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 2022.

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 2021 to 5 April 2022.

As at 5 April 2022, all the Scheme's assets were invested in liability-hedging assets, bonds and other debt-based investments. The Scheme had a 5% allocation to diversified growth which contained a proportion of listed equities with voting rights, and this allocation was disinvested during the year on 28 April 2021. The Trustees recognise the importance of stewardship activity in relation to the diversified growth holdings and the significant votes in relation to the fund are detailed in this Statement for completion, but balance this with a significant focus on engagement with their non-equity investment managers.

Stewardship policy

The Trustees' Stewardship (voting and engagement) Policy sets out how the Trustees will behave as an 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 managers 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), which was last completed in August 2021.

There were no changes to the Stewardship policy in the SIP during the year covered by this statement.

You can review the Scheme Stewardship Policy which can be found within the Scheme's Statement of Investment Principles, at https://www.edrington.com/en/policies

The Trustees have delegated voting and engagement activity in respect of the underlying assets to the Scheme's investment managers. The Trustees believe it is important that their investment managers take an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings and engaging with the management on issues which affect a company's financial performance.

The Trustees' own engagement activity is focused on their dialogue with their investment managers which is undertaken in conjunction with their investment advisers. The Trustees meet with their managers 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 compliance with their Stewardship Policy and are satisfied that they have complied with the Scheme's Stewardship Policy over the year to 5 April 2022.

Voting activity

The Trustees seek to ensure that their managers are excising voting rights and where appropriate, to monitor their managers' voting patterns.

As at 5 April 2021, the Trustees had investment in equity assets through a diversified growth mandate with Baillie Gifford during. However, it should be noted that these assets were only held by the Scheme until 28 April 2021 after which they were disinvested. Baillie Gifford has reported on how votes were cast in this mandate over the full financial year which have been in the table below:

Baillie Gifford	Diversified Growth Fund
No. of meetings eligible to vote at during the year	133
No. of resolutions eligible to vote on during the year	1537
% of resolutions voted	88.1%
% of resolutions voted with management*	96.0%
% of resolutions voted against management*	3.4%
% of resolutions abstained**	0.6%
% of meetings with at least one vote against management	18.1%

**Percentages may not sum to 100% due to rounding*

The resolutions which Baillie Gifford voted against management the most on over the Scheme year were mainly in relation to:

- Executive remuneration.

Significant votes

The Trustees asked Baillie Gifford to report on the most significant votes cast within the portfolio they managed on behalf of the Trustees during the year. From the manager's reporting, the following votes have been identified as being of greater relevance to the Scheme:

Rio Tinto Plc, 9 April 2021

Baillie Gifford opposed two resolutions on executive pay on the grounds that the remuneration report was not forward looking and BG did not agree with the remuneration committee's recent decisions on severance payments. BG engaged with the company and supported a forward-looking report. This was considered significant in that Baillie Gifford opposed the report. The holding represented 0.2% of the total Diversified Growth portfolio.

Vonovia SE, 16 April 2021

Baillie Gifford opposed two resolutions on amendment of share capital on the grounds that the proposed equity issuance would create dilution levels inconsistent with shareholder interest. This was considered significant because the resolution received greater than 20% opposition. BG engaged with the company for assurance that equity issuance would be managed to prevent dilution but assurance was not given. The holding represented 0.6% of the total Diversified Growth portfolio.

Engagement activity

The Trustees hold meetings with their investment managers on a periodic basis where stewardship issues are discussed along with other investment matters. Over the last 12 months, the Trustees met with both their investment managers, Insight and Partners Group. The Trustees discussed the following issues over the course of the year:

Engagement	Subject discussed	Outcome
Partners Group 11 June 2021	• Background to the strategy, fund investment outlook, cash flows and risk of loss • Responsible investment, including climate strategy, client reporting, UNPRI status and sustainable development goals • Engagement points during life cycle of private debt strategy and aligning investments with ESG criteria	The Trustees noted Partners Group's selection process and engagement case studies across the ESG spectrum
Insight 6 September 2021	• Investment policy, fund background, performance and outlook • ESG integration within the investment strategy	The Trustees noted Insight's areas of focus on ESG risk as well as understanding portfolio-specific risks

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 2022.

Manager: Fund	Approach	Topic(s) engaged on
Baillie Gifford: Diversified Growth Fund (disinvested from the scheme at 28 April 2021)	The fund invests in a range of diversified growth asset classes, some of which come with voting rights. Baillie Gifford do not regularly engage with clients prior to voting but may reach out where the vote is contentious or if a non-pooled-fund (i.e. segregated) client has specific views on a vote. The manager discloses a summary of all voting activity in their quarterly monitoring report.	Key engagements are discussed in 'voting activity' above.
Insight: Secured Finance Fund, Liability Driven Investments, and Cash	The funds invest in gilts, corporate bonds, cash instruments, and other fixed income, with no voting rights. Insight engages via questionnaires, surveys and calls with senior	**Secured Finance**: Insight undertook a total of 50 engagements across 40 entities in relation to the fund. Key engagements in credit markets are as follows: • CVC – Cordatus: Insight engaged on governance concerns around the

	management of engagement subjects mainly at executive level. Insight also produce annual reports on integration of the RI principles into their investment management process across the business. On a firm-wide level, Insight undertook 861 engagements across 625 entities. Engagements over the year covered climate change, environmental issues, governance, social issues, risk management, strategy including capital management, and refinancing over the year.	allowance for greater concentration risk within CLO holdings. Following the engagement investment, restrictions were tightened and stronger controls over the CLO manager's remit. • Together financial services: Insight engaged on environmental risks across the issuer's loan book, lack of carbon data and environmental metrics or detailed climate risk analysis processes. Insight have not established a resolution yet but continue to engage with the issuer. • Pepper: Insight note positive approach to ESG from this issuer but identified a need for improving environmental risk management. Insight's engagement is ongoing but they note that Pepper has pledged to demonstrate progress in this area. **LDI**: 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. **Liquidity Plus (cash) fund**: Insight undertook 24 engagements across 14 entities during the year. Cash instruments are noted to exclude tobacco, defence and fossil fuels.
Partners Group: Illiquid Private Debt	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. 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. Partners Group engages via regular calls with investee company management.	Partners Group engaged with its investee companies across issues such as the use of plastics, energy consumption, warfare, trading with sanctioned countries. Key engagements over the year include: • Brand of Taiwanese tea stores: Partners Group engaged on single-use plastics (straws, cutlery) and proposed a sustainable packaging strategy to reuse and recycle plastics. • Software developer in the construction sector: Partners Group engaged on establishing credit documentation with

	Partners Group implements a Climate Change Strategy to manage their portfolios towards the Paris Agreement climate goals and in alignment with TCFD disclosure recommendations, and has a key focus on renewable energy and carbon avoidance strategies in their portfolios.	ESG objectives. As a result the company is switching to green energy. • Provider of aircraft solutions: Partners declined opportunity to invest in this company due to exposure to platforms used in offensive warfare.

Use of a proxy adviser

The Trustees' equity investment manager Baillie Gifford does not make use of the services of proxy voting advisors as all Baillie Gifford's voting decisions are made in-house.

Review of policies

In April 2021 the Trustees developed a 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.