WILLIAM GRANT & SONS LIMITED
1978 PENSION SCHEME

STATEMENT OF INVESTMENT PRINCIPLES – DECEMBER 2022

1. Introduction

The Trustees of the William Grant & Sons Limited 1978 Pension Scheme (the "Scheme") have drawn up this Statement of Investment Principles ("the Statement") to comply with the requirements of the Pensions Act 1995 ("the Act"), associated legislation including the Occupational Pension Schemes (Investment) Regulations 2005 (as amended).

The Statement is intended to affirm the investment principles that govern decisions about the Scheme's investments. The Trustee's investment responsibilities is governed by the Scheme's Trust Deed and Rules, of which this Statement takes full regard.

In preparing this Statement, the Trustees have consulted a suitably qualified person by obtaining written advice from Mercer Limited ("Mercer"). In addition, consultation has been undertaken with William Grant & Sons Limited (the "Sponsor") to ascertain whether there are any material issues of which the Trustee should be aware in agreeing the Scheme's investment arrangements and, in particular on the Trustees objectives.

2. Process For Choosing Investments

The Trustees have appointed Mercer to act as discretionary investment manager, by way of Mercer's Dynamic De-risking Solution, to implement the Trustees' strategy whereby the level of investment risk reduces as the Scheme's funding level improves. In this capacity, and subject to agreed restrictions, the Scheme's assets are invested in multi-client collective investment schemes ("Mercer Funds") managed by a management company (Mercer Global Investments Management Limited ("MGIM")). MGIM has appointed Mercer Global Investments Europe Limited ("MGIE")) as investment manager of the Mercer Funds. In practice, MGIE delegates the discretionary investment management for the Mercer Funds to third party investment managers based in countries such as Ireland, UK and USA and those sub-investment managers will manage either a sub-fund or certain segments of a sub-fund. Mercer has expertise in identifying, selecting and combining highly rated fund managers who are best placed and resourced to manage the Scheme's assets on a day to day basis.

In considering the appropriate investments for the Scheme the Trustees have obtained and considered the written advice of Mercer, whom the Trustees believe to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustees' opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

3. Investment Objectives and Risk

3.1 Investment Objectives

The Trustees understand that taking some investment risk, with the support of the Sponsor, is necessary to improve the Scheme's current and ongoing solvency funding positions. The Trustees recognise that growth asset investment will bring increased volatility to the funding level, but in the expectation of improvements in the Scheme's funding level through growth asset outperformance of the liabilities over the long term.

The Trustee's primary objective is to act in the best interest of the members and beneficiaries. Within this framework the Trustees have agreed a number of objectives to help guide them in their strategic management of the assets and control of the various risks to which the Scheme is exposed.

The Trustees' primary objectives are as follows:

- To ensure that it can meet its obligations to the beneficiaries of the Scheme.
- To achieve a fully funded position on a "gilts +0.5%" basis by 2031;
- To avoid significant volatility in the employer's contribution rate;
- To monitor the progress in the funding level and to capture improvements in the funding level promptly, if they arise.

The Trustees recognise this ultimately means investing in a portfolio of bonds but believe that at the current time some investment in equities and other growth assets ("Growth Portfolio") is justified to target enhanced return expectations and thereby target funding level improvements. The Trustees recognise that this introduces investment risk and these risks are discussed below.

The objectives set out above and the risks and other factors referenced in Section 3.2 of this Statement are those that the Trustees determines to be financially material considerations. Non-financial considerations are discussed in section 8.

3.2 Risk

There are various risks to which any pension scheme is exposed. The Trustees' policy on risk management over the Scheme's anticipated lifetime is as follows:

- The primary risk upon which the Trustees focus is that arising through a mismatch between the Scheme's assets and its liabilities.
- The Trustees recognise that whilst increasing risk increases potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Scheme's accruing liabilities as well as producing more short-term volatility in the Scheme's funding position.
- To control the risk outlined above, the Trustees, having taken advice, set the split between the Scheme's Growth and Matching Portfolio such that the expected return on the portfolio is expected to be sufficient to meet the objectives outlined in Section 3.1 above. As the funding level improves, Investments will be switched from the Growth Portfolio into the Matching Portfolio with the aim of reducing investment risk.
- Although Mercer builds the Matching portfolio in such a way as to minimise interest-rate risk and inflation risk as far as practically possible within the constraints of the investment target, the Trustees recognise that there may still be a mismatch between the interest-rate and inflation sensitivity of the Scheme's assets and the Scheme's liabilities due to the mismatch in duration between matching assets and actuarial liabilities.
- The Trustees recognise the risks that may arise from the lack of diversification of investments. To control this risk the Trustees have delegated the asset allocation decisions within the Growth and Matching Portfolios to Mercer (subject to certain restrictions). Mercer aims to ensure the asset allocation policy in place results in an adequately diversified portfolio. Mercer provides the Trustees with regular monitoring reports regarding the level of diversification within the Trustees' portfolio.

- To help the Trustees ensure the continuing suitability of the current investments, Mercer provides the Trustees with regular reports regarding the performance of the underlying asset managers appointed within the relevant Mercer Funds to enable the monitoring of differences between the expected and experienced levels of risk and return.

- There is a risk that the day-to-day management of the assets will not achieve the rate of investment return expected by the Trustees. Trustees recognise that the use of active investment managers involves such a risk. However, for specific asset classes it believes that this risk is outweighed by the potential gains from successful active management. Likewise, passive management will be used for one of a number of reasons, namely to diversify and reduce risk and when investing in certain asset classes where, due to relatively efficient markets, the scope for achieving added value is more limited.

- The Scheme is subject to currency risk because some of the investment vehicles in which the Scheme invests are denominated or priced in a foreign currency. Within the context of the Mercer Funds used in the Growth and Matching Portfolios, to limit currency risk, a target non-sterling currency exposure is set and the level of non-sterling exposure is managed using currency hedging derivatives such as forwards and swaps.

- By investing in the Mercer Funds, the Trustees do not make Investments in securities that are not traded on regulated markets. However, should the Trustees Scheme's assets be invested in such securities, in recognition of the associated risks (in particular liquidity and counterparty exposure), such investments would normally only be made with the purpose of reducing the Scheme's mismatch risk relative to its liabilities or to facilitate efficient portfolio management. In any event the Trustees would ensure that the assets of the Scheme are predominantly invested on regulated markets.

- The Trustees recognise that environmental, social and corporate governance concerns, including climate change, while being a non-financial risk, may have a financially material impact on return. Section 8 sets out how these risks are managed.

The Trustees' investment policy is based on professional advice from their investment consultant, Mercer, which balances the need to meet the investment objectives and the risk taken by the Scheme. Based on this the Trustees have determined an overall Scheme benchmark. The investment managers have specific benchmarks and control ranges they may operate within. These are set out in the Statement of Investment Arrangements ("SIA").

Should there be a material change in the Scheme's circumstances, the Trustee will review whether and to what extent the investment arrangements should be altered; in particular whether the current risk profile remains appropriate.

4. Investment Strategy

The Trustees, with advice from the Scheme's Investment Consultant and Scheme Actuary, reviewed the Scheme's investment strategy in 2016. This review considered the Trustees' investment objectives, their ability and willingness to take risk (the risk budget) and how this risk budget should be allocated and implemented (including de-risking strategies).

Following the review, the key decision was to seek a long term solution to 'de-risk' the Scheme's assets relative to its liabilities over time using a dynamic trigger based de-risking framework. The Trustees decided to engage Mercer to implement their de-risking strategy by way of its Dynamic De-risking Solution ("DDS"). DDS relates the asset allocation to the Scheme's funding level (on an actuarial basis using a single discount rate of 0.5% pa in excess of appropriate gilt yields). The de-risking framework currently in place mandates the following practices:

- To hold sufficient growth assets to aim to achieve full funding on a "gilts +0.5%" basis by 2031;
- To reduce the volatility in the funding level by reducing unhedged liability exposures;
- To monitor the progress in the funding level and to capture improvements in the funding level promptly, if they arise.

The de-risking triggers which form the basis of the Scheme's dynamic investment strategy are set out in the Statement of Investment Arrangements.

The de-risking strategy is formally reviewed by the Trustees on an approximately annual basis with the assistance of Mercer, to review its appropriateness.

Once the funding level has moved through a band, the asset allocation will not be "re-risked" should the funding level deteriorate. The investment strategy will be reviewed on an annual basis to ensure that the triggers set remain appropriate and amended if required.

Responsibility for monitoring the Scheme's asset allocation and undertaking any rebalancing activity is delegated to Mercer. Mercer reports regularly to the Trustees on its rebalancing activities.

5. Realisation of Investments

The Trustees on behalf of the Scheme hold shares in the Mercer funds/ In its capacity as investment manager to the Mercer Funds, MGIE and the underlying third party asset managers appointed by MGIE, within parameters stipulated in the relevant appointment documentation, have discretion in the timing of the realisation of investments and in considerations relating to the liquidity of those investments..

6. Cash flow and cash flow management

Cash flows, whether positive or negative are taken into account by Mercer when it rebalances the Scheme's assets in line with the Scheme's strategic allocation. Mercer is responsible for raising cash flows to meet the Scheme/Plan/Fund's requirements.

7. Rebalancing

As noted, responsibility for monitoring the Scheme's asset allocation and any rebalancing activity is undertaken by Mercer. Mercer reviews the balance between the Growth and Matching Portfolios on an ongoing basis. If at any time the balance between the Growth and Matching Portfolios is deemed to be outside an agreed tolerance range, Mercer will seek to rebalance these allocations back towards the target allocations. Although Mercer has discretion to vary the tolerance range, it is the intention that the Growth Portfolio allocation will not drift by more than 5%, in absolute terms, away from the relevant target allocation.

The ranges have been designed to ensure that unnecessary transaction costs are not incurred by frequent rebalancing.

In the event of a funding level trigger being breached, the assets will be rebalanced to bring them in line with the reduced growth portfolio weighting, under the new de-risking band, as defined in the Statement of Investment Arrangements.

8. Environmental Social, and Corporate Governance, Stewardship, and Climate Change

The Trustees believe that environmental, social and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

As noted above, the Trustees have appointed Mercer to act as discretionary investment manager in respect of the Scheme's assets and such assets are invested in a range of Mercer Funds managed by MGIE. Asset managers appointed to mange the Mercer funds are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practise, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustees consider how ESG, climate change and stewardship is integrated within Mercer's, and MGIE's, investment processes and those of the underlying asset managers in the monitoring process. Mercer, and MGIE, is expected to provide reporting to the Trustees on a regular basis, at least annually, on ESG integration progress, stewardship monitoring results, and climate-related metrics such as carbon foot printing for equities and/or climate scenario analysis for diversified portfolios.

Member views

Member views are currently not taken into account in the selection, retention and realisation of investments. However, the Trustees believe that the delegation of portfolio construction to Mercer will lead to ESG considerations that are in the best interest of the Scheme as a whole.

Investment Restrictions

The Trustees have not set any investment restrictions on the appointed investment managers in relation to particular products or activities, but may consider this in the future.

9. Trustees' policies with respect to arrangements with, and evaluation of the performance and remuneration of, asset managers and portfolio turnover costs

When engaging Mercer as discretionary investment manager to implement the Trustees' investment strategy outlined in section 4, the Trustees are concerned that, as appropriate and to the extent applicable, Mercer is incentivised to align its strategy and decisions with the profile and duration of the liabilities of the Scheme, in particular, long-term liabilities.

As Mercer manages the Scheme's assets by way of investment in Mercer Funds, which are multi-client collective investment schemes, the Trustees accept that they do not have the ability to determine the risk profile and return targets of specific Mercer Funds but the Trustees expect Mercer to manage the assets in a manner that is consistent with the Trustees' overall investment strategy as outlined in section 4. The Trustees have taken steps to satisfy themselves that Mercer has the appropriate knowledge and experience to do so and keeps Mercer's performance under ongoing review.

Should Mercer fail to align its investment strategies and decisions with the Trustees' policies, it is open to the Trustees to disinvest some or all of the assets invested managed by Mercer, to seek to renegotiate commercial terms or to terminate Mercer's appointment.

To evaluate performance, the Trustees receive, and consider, investment performance reports produced on a quarterly basis, which presents performance information and commentary in respect of the Scheme's funding level and the Mercer Funds in which the Trustees are invested. Such reports have information covering fund performance for the previous three months, one year, three years and since inception. The Trustees review the absolute performance and relative performance against a portfolio's and underlying investment manager's benchmark (over the relevant time period) on a net of fees basis. The Trustees' focus is on the medium to long-term financial and non-financial performance of Mercer and the Mercer Funds.

Neither Mercer or MGIE make investment decisions based on their assessment about the performance of an issuer of debt or equity. Instead, assessments of the medium to long-term financial and non-financial performance of an issuer are made by the underlying third party asset managers appointed by MGIE to manage assets within the Mercer Funds. Those managers are in a position to engage directly with such issuers in order to improve their performance in the medium to long term. The Trustees are, however, able to consider Mercer's and MGIE's assessment of how each underlying third party asset manager embeds ESG into their investment process and how the manager's responsible investment philosophy aligns with the Trustees' own responsible investment policy. This includes the asset managers' policies on voting and engagement.

Section 9 provides further details of the steps taken, and information available, to review the decisions made by managers, including voting history and the engagement activities of managers to identify decisions that appear out of line with a Mercer Fund's investment objectives or the objectives/policies of the Scheme.

The asset managers are incentivised as they will be aware that their continued appointment by MGIE will be based on their success in meeting MGIE's expectations. If MGIE is dissatisfied then it will, where appropriate, seek to replace the manager.

The Trustees are long term investors and are not looking to change their investment arrangements on an unduly frequent basis. However, the Trustees do keep those arrangements under review, including the continued engagement of Mercer using, among other things, the reporting described above.

The Trustees monitor, and evaluate, the fees it pays for asset management services on an ongoing basis taking into account the progress made in achieving its investment strategy objectives as outlined in section 4. Mercer's, and MGIE's, fees are based on a percentage of the value of the Scheme's assets under management which covers the design and annual review of the de-risking strategy, and investment management of the assets. In addition, the underlying third party asset managers of the Mercer Funds also charge fees based on a percentage of the value of the assets under management. In some instances, some of the underlying managers may also be entitled to charge fees based on their performance.

MGIE reviews the fees payable to third party asset managers managing assets invested in the Mercer Funds on a regular basis with any negotiated fee savings passed directly to the Scheme. Mercer's, MGIE's, and the third party asset managers', fees are outlined in a quarterly investment strategy report prepared for the Trustees, excluding performance-related fees and other expenses involved in the Mercer Funds not directly related with the management fee.

Details of all costs and expenses are included in the Mercer Fund's Supplements, the Report & Accounts and within the Scheme's annualized, MiFID II compliant Personalised Cost & Charges statement. The Scheme's Personalised Cost & Charges statement also include details of the transaction costs associated with investment in the Mercer Funds.

The Trustees do not have an explicit targeted portfolio turnover range, given the de-risking mandate, but rebalancing ranges have been designed to avoid unnecessary transaction costs being incurred by unduly frequent rebalancing. Performance is reviewed net of portfolio turnover costs, with the review of portfolio turnover of the underlying investment managers undertaken by MGIE.

10. Additional Assets

Assets in respect of members' additional voluntary contributions are currently invested with Insight Investment. In addition, some additional voluntary contributions continue to be held with Equitable Life and there are a number of insured pensions secured with Insight Investment for historical reasons.

11. Review of This Statement

The Trustee will review and amend if necessary this Statement at least every three years and in response to any material changes to any aspects of the Scheme, its liabilities, finances and the attitude to risk of the Trustee and the sponsoring Company which they judge to have a bearing on the stated Investment Policy.

Any such review will again be based on written, expert investment advice and will be in consultation with the Company.

Signed: **Date:**

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For and behalf of the Trustees of the William Grant & Sons Limited 1978 Pension Scheme

Date of Amendments

First Amendment:	June 2000	Policy on SRI and governance
Second Amendment:	December 2002	Restructuring of Clerical Medical as Insight
Third Amendment:	March 2005	Scheme specific benchmark
Fourth Amendment:	October 2006	New investment regulations
Fifth Amendment:	May 2007	Adjustment of Insight benchmark
Sixth Amendment:	October 2007	Zero property allocation confirmed
Seventh Amendment:	December 2008	Move to long-dated gilts benchmark
Eighth Amendment:	October 2009	UK equity from Insight to L&G and bonds from CMMF to direct Insight arrangement
Ninth Amendment:	July 2012	Switch from Fixed Interest Gilts to Index Linked Gilts
Tenth Amendment:	February 2013	MGIE allocation
Eleventh Amendment:	November 2015	Minor amendments following regular review
Twelfth Amendment:	November 2016	Implementation of DDS
Thirteenth Amendment	September 2019	ESG policy
Fourteenth Amendment	July 2020	Policy on arrangement with asset managers and other regulatory updates
Fifteenth Amendment:	December 2022	Amendment to target timescales for de-risking