THE NORTH BRITISH DISTILLERY COMPANY LIMITED
PENISON SCHEME

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The North British Distillery Company Limited Pension Scheme

Statement of Investment Principles

Background

This Investment Statement sets out the principles governing decisions about investments for The North British Distillery Company Limited Pension Scheme ("the Scheme") to meet the requirements of The Pensions Act 1995, as amended by the Pensions Act 2004, and The Occupational Pension Schemes (Investment) Regulations 2005. It is subject to periodic review by the Trustees at least every three years and more frequently as appropriate.

In preparing this Statement, the Trustees have consulted with the principal employer (The North British Distillery Company Ltd) and have taken professional advice from their Investment Consultant (Isio).

The Trustees are aware of, and adhere to, the Myners principles, which sets out a code of conduct for investment decision making and governance. They have reviewed their responsibilities and activities in the context of these principles.

Investment objective

The Scheme closed to new entrants but remained open to future benefits accrual on 1 January 2008. Subsequently, on 31 December 2014, the Scheme closed to future benefit accrual.

The primary objective of the Scheme is to provide pension and lump sum benefits for the current members on their retirement, and/or benefits on death, before or after retirement for their dependents, on a defined benefit basis.

Following the Scheme achieving a fully funded position on the Technical Provisions basis, the Trustees' funding objective was to reach and maintain a fully funded position on an insurance buy-out basis with the aim of achieving a transaction with an insurer.

In November 2022, the Trustees put this in place and agreed to restructure the strategy using all the Scheme's funds and an additional contribution from the Company to purchase an insurance buy-in policy which covers all the Scheme's liabilities.

As such the Scheme's present investment objective is the responsibility of the insurance company as they are now responsible for meeting the Scheme's liabilities.

Investment strategy

The Trustees have translated their objectives into a suitable strategic asset allocation benchmark for the Scheme (the "strategic benchmark"). Following the insurance buy-in transactions, all day-to-day investment decisions have been delegated to the insurer. The strategic benchmark (set out in the

Appendix A) is reflected in the choice and mix of funds in which the Scheme invests. The Scheme benchmark is consistent with the newly achieved insurance buy-in.

The Trustees understand that the Scheme's current investment strategy takes due account of the maturity profile and nature of the liabilities of the Scheme.

Choosing investments

The Trustees, after seeking appropriate investment advice, have appointed Standard Life ("SL") as the Scheme's insurer. SL is authorised under the Financial Services and Markets Act 2000 to undertake investment business.

SL manages the Scheme's assets on behalf of the Trustees, whereby the objective is to match the cost of providing the benefits covered by the policy. As such, the Trustees have no authority over the choice of investments made on the Scheme's behalf by SL. The Trustees consider this to be suitable in the circumstances of the Scheme.

An analysis of Scheme investments, as at 31 December 2023, is set out in Appendix A.

A summary of the policies the Trustees' have in place in relation to the investment management arrangements for the Scheme are summarised in Appendix C.

Risk

The Trustees analyse the level of risk and the drivers of risk within the Scheme's investment strategy in detail when reviewing the Scheme's investment strategy.

The Trustees completed a buy-in transaction in November 2022, with the end goal being to complete a full insurance buy-out of the Scheme's liabilities. This activity will protect and insure Scheme Members' accrued pensions. Once completed, all risk associated with the Scheme will be transferred across to SL.

Further information on the risks, financially material considerations and non-financial matters that were considered immediately prior to the completion of the buy-in transaction when deciding on the Scheme's investment strategy are set out in Appendix B.

As outlined above, given the nature of the buy-in policy with SL, the Trustees have no authority over the choice of investments made on the Scheme's behalf by SL.

Expected return on investments

The Scheme's present investment objective, via SL the insurer, is to achieve a return consistent with the nature and duration of the Scheme's liabilities.

Realisation of investments

The Trustees operate a bank account for daily cash flow needs and a formal cashflow policy is in place.

All of the remainder of the Scheme’s investments are held within the buy-in policy with SL and cannot be realised.

Environmental, Social and Governance considerations

The Trustees acknowledge the importance of environmental, social and governance (“ESG”) considerations. However, following the buy-in insurance transaction, the management of the Scheme’s assets has been delegated by the Trustees to SL. As such, the Trustees have no authority over the underlying investments made on the Scheme’s behalf by SL.

Exercise of voting rights

The Trustees have delegated the exercise of voting rights to SL on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value.

Additional voluntary contributions (AVCs)

A number of members have made AVC contributions. However, the AVC arrangement is now closed to all members, following cessation of accrual within the Scheme from 31 December 2014.

Signed for and on behalf of the Trustees of The North British Distillery Company Limited Pension Scheme in October 2024.

Fraser MacDonald **Trustee**	**David Rae** **Trustee**
Alan Kilpatrick **Trustee**	**William Copland** **Trustee**
James Paul & Partners Limited **Trustee**	**ACMCA Limited** **Trustee**

Appendix A

Asset split by as at 31 December 2023

Fund Manager	£m	%	Mandate	Assets
Standard Life	All invested assets	100	Buy-In Policy	Invested in line with Scheme liabilities at Standard Life's discretion
Trustee Bank Account	0.3	N/A	N/A	Cash
Total	**N/A**	**100.0**		

Figures may not sum due to rounding.

Asset split by asset class (as at 31 December 2023)

Asset Class	Strategic Benchmark (%)	Actual (%)	Expected Return (%)	Volatility (%)
Buy-In Policy	100	100	-	-
Cash	0.0	N/A	-	-
Total	**100.0**	**100.0**	**-**	**-**

Figures may not sum due to rounding.

Managers Fees split by fund (as at 31 December 2023)

Manager	Fund	Objective	Fees (p.a.)
Standard Life	Buy-In Policy	To match the cost of providing the benefits covered by the policy.	N/A

Appendix B – Risks, Financially Material Considerations and Non-Financial matters

A non-exhaustive list of risks and financially material considerations that the Trustees have considered and sought to manage is shown below.

The Trustees of the Scheme seek to adopt an integrated risk management approach. The three key risks associated in this framework and how they are managed are stated below:

Risks	**Definition**	**Policy**
Investment	The risk that the Scheme's position deteriorates due to the assets underperforming.	• Selecting an investment objective that is achievable and is consistent with the Scheme's funding basis and the principle employer's covenant strength.
Funding	The extent to which there are insufficient Scheme assets available to cover ongoing and future liability cash flows.	• Funding risk is considered as part of the investment strategy review and the actuarial valuation. • The Scheme's Trustees will agree an appropriate basis in conjunction with the investment strategy to ensure an appropriate journey plan is agreed to manage funding risk over time.
Covenant	The risk that the sponsoring company becomes unable to continue providing the required financial support to the Scheme.	• When developing the Scheme's investment and funding objectives, the Scheme's Trustees take account of the strength of the covenant ensuring the level of risk the Scheme is exposed to is at an appropriate level for the covenant to support.

Prior to the completion of the buy-in policy with SL, the Scheme was exposed to a number of underlying risks relating to its investment strategy. These are summarised below:

Risk	Definition	Policy
Interest rates and inflation	The risk of mismatch between the value of the Scheme's assets and present value of liabilities from changes in interest rates and inflation expectations.	• To hedge 100% of these risks.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	• To remain appropriately diversified and hedge away any unrewarded risks, where practicable.
Credit	Default on payments due as part of a financial security contract.	• To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Scheme's investors for the risk of default.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change,	• To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria:

	which can impact the performance of the Scheme's investments.	1. Responsible Investment ('RI') Policy / Framework 2. Implemented via Investment Process 3. A track record of using engagement and any voting rights to manage ESG factors 4. ESG specific reporting 5. UN PRI Signatory
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	Allow the Scheme's active managers who invest in overseas securities the flexibility to hedge overseas currency exposure to manage risk.
Longevity	Members of the Scheme living longer than expected, leading to a larger than expected liability.	To hedge the majority of this risk through the purchase of the buy-in policy
Non-financial	Any factor that is not expected to have a financial impact on the Scheme's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.

Appendix C – Investment Arrangement Policies

The Trustees have the following policies in relation to the investment management arrangements for the Scheme:

How the investment providers are incentivised to align their investment strategy and decisions with the Trustees' policies.	The purchase of the buy-in policy is aligned to the overarching strategic objective of the Scheme to meet liabilities as and when they fall due.
How the investment providers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.	The Trustees' review the investment arrangements relative to medium and long-term objectives as documented in the contractual agreements.
How the method (and time horizon) of the evaluation of investment provider performance and the remuneration for their services are in line with the Trustees' policies.	The Trustees' review the performance of all of the Scheme's providers on a net of cost basis to ensure a true measurement of performance versus investment objectives. Following the purchase of the buy-in policy, this is not a point which the Trustees will monitor on an ongoing basis.
The method for monitoring portfolio turnover costs incurred by investment providers and how they define and monitor targeted portfolio turnover or turnover range.	The purchase of the buy-in policy means expected turnover is now low and not a point the Trustees will monitor on an ongoing basis.
The duration of the Scheme's arrangements with the investment managers	The purchase of the buy-in policy is a permanent investment, but this was deemed to be appropriate for the Scheme given the additional security it provides for members' benefits.

The North British Distillery Company Limited Pension Scheme

Implementation Statement

Background

The Department for Work and Pensions ("DWP") has increased regulation to improve the disclosure of financially material risks. The regulatory changes recognise that Environmental, Social and Governance ("ESG") factors are financially material to the Scheme, stating that pension scheme trustees are required to consider how these factors are managed as part of their fiduciary duty.

The regulatory changes require that the Trustees detail the Scheme's policies in relation to financially material risks and stewardship in its Statement of Investment Principles ("SIP"), and to demonstrate their adherence to these policies in an Implementation Report.

Statement of Investment Principles

The Trustees have updated the Scheme's SIP in response to the DWP regulation to cover:
- Policies for managing financially material considerations, including ESG factors and climate change; and
- Policies on the stewardship of the Scheme's investments.

A copy of the SIP can be found above.

Any changes to the SIP in the reporting year are also detailed within this report.

Implementation Report

This Implementation Report is to provide evidence that the Scheme continues to follow and act on the principles outlined in the SIP. This report details:
- Actions the Trustees have taken to manage financially material risks and implement the key policies outlined within the Scheme's SIP;
- The Trustees' current policies and approach to ESG considerations, and the actions taken with each of the Scheme's current investment managers on managing ESG risks;
- The extent to which the Trustees have followed policies relating to engagement, covering both their engagement with the Scheme's investment managers and the engagement activity of each of the investment managers with the companies and counterparties in which they invest; and
- The voting behaviour of the Scheme's investment managers covering the reporting year to 31 December 2023 where available (noting the Trustees' delegation of Scheme voting rights to the investment managers through its investment via pooled fund arrangements).

Summary of Key Actions Undertaken over the Scheme's Reporting Year

Following the decision by the Trustee to proceed with a buy-in policy covering all of the Scheme's benefits with Standard Life, ahead of completing a full scheme buy-out, the entirety of the Scheme's invested assets was sold in November 2022 to fund this transaction. This action, which was supported by an additional company contribution, will see all of the Scheme's benefits insured with Standard Life.

Implementation Statement

This report demonstrates that the Trustees of The North British Distillery Company Limited Pension Scheme have adhered to the Scheme's investment principles and their policies for managing financially material considerations, including ESG factors and climate change.

Fraser MacDonald	**James Paul & Partners Limited**
Trustee	**Trustee**

Date: 9 May 2024