

Statement of Investment Principles

This is the Statement of Investment Principles made by the Trustees of The Edrington Group Pension Scheme (“the Scheme”) in accordance with the Pensions Act 1995 (as amended). The Trustees review this Statement on a regular basis and at least once every three years.

In preparing this Statement, the Trustees consulted with the principal employer to the Scheme (Edrington Distillers Limited) and have taken written advice from the Scheme Actuary and from the Investment Practice of Hymans Robertson LLP.

The Trustees are supportive of the UK Stewardship Code which seeks to improve the quality of engagement between institutional investors and investee companies. Where appropriate, the Trustees expect investment managers and insurers to comply with the Code and to produce a statement of their commitment to the Code.

Scheme Objective

The primary objective of the Scheme is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, on a defined benefits basis. The Trustees’ over-riding funding principle for the Scheme is to ensure that there are always sufficient assets of the Scheme (at their realisable value) to meet 100% of benefits as they fall due for payment to members.

In September 2024, the Trustees entered into an insurance policy (“the Policy”) with Pension Insurance Corporation plc (“PIC”) that is expected to secure the benefits of all Scheme members. In return for the payment of a premium the Trustees hold an insurance policy with PIC. Under the policy, PIC makes monthly payments to the Scheme to match the insured liabilities and cover benefit payments to members. PIC covers the longevity risks of members as well as the investment risks of the assets under the Policy. In entering the Policy, the Trustees received written advice as necessary from their professional advisers.

PIC is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority. The Trustees carried out extensive due diligence assessment on PIC, noting the regulatory environment in which the insurer must operate.

Suitability

The Scheme Trustees have taken advice from the Scheme's risk transfer advisers and actuaries who have confirmed appropriate knowledge and experience of the management of and investment of trust schemes, to ensure that the Policy is suitable.

Risk

The Scheme recognises a number of risks, including those described below, involved in the investment of the assets of the Scheme. The Trustees continue to monitor these risks and accept that some degree of risk is inevitable in the effective management of investments.

- Concentration risk: The Trustees recognise that a decision to invest in a buy-in contract with a single provider represents a concentration of risk and have addressed this through scrutiny of the provider.
- Liquidity risk: The Trustees ensure that in their bank account a sufficient cash balance is available to meet the required outgoings, measured by the level of cash flow required by the Scheme over a specified period.
- Investment risk: The principal risk facing the Scheme is that PIC may default on its obligations under the buy-in contract. To mitigate this, the Trustees have obtained and carefully considered professional advice

regarding the financial strength of PIC and the insurance regulatory regime, and concluded that this risk was acceptably low.

Realisation of assets

The Scheme is invested in a full insurer buy-in contract which makes monthly payments to the Scheme covering members' benefit payments, and the realisation of assets is not considered relevant to the circumstances.

Financially material factors: Environmental, social and governance (“ESG”) issues, including climate

The Trustees recognise that the consideration of financially material factors, including ESG factors and climate change, is relevant at different stages of the investment process.

The Trustees have entered into a full buy-in contract with PIC. The Policy has not been structured with expected return in mind, but instead aims to match the Scheme's benefit obligations. Given the nature of the contract, the Trustees have not made explicit allowance for climate change in framing the strategic asset allocation.

As part of the broader formal selection process and review criteria for the insurer PIC, including financial strength and market experience, the Trustees considered ESG matters and received the guidance of professional advisers in this area. The insurer's integration of ESG into their processes and use of independent assessment on ESG criteria were highlighted as positive features for consideration.

Stewardship

Given that the Scheme is entirely invested in an insurer buy-in contract, monitoring opportunities for engagement and voting are significantly limited. The Trustees are mindful and accepting of this.

Monitoring

The Trustees will monitor the insurer service periodically, considering such factors as market presence, solvency metrics, and activities in the ESG space.

Additional Voluntary Contributions (AVCs)

The Trustees give members the opportunity to pay AVCs. A range of funds is available for investment at members' discretion. As the Scheme is closed, no further contributions can be made.

For and on behalf of the Trustees of The Edrington Group Pension Scheme

Trustee