WILLIAM GRANT & SONS LIMITED PENSION SCHEME

STATEMENT OF INVESTMENT PRINCIPLES – MAY 2024

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1. Introduction

William Grant & Sons Pension Trustee Limited, Trustee of the William Grant & Sons Limited 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"), as amended by the Pensions Act (2004) and 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 Trustee has 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 Trustee's objectives.

2. Introduction

The Trustee has appointed Mercer to act as discretionary investment manager, by way of Mercer's Dynamic De-risking Solution ("DDS"), to implement the Trustee's 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 appropriate investments for the Scheme, the Trustee has obtained and considered the written advice of Mercer, whom the Trustee believes to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

3. Investment Objectives and Risk

3.1 Investment Objectives

To guide them in their strategic management of the assets and the control of various risks to which the Scheme is exposed, the Trustee has adopted the following objectives:

- 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 contribution rate.
- To monitor the progress in the funding level and to capture improvements in the funding level promptly, if they arise.

The Trustee recognises 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 Trustee recognises 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 Trustee determines to be financially material considerations. Non-financial considerations are discussed in section 5.2.

3.2 Risk

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

- The risk of deterioration in the Scheme's on-going funding level. The Trustee considers the total risk of the investment policy in terms of the potential impact on the level and potential volatility in the funding level and contribution rate. The investment policy is based on the Trustee's and the Company's view and tolerances with regard to these risks.
- The risk of a shortfall of assets relative to the liabilities as determined if the Scheme were to wind up. The Trustee pays close regard to the risks which may arise through a mismatch between the Scheme's assets and its liabilities, and the risks which may arise from the lack of diversification of investments.
- The primary risk upon which the Trustee focuses is that arising through a mismatch between the Scheme's assets and its liabilities.
- The Trustee's willingness to take on investment risk is dependent on the continuing financial strength of the Company and its ability to contribute to the Scheme. The strength of the Company and its perceived commitment to the Scheme is monitored by the Trustee and the level of investment risk taken may increase/decrease should either of these change.
- The asset allocation has initially been set so that the expected return on the portfolio is sufficient to meet the objectives outlined in Section 3.1. As the funding level improves, investments will be switched from growth assets into matching assets with the aim of reducing investment risk.

- Whilst moving towards the target funding level, the Trustee recognises that even if the Scheme's assets are invested in the Matching Portfolio 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 assets in the Matching Portfolio and actuarial liabilities.

- The Trustee invests in leveraged Liability Driven Investment ("LDI") funds to maintain the liability hedging without impacting on expected return but recognise that the use of leveraged LDI brings with it additional liquidity risks and requirements which can change over short periods of time with interest rate changes. The Trustee and Mercer review the Matching Portfolio as part of the regular reporting and strategy reviews, including consideration of the market stress buffer and governance.

- The Trustee recognises the risks that may arise from the lack of diversification of investments. To control this risk the Trustee has 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 Trustee with regular monitoring reports regarding the level of diversification within the Trustees portfolio.

- 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 Trustee does not make investments in securities that are not traded on regulated markets. However, should the 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 Trustee would ensure that the assets of the Scheme are predominantly invested on regulated markets.

- The Trustee recognises 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 5.2 sets out how these risks are managed.

The Trustee's 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 Trustee has 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

In 2014, the Trustee, with the advice of the Scheme's investment consultants and Scheme Actuary, reviewed the Scheme's investment objective and investment strategy. This included looking at the Trustee objectives, the Trustee's willingness and ability to take on 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 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 target full funding on a "gilts +0.5%" basis by 2031;
- To reduce the volatility in the funding level by reducing un-hedged liability exposures;
- To monitor the progress in the funding level and to capture better than expected 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 a separate document – the Statement of Investment Arrangements.

The de-risking strategy is formally reviewed on an approximately annual basis to ensure that it remains appropriate.

Once the funding level has moved through a band, the asset allocation will not be automatically "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.

Rebalancing ranges between asset classes have been set to ensure the Scheme's assets remain invested in a manner which is consistent with allocations agreed by the Trustee and the Company. The ranges have been designed to ensure that unnecessary transaction costs are not incurred by frequent rebalancing. Rebalancing ranges around the target allocation are set out in the SIA.

Responsibility for monitoring the Scheme's funding level, and undertaking any rebalancing activity, is delegated to Mercer. Mercer reports quarterly to the Trustee on its rebalancing activities.

The Trustee believes that the resulting asset mix is currently appropriate for meeting the objectives set out in 3.1 and for controlling the risks identified in 3.2.

It is the intention of the Trustee to review the continued appropriateness of the investment strategy on a regular basis.

5. Day To Day Management of the Assets

5.1 Realisation of Investments

The Trustee 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.

5.2 Environmental, Social, and Corporate Governance, Stewardship, and Climate Change

The Trustee believes 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 Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

As noted above the Trustee has 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 manage 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. For the assets invested with Aberdeen Standard Investments, the Trustee believes that ESG factors and climate change can be affected by the holdings and, holding the same beliefs as noted above, expects the manager to consider these factors when purchasing assets.

The United Nations’ Sustainable Development Goals (“SDGs”) inform Mercer’s long term investment beliefs and direct Mercer’s and the Trustee’s thinking when it comes to converting systemic risks into transformational investment opportunities as outlined in Mercer’s Sustainability Policy.

The Trustee considers 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 Trustee 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 other asset classes where relevant and data is available and/or climate transition analysis for diversified growth portfolios.

Mercer undertake climate scenario modelling and stress testing on the Mercer multi sector funds used by the Plan, in line with the Task Force on Climate Related Financial Disclosures (TCFD) recommendations. The results of the latest climate scenario modelling are within the TCFD compliant Climate Change Management Report. The findings of the modelling are integrated into the asset allocation and portfolio construction decisions, with portfolios increasingly aligned with a 2˚C scenario, where consistent with investment objectives and for consistency with the Paris Agreement on Climate Change.

An allocation to Sustainable Equities, is directly made by the Scheme through the Mercer Passive Sustainable Global Equity Fund. A detailed standalone sustainability monitoring report is produced for the Sustainable Global Equity passive fund on an annual basis. The approach considers revenues that positively and negatively contribute to environmental and social outcomes (also mapped to the SDGs).

The Trustee recognises the conflict of interest which may arise in the context of responsible investment. Mercer and MGIE make investment decisions with the aim of improving long-term risk adjusted returns and assesses whether selected sub-investment managers have policies and procedures that manage conflicts in relation to stewardship. Sub-investment managers are required to report on any conflicts of interest and demonstrate that they have adhered to their conflicts of interest policies and reported any breaches

Member views

Member views are currently not taken into account in the selection, retention and realisation of investments. However, the Trustee believes 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 Trustee has not set any investment restrictions on the appointed investment managers in relation to particular activities, but may consider this in future.

5.3 Trustee's 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 Trustee's investment strategy outlined in section 4, the Trustee is 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 Trustee accepts that they do not have the ability to determine the risk profile and return targets of specific Mercer Funds but the Trustee expects Mercer to manage the assets in a manner that is consistent with the Trustee's overall investment strategy as outlined in section 4. The Trustee has 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 Trustee's policies, it is open to the Trustee 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 Trustee receives, and considers, 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 Trustee is invested. Such reports have information covering fund performance for the previous three months, one year, three years and since inception. The Trustee reviews 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 Trustee's 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 Trustee is, 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 Trustee's own responsible investment policy. This includes the asset managers' policies on voting and engagement.

Section 5.2 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 Trustee is a long term investor and are not looking to change their investment arrangements on an unduly frequent basis. However, the Trustee does keep those arrangements under review, including the continued engagement of Mercer using, among other things, the reporting described above.

The Trustee monitors, and evaluates, 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 Trustee, 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 Trustee does 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.

5.4 Additional Assets

In addition, the Scheme invests in a Special Purpose Vehicle ("SPV"). This SPV is a Scottish Limited Partnership ("SLP") and is recorded as a Scheme asset. The SLP directly holds interests in Company property assets, namely 20 warehouses used for the storage and maturation of whisky. These warehouses are leased to William Grant & Sons Distillers Limited.

In normal operating conditions the Trustee does not actually own the underlying properties, but it does own the right to receive cash flows derived from the rental payments. The Trustee's interest will last until March 2027, generating an income of £2.42m p.a., increasing with RPI capped at 5%, commencing April 2013.

Upon an insolvency of William Grant & Sons Distillers and other pre-determined default events the Trustee will be able to take control of the partnership and effect the sale of the properties, and the Scheme will receive the lower of the amounts received from disposal of the properties and the present value of all outstanding payments owed to the Scheme by the SLP, calculated by reference to the yields on UK government bonds.

This asset is taken account of when considering the Scheme's funding and investment principles.

5.5 Additional Voluntary Contributions ("AVCs")

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.

5.6 Cash flow and Rebalancing of Investments

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's requirements.

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.

6. 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.

For and behalf of William Grant & Sons Pension Trustee Limited, Trustee of the William Grant & Sons Limited 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, UBS allocation
Fourth Amendment:	October 2006	New investment regulations
Fifth Amendment:	May 2007	Legal & General UK equity allocation
Sixth Amendment:	November 2008	Standard Life property allocation
Seventh Amendment:	October 2009	Bonds from CMMF to direct Insight arrangement
Eighth Amendment:	September 2011	Standard Life Long Lease Property Fund and Blackrock and Standard Life Diversified Growth Funds
Ninth Amendment:	January 2012	Investment in Special Purpose Vehicle (SPV)
Tenth Amendment:	July 2012	Switch from Fixed Interest Gilts to Index Linked Gilts
Eleventh Amendment:	February 2013	MGIE equity allocation
Twelfth Amendment:	November 2014	DDS implementation
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
Sixteenth Amendment:	May 2024	Amendment following updated de-risking trigger framework, strengthening ESG wording and noting risk from leveraged LDI funds