

Edrington Group Pension Scheme – Implementation Statement for 2019 DB Regulations

Statement of Compliance with the Edrington Group Pension Scheme’s Stewardship Policy for the year ending 5 April 2023.

Introduction

This is the Trustees’ statement prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. This statement sets out how the Trustees have complied with the Scheme’s Stewardship Policy (which is embedded in the Statement of Investment Principles) during the period from 6 April 2022 to 5 April 2023.

The Statement of Investment Principles (“SIP”) sets out the investment principles and practices the Trustees follow when governing the Scheme’s investments. It describes the rationale for selecting the investment strategy and explains the risks and expected returns of the funds used and the Trustees’ approach to responsible investing (including climate change).

This Implementation Statement is in respect of the Scheme’s SIP that was in place as at August 2021, which is the date it was last reviewed and signed by the Trustees. Subsequent to the Scheme’s year end of 5 April 2023, the SIP was reviewed in June 2023 and updated to reflect changes to the investment strategy, namely the Scheme’s disinvestment from credit and private debt assets. The next review of the SIP will take place no later than June 2026 as per the regulatory triennial schedule, or sooner if there are further changes to the investment strategy.

During the year, the Scheme’s holdings in secured credit and private debt were sold. At 5 April 2023, all Scheme’s assets were invested in liability hedging assets and cash, which have no voting rights. As such, the Trustees focus on engagement.

Stewardship policy

The Trustees’ Stewardship (voting and engagement) Policy sets out how the Trustees will behave as active owner of the Scheme’s assets, which includes the Trustees’ approach to:

- The exercise of any voting rights attached to assets; and
- Undertaking engagement activity, including how the Trustees monitor and engage with their investment manager and any other stakeholders.

The Scheme’s Stewardship Policy is reviewed in line with any review of the Scheme’s Statement of Investment Principles (“SIP”). Subsequent to the Scheme year-end, the Policy was updated with consideration for the Scheme’s disinvestment from active managers.

You can review the Scheme’s Stewardship Policy in the Statement of Investment Principles, available at <https://www.edrington.com/en/statement-of-investment-principles>

The Trustees have delegated engagement activity in respect of the underlying assets to the Scheme’s investment manager. The Trustees believe it is important that the investment manager takes an active role in the supervision of the companies invested in, by engaging with the management on issues which affect a company’s financial performance.

The Trustees’ own engagement activity is focused on dialogue with their investment manager which is undertaken in conjunction with their investment advisers. The Trustees aim to meet with the manager on a

regular basis and the Trustees consider the managers' exercise of their stewardship both during these meetings and through routine reporting provided by their investment adviser.

The Trustees also monitor their own compliance with the Scheme's Stewardship Policy and are satisfied that they have complied over the year to 5 April 2023.

Engagement activity

The Trustees aim to hold meetings with their investment manager on a periodic basis where stewardship issues will be discussed along with other investment matters. Over the last 12 months, the Trustees met with both their existing investment managers Insight and Partners Group. The holdings with Partners Group have since been sold down and the mandate terminated. The Trustees discussed the following:

Engagement	Subject discussed	Outcome
Partners Group 7 June 2022	<ul style="list-style-type: none"> Performance review of Partners Group multi-asset credit, fund overview and repayment outlook Case studies on sustainability-linked loans within Partners Group's private debt 	The Trustees noted Partners Group's MAC IV fund outlook and sustainability loan case studies
Insight 13 December 2022	Gilt market volatility, leverage risk management, and liquidity considerations	The Trustees noted Insight's actions to reduce impact to the Scheme of the recent gilt market volatility

Summary of manager engagement activity

The Trustees receive periodic reporting on their managers' engagement activity. The following table summarises the key engagement activity for the 12-month period ending 5 April 2023.

Manager: Fund	Approach	Topic(s) engaged on
Insight: Secured Finance Fund (disinvested 30 December 2022), Liability Driven Investments, and Cash	<p>The funds invest in gilts, corporate bonds, cash instruments, and other fixed income, with no voting rights.</p> <p>Insight engages via questionnaires, surveys and calls with senior management of engagement subjects mainly at executive level.</p> <p>Insight also produce annual reports on integration of the RI principles into their investment management process across the business.</p> <p>On a firm-wide level, Insight undertook 1,178 engagements across debt issuers with 140 engagements focused solely on ESG matters.</p>	<p>Secured Finance: Insight undertook a total of 40 to 50 engagements. Key engagements in credit markets are as follows:</p> <ul style="list-style-type: none"> European Data Warehouse (EDW): Insight engaged on improving data availability and comparability across the market to enhance ESG analysis and reporting. Project Haus: Insight's engagement focused on the clear and measurable steps the company was taking to incorporate ESG impact. Pepper: Insight raised concerns that ESG did not form part of the loan origination process.

	Engagements over the year mainly covered climate change, environmental issues e.g. water management, and diversity and inclusion.	<p>LDI: Insight undertook 37 engagements across 11 entities. The ESG topic with the most engagements was climate change. Insight continue to promote the industry's incorporation of ESG risks borne by derivatives counterparties into engagements and has developed a scoring system for counterparties.</p> <p>Liquidity (cash) Fund: Insight undertook 17 engagements across 7 entities during the year. The ESG topic with the most engagements was climate change. Cash instruments are noted to exclude tobacco, defence and fossil fuels.</p>
Partners Group: Illiquid Private Debt (disinvested 31 March 2023)	<p>The MAC (IV) 2017 fund invests in private debt and does not currently invest in public equities and therefore has no material exposure to assets which carry any voting rights.</p> <p>There may be some debt holdings which are converted to equity or have equity holdings attributed to them, in which case Partners follow their Proxy Voting directive.</p> <p>Partners Group engages via regular calls with investee company management.</p>	<p>Partners Group engaged with its investee companies across issues such as the use of plastics, energy consumption, warfare, trading with sanctioned countries.</p> <p>Key engagements over the year include:</p> <ul style="list-style-type: none"> Galderma: Partners Group engaged on the recent performance of the business and noted uptick in revenue due to growth in consumer aesthetics sectors. Zentiva: Partners Group engaged on the recent performance of the business and noted continued growth outperformance and market expansion.

Review of policies

The Trustees have an own set of Responsible Investment beliefs to guide their approach to Environmental, Social and Governance (“ESG”) issues. These Beliefs will be reviewed as the Trustees’ approach to RI evolves.

The Trustees and their investment advisers remain satisfied that the responsible investment policies of the managers and, where appropriate, the voting policies remain suitable for the Scheme.