities</b>		<b>1.8</b>	32.8	<b>647.5</b>	851.9
<i>Current liabilities</i>					
Trade and other payables	16	88.8	73.9	46.3	72.5
Borrowings	17	-	-	215.5	45.9
Lease liabilities	30	-	-	5.9	6.2
Derivative financial instruments	20	-	-	1.8	10.5
Current tax liabilities	16	-	-	12.1	15.9
Other liabilities	16	-	3.7	138.3	158.7
<b>Current liabilities</b>		<b>88.8</b>	77.6	<b>419.9</b>	309.7
<b>Total liabilities</b>		<b>90.6</b>	110.4	<b>1,067.4</b>	1,161.6
<b>Total equity and liabilities</b>		<b>369.2</b>	379.6	<b>2,221.2</b>	2,267.5

In the year to 31 March 2021, The Edrington Group Company made a profit of £13.1m (2020: £27.5m). The Group has taken the exception from the requirement to publish a separate income statement for the parent company as set out in section 408 of the Companies Act.

The notes and accounting policies on pages 48 to 102 form an integral part of these financial statements.

The consolidated financial statements of The Edrington Group Limited (registered number SC036374) were approved by the board of directors and signed on behalf of the board:

**S McCroskie**  
Director

22 June 2021

**P A Hyde**  
Director

22 June 2021



## Consolidated Statement of Changes in Equity

year ended 31 March 2021

Group	Share capital £m	Share premium £m	Merger reserve £m	Capital reserve £m	Capital redemption reserve £m	Revaluation reserve £m	Liability for share based payments £m	Retained earnings £m	Cash flow hedge reserve £m	Cost of hedging reserve £m	Total attributable to owners of parent £m	Non-controlling interests £m	Total equity £m
<b>Balance at 1 April 2020</b>	6.3	0.5	29.5	35.8	1.3	6.5	4.6	571.4	(3.8)	0.1	652.2	453.7	1,105.9
Adjustments from other reserves	-	-	-	-	-	-	-	(0.5)	-	-	(0.5)	-	(0.5)
Adjusted balance based at 1 April 2020	6.3	0.5	29.5	35.8	1.3	6.5	4.6	570.9	(3.8)	0.1	651.7	453.7	1,105.4
Dividends	-	-	-	-	-	-	-	-	-	-	-	(20.1)	(20.1)
Share based payments (note 26)	-	-	-	-	-	-	(3.7)	-	-	-	(3.7)	-	(3.7)
Buy back of shares	-	-	-	-	-	-	-	(11.2)	-	-	(11.2)	(4.2)	(15.4)
<b>Transaction with owners</b>	-	-	-	-	-	-	(3.7)	(11.2)	-	-	(14.9)	(24.3)	(39.2)
Profit for the year	-	-	-	-	-	-	-	81.5	-	-	81.5	64.7	146.2
Other comprehensive income	-	-	-	-	-	-	-	(48.8)	-	-	(48.8)	(15.5)	(64.3)
Cash flow hedge reserve (note 24)	-	-	-	-	-	-	-	-	6.0	(0.1)	5.9	-	5.9
Revaluation reserve	-	-	-	-	-	(0.2)	-	-	-	-	(0.2)	-	(0.2)
<b>Total comprehensive income for the year</b>	-	-	-	-	-	(0.2)	-	32.7	6.0	(0.1)	38.4	49.2	87.6
<b>Balance at 31 March 2021</b>	<b>6.3</b>	<b>0.5</b>	<b>29.5</b>	<b>35.8</b>	<b>1.3</b>	<b>6.3</b>	<b>0.9</b>	<b>592.4</b>	<b>2.2</b>	<b>-</b>	<b>675.2</b>	<b>478.6</b>	<b>1,153.8</b>
<b>Balance at 1 April 2019</b>	6.3	0.5	29.5	35.8	1.3	6.7	3.3	463.2	(9.3)	0.4	537.7	391.1	928.8
Effect of the adoption of IFRS 16 and IFRIC 23	-	-	-	-	-	-	-	(0.8)	-	-	(0.8)	(0.1)	(0.9)
Adjusted balance at 1 April 2019	6.3	0.5	29.5	35.8	1.3	6.7	3.3	462.4	(9.3)	0.4	536.9	391.0	927.9
Dividends (note 8)	-	-	-	-	-	-	-	(25.3)	-	-	(25.3)	(32.5)	(57.8)
Share based payments (note 26)	-	-	-	-	-	-	1.3	-	-	-	1.3	-	1.3
Disposal of shares	-	-	-	-	-	-	-	28.2	-	-	28.2	-	28.2
<b>Transaction with owners</b>	-	-	-	-	-	-	1.3	2.9	-	-	4.2	(32.5)	(28.3)
Profit for the year	-	-	-	-	-	-	-	87.7	-	-	87.7	88.2	175.9
Other comprehensive income	-	-	-	-	-	-	-	18.4	-	-	18.4	7.0	25.4
Cash flow hedge reserve (note 24)	-	-	-	-	-	-	-	-	5.5	(0.3)	5.2	-	5.2
Revaluation reserve	-	-	-	-	-	(0.2)	-	-	-	-	(0.2)	-	(0.2)
<b>Total comprehensive income for the year</b>	-	-	-	-	-	(0.2)	-	106.1	5.5	(0.3)	111.1	95.2	206.3
<b>Balance at 31 March 2020</b>	<b>6.3</b>	<b>0.5</b>	<b>29.5</b>	<b>35.8</b>	<b>1.3</b>	<b>6.5</b>	<b>4.6</b>	<b>571.4</b>	<b>(3.8)</b>	<b>0.1</b>	<b>652.2</b>	<b>453.7</b>	<b>1,105.9</b>

The notes and accounting policies on pages 48 to 102 form an integral part of these financial statements.



## Company Statement of Changes in Equity

year ended 31 March 2021

Company	Notes	Share capital £m	Share premium £m	Capital redemption reserve £m	Liability for share based payments £m	Retained earnings £m	Total equity £m
<b>Balance at 1 April 2020</b>		6.3	0.5	1.3	4.6	256.5	269.2
Share based payments	26	-	-	-	(3.7)	-	(3.7)
<b>Transactions with owners</b>		-	-	-	(3.7)	-	(3.7)
Profit for the period		-	-	-	-	13.1	13.1
<b>Total comprehensive income for the year</b>		-	-	-	-	13.1	13.1
<b>Balance at 31 March 2021</b>		<b>6.3</b>	<b>0.5</b>	<b>1.3</b>	<b>0.9</b>	<b>269.6</b>	<b>278.6</b>
	Notes	Share capital £m	Share premium £m	Capital redemption reserve £m	Liability for share based payments £m	Retained earnings £m	Total equity £m
<b>Balance at 1 April 2019</b>		6.3	0.5	1.3	3.3	255.5	266.9
Dividends	8	-	-	-	-	(26.5)	(26.5)
Share based payments	26	-	-	-	1.3	-	1.3
<b>Transactions with owners</b>		-	-	-	1.3	(26.5)	(25.2)
Profit for the period		-	-	-	-	27.5	27.5
<b>Total comprehensive income for the year</b>		-	-	-	-	27.5	27.5
<b>Balance at 31 March 2020</b>		<b>6.3</b>	<b>0.5</b>	<b>1.3</b>	<b>4.6</b>	<b>256.5</b>	<b>269.2</b>

The notes and accounting policies on pages 48 to 102 form an integral part of these financial statements.



# Group Cash Flow Statement

year ended 31 March 2021

	2021 £m	2020 £m
<b>Operating activities</b>		
Operating profit	<b>181.5</b>	248.0
Adjustments for:		
Depreciation	<b>28.3</b>	24.4
Amortisation of intangible assets	<b>3.2</b>	3.1
Gain on sale of fixed assets	<b>3.9</b>	0.6
Other non-cash movements	-	0.9
<b>Operating cash flows before movements in working capital</b>	<b>216.9</b>	277.0
Increase in inventories	<b>(32.9)</b>	(37.2)
Decrease in receivables	<b>57.9</b>	7.2
Decrease in payables	<b>(25.1)</b>	(30.3)
Employer pension contributions paid	<b>(5.6)</b>	(13.5)
Other non-cash movements	<b>(15.3)</b>	5.6
<b>Cash generated by operations</b>	<b>195.9</b>	208.8
Tax on profit paid	<b>(29.8)</b>	(60.7)
<b>Net cash from operating activities</b>	<b>166.1</b>	148.1
<b>Investing activities</b>		
Dividends received	-	0.2
Dividends received from joint ventures undertakings	<b>3.1</b>	5.6
Purchase of property, plant and equipment	<b>(56.2)</b>	(70.4)
Purchase of intangible assets	<b>(1.1)</b>	(2.7)
Sale of property, plant and equipment	<b>6.2</b>	5.4
Sale of intangible assets	-	0.2
Disposal of investment	<b>2.9</b>	0.1
Acquisition of subsidiary	<b>(12.2)</b>	(5.0)
Net cash acquired on acquisition	<b>0.1</b>	-
<b>Net cash used in investing activities</b>	<b>(57.2)</b>	(66.6)
<b>Financing activities</b>		
Interest paid	<b>(26.4)</b>	(25.5)
Interest received	<b>6.5</b>	5.0
Sale of own shares	-	25.0
Net proceeds from EBT share transactions	<b>(3.6)</b>	3.1
Repayment of lease liabilities	<b>(9.4)</b>	(6.6)
Equity dividends paid	-	(25.3)
Dividends paid to non-controlling interests in subsidiaries	<b>(20.1)</b>	(32.5)
Drawdown of revolving credit facilities	<b>230.0</b>	186.0
Repayment of revolving credit facilities	<b>(276.0)</b>	(115.0)
Drawdown of other loans	<b>62.0</b>	1.8
Repayment of other loans	<b>(25.7)</b>	(3.1)
<b>Net cash (used in)/generated from financing activities</b>	<b>(62.7)</b>	12.9
<b>Net increase in cash and liquid resources</b>	<b>46.2</b>	94.4
<b>Cash and liquid resources at beginning of year</b>	<b>247.2</b>	152.2
Effect of foreign exchange rate changes	<b>0.2</b>	0.6
<b>Cash and liquid resources at end of year (note 25)</b>	<b>293.6</b>	247.2

The notes and accounting policies on pages 48 to 102 form an integral part of these financial statements



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