

WALTER SCOTT

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ANNUAL SUSTAINABILITY  
REPORT

2025

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Stock Examples – Companies referred to in this report have been chosen for illustrative purposes only to demonstrate our ESG Integration and Stewardship process and are not intended to be an indication of performance. This information should not be considered a recommendation to buy or sell any particular security. There is no assurance that any securities discussed herein will feature in any future strategy run by us. Any examples discussed are provided purely to help illustrate our investment style or, are given in the context of the theme being explored. The securities discussed do not represent an entire portfolio and in the aggregate may represent only a small percentage of a strategy's holdings.

To help us continually improve our service and in the interest of security, we may monitor and/or record telephone calls.

# UPDATE FROM THE MANAGING DIRECTOR



**Jane Henderson, Managing Director**

Walter Scott's Annual Sustainability Report sets out our approach to this important area of investment management.

This report also serves as our submission to the revised 2026 UK Stewardship Code, which now stipulates that signatory firm reporting should be constituted of two distinct parts: a periodically updated **Policy and Context Disclosure**, and an annually updated **Activities and Outcomes Report**. Accordingly, the report is organised into these two principal sections.

Compiling such a report serves as a reminder of the consistency of our approach in this area over many years: we believe that fundamental research is essential to understanding the significant risks and opportunities pertaining to investments, including those arising from environmental, social and governance factors.

Unless otherwise directed by a client mandate, portfolio decisions should be guided exclusively by assessment of the financial materiality of such issues. While our process and resources for

implementing the above investment beliefs have evolved substantially over recent years, the goal of creating long-term value for clients through comprehensive and rigorous research has remained the same.

We also continue to believe that thoughtful and engaged ownership of companies on behalf of our clients is fundamentally important to long-term returns. The headline-generating nature of shareholder resolutions and the attention paid to activist investors of all kinds can create a misconception that friction between institutional investors and corporate management teams is normal and expected.

The reality for long-term investors like Walter Scott is somewhat different. Our investment philosophy is to seek out and own well-managed and resilient companies with long-term growth potential. For us, engagement is therefore primarily an opportunity to gather information and to provide feedback, support and constructive challenge to management teams where merited. It is only on rare occasions that we deem it

necessary to use formal engagements and proxy voting to encourage management to reconsider their approach to a material issue.

Walter Scott aims to be client-led in all that we do, and we can accommodate a range of different client preferences. We regularly discuss our approach to the topics contained in this report with many of our clients, and we are always interested to hear more feedback.

In 2025, we were pleased to be reconfirmed as a signatory to the UK Stewardship Code. The Board and Executive of Walter Scott remain

fully committed to the objectives and ethos of the Code, and the Financial Reporting Council's ongoing work in raising standards across our industry. If you are interested in finding out more about our work across stewardship and sustainability, please do read this report and get in touch if we can provide further information.

Best regards,



**Jane Henderson, Managing Director**

**“We regularly discuss our approach to the topics contained in this report with many of our clients, and we are always interested to hear more feedback”**

# Walter Scott in numbers

## Walter Scott



1983

Walter Scott & Partners Limited founded



181

Employees



\$66.7bn

Assets under management



123

Clients in 16 countries

## Investment approach

**Team**  
One investment team manages all portfolios collectively



**Philosophy and process**  
Consistently applied investment philosophy and process since 1983

**Asset class**  
Sole focus on global equities

## Clients

11.2

average length in years of client relationship

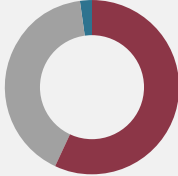
79%

of AUM managed for clients with tenure >10 years

64%

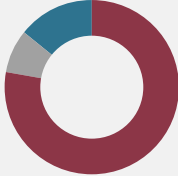
of AUM managed for clients with tenure >15 years

## Assets



### AUM by product

- Global - 57%
- EAFE - 41%
- Other - 2%



### AUM by region

- North America - 78%
- Asia Pacific - 8%
- EMEA and ROW - 14%

## Our companies

166

Listed equities held across regions and sectors

9.2

Average holding period in years

42

Longest holding period in years

928

Company (owned and unowned) meetings in 2025

Source: Walter Scott. Data to 31 December 2025.

# ABOUT THIS REPORT

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As referenced in the foreword to this report, our Annual Sustainability Report incorporates our report on progress with respect to the UK Stewardship Code.

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The revised 2026 version of the UK Stewardship Code is comprised of two separate reporting elements.

- ▶ The first section of this report sets out our broader approach to managing stewardship and sustainability at Walter Scott. Following the updated Stewardship Code guidance, this also serves as our **Policy and Context Disclosure** outlining our organisational structure and our governance and policy framework for managing stewardship.

In line with the guidance of the revised Code, we do not expect this section to change significantly on an annual basis, particularly as our approach to stewardship and sustainability is firmly established and integral to our investment philosophy.

- ▶ The second part of this report, our Annual Stewardship and Sustainability Activities Update, provides an overview of key environmental, social and governance (ESG) research and stewardship activity in 2025. This serves as our **Activities and Outcomes Report** for UK Stewardship Code purposes.

While incorporating the revised disclosures and principles, we have taken the approach of “integrated reporting” for two principal reasons.

- ▶ We believe that it is more helpful and accessible for our clients and stakeholders to have all relevant information in one place relating to our holistic approach to ESG integration, stewardship and sustainable investment at a firm and portfolio level.
- ▶ We further believe that ESG integration and stewardship are inextricably connected in practice, and that external disclosure should reflect this.

Having taken this approach, we are, however, equally committed to ensuring that our reporting meets the requirements for reporting against the six principles of the UK Stewardship Code. The following table signposts where relevant information can be found in this report with respect to the disclosures and principles.



# Matrix

Disclosures for asset owners and asset managers	Covered in sections
UK Stewardship Code key policy and context disclosure areas	Page
<b>A. Organisation, investment beliefs and stewardship approach</b>	1-3, 6-10
<b>B. Governance and resources</b>	17-21
<b>C. Stewardship policies, processes and review</b>	8-10, 20
<b>D. Conflicts of interest</b>	19-20
<b>E. Dialogue with clients and/or beneficiaries</b>	19
Principles for asset owners and asset managers	Page
<b>Principle 1: Integrating stewardship and investment</b>	22-25
<b>Principle 2: Promote well-functioning markets</b>	10, 16, 20, 31
<b>Principle 3: Engagement</b>	26-31
<b>Principle 4: Exercising rights and responsibilities</b>	22-36
<b>Principle 5: Selection and oversight of managers</b>	N/A
<b>Principle 6: Monitoring service providers</b>	21, 23

# OUR STEWARDSHIP AND SUSTAINABILITY APPROACH

## About us

Walter Scott was founded in Edinburgh in 1983 as a global equity investment manager. Serving institutional clients and distribution partners in all major regions, Edinburgh has remained Walter Scott's home and we added a client service presence in Boston in 2019.

The firm has maintained its investment philosophy and process, deliberately and consistently. A long-term investment outlook underpinned by rigorous research and highly selective investment are hallmarks of Walter Scott's approach. Team-based research and investment decision-making are also critical characteristics, with members of the Walter Scott Research team responsible for all aspects of company analysis, as well as engagement and proxy voting.

From the firm's early days, the founders were acutely aware that investment performance can only ever rely on best efforts, while recognising that in terms of client service and administration there could be no excuse for anything less than excellence. On that commitment the firm's business strategy was born, with a focus first and foremost on existing clients.

Much of Walter Scott's success over time has come from that starting premise and those values continue to shape the firm's strategy today.

### Culture

Walter Scott's consistently applied investment philosophy and process, alongside its longstanding client-first business strategy, have been key pillars of the firm's success. Culture has also played an

important role in that success, a culture set out by the firm's founders, and which endures today. Long tenure of staff is one of Walter Scott's defining characteristics and one that has played an important part in a cohesive, collegiate, and meritocratic culture. Of the ten-strong Executive Management Committee, nine have worked at Walter Scott for longer than ten years, and three of those individuals for over 30 years. Similarly, of the 21 individuals that make up the investment team, 12 have worked at Walter Scott for over a decade and six for more than 20 years.

### Ownership

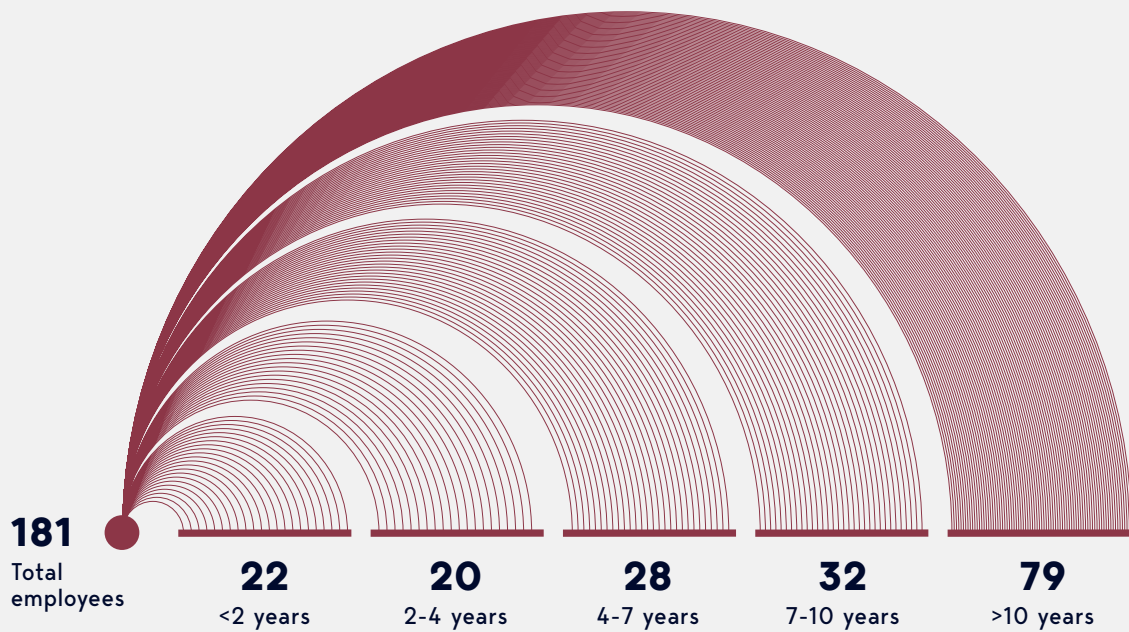
Walter Scott has been a 100%-owned subsidiary of BNY since 2007, one of several specialised investment firms within its Investment Management division. The firm operates autonomously within that structure, with BNY representation on the Walter Scott Board of Directors.

The Board consists of an independent non-executive chair, three executive directors, including Walter Scott's managing director, and three other non-executive directors, two of whom are independent non-executive directors, the other being Deputy General Counsel and Chief Legal Officer of BNY Investments.

## Stewardship and Sustainability in practice

Our approach to stewardship and sustainability focuses on three key areas: ESG Integration, Stewardship (proxy voting and engagement),

## Employee tenure



Source: Walter Scott. Data to 31 December 2025.

and Additional Objectives Portfolios (AOP), Walter Scott's sustainable investment framework. ESG analysis is integrated into our investment process and stewardship activity by the Research team and Investment Executive, with support from the Stewardship & Sustainability team.

**ESG Integration:** At Walter Scott, we believe that successful long-term investment requires the integration of financially material ESG considerations throughout our process. The assessment of financially material ESG factors is consistent with our fiduciary duty to our clients to evaluate the factors that could have

an impact on a company's ability to prosper over the long term.

**Stewardship:** We are committed to active ownership of holdings on behalf of our clients. Considered proxy voting and ongoing engagement with companies are key to exercising this responsibility.

**Additional Objectives Portfolios:** Our separate AOP framework is for clients who want their portfolio to be managed in line with defined additional sustainability requirements, such as Article 8 as set out in the EU's Sustainable Finance Disclosure Regulation (SFDR) – see page 11.

## ESG Integration

From inception, our investment professionals have sought to understand all information that is material to the research of potential and current investments, including insights arising from what have come to be known as 'ESG' factors.

We define ESG Integration in a straightforward way that is entirely consistent with our fiduciary duties: it is about understanding all financially material risks and opportunities pertaining to our clients' portfolios and factoring these insights into our investment decision-making process. Our research would be incomplete without such information.

### Process

Our Research team has integrated relevant ESG factors into its work, supported by a structured framework that has been in place for more than 25 years. More recently, there has been heightened focus regarding how companies operate, as well as on the societal impact of their core products. Disclosure expectations have also increased across most markets. Furthermore, there is growing regulatory scrutiny of potential greenwashing in corporate communications and policies.

These changes have resulted in businesses working in an increasingly complex commercial and regulatory environment, where a reputation for integrity matters more than ever. The physical impacts and potential (regionally fragmented) transition risks arising from climate change are also creating new challenges for businesses, particularly those operating internationally.

For the above reasons, we do not believe that ESG factors can be usefully understood in isolation from the financial analysis of our investments. This is addressed by our long-established Seven Sisters integrated research framework (see inset box). ESG factors are considered by the relevant stock champion primarily under the Integrity dimension, augmented by a standalone research document.

### Seven Sisters framework

When we research any company, regardless of geography or sector, we apply the same analytical framework. This framework involves analysis of historical financial records alongside consideration of seven key areas of investigation:

- ▶ Business activities and physical footprint
- ▶ Integrity (ESG risks and opportunities)
- ▶ Market characteristics
- ▶ Control of destiny
- ▶ Financial profile
- ▶ Management and board
- ▶ Valuation and trading

This Integrity document forms part of the overall material for all Research team discussions, Investment Executive meetings and the annual file review process, and is required for all investee companies regardless of sector or geography.

In the document, the following topics are considered whenever they are deemed to be financially material:

- Environmental and climate considerations
- Social considerations and human capital
- Corporate governance

In compiling the document, stock champions are supported by the Stewardship & Sustainability team, which produces additional inputs for consideration:

- A proprietary ESG Datasheet, which combines external and internal data and information on individual companies, including new investment ideas. This dashboard provides a prompt for further fundamental analysis by stock champions.

- Enhanced Climate Assessments on selected holdings that are deemed to be more exposed to climate risks
- Thematic ESG research on material topics, such as supply chain sustainability risks (e.g. biodiversity and human rights related controversies)
- Bespoke additional ESG analysis on request

Material issues noted in the Integrity document will be considered as part of the investment process in Research team and Investment Executive discussions, and, where relevant, factored into proxy voting and engagement activities.

## Stewardship

Engagement and proxy voting are important elements of Walter Scott's long-term investment philosophy. Our Proxy Voting and Engagement policies are part of our wider Stewardship and Sustainability Overview and Policies disclosure. Reviewed at least annually, the policies have evolved over the years, but our core consideration has always been to ensure that we act in the best long-term interests of our clients.

### Engagement

We believe engagement with companies is central to good stewardship on behalf of our clients. Through regular constructive dialogue with company management, we seek greater insight into the risks and opportunities that can affect a company's

ability to deliver enduring value for clients. Engagement also gives us a platform to suggest improvements that we believe can enhance the long-term financial performance of a company.

We aim to engage with companies at least annually. This typically involves face-to-face meetings, either at our offices or on research trips and conference calls. Research trips may include site visits and meetings with various stakeholders of the company in question. Written correspondence can also serve as a method of engagement.

There may be circumstances where it is appropriate to initiate a formal engagement on a specific issue with an investee company. Formal engagements have a clear objective and typically involve one-to-one meetings and correspondence where we discuss our views on a particular issue. With formal engagements we seek to improve a company's long-term returns.

A formal engagement will typically relate to financially material sustainability and governance factors. While these issues will inevitably differ by company, they will typically fall within one of the following categories:

- Business strategy
- Environmental considerations
- Climate considerations
- Social considerations and human capital
- Corporate governance

**“Policies have evolved over the years, but our core consideration has always been to ensure that we act in the best long-term interests of our clients”**

Our investment philosophy is to seek out and own high quality, durable and resilient companies with long-term growth potential. As such, the emphasis of our engagement work is on 'business-as-usual' meetings with management teams and independent board directors alike.

Given this context, we would not expect to have many formalised engagements in any given year. However, there will typically be some holdings where we believe that material improvements can and should be made, and that even the best companies periodically need to evolve to adapt to changing circumstances.

## Collaboration

We believe that collaboration with other investors can be a useful tool in certain situations. For example, collective engagement can sometimes encourage ongoing improvements in governance and sustainability practices at our investee companies. As well as collaborating on company-specific matters, we may choose to engage with industry associations on regulatory and policy matters. We may also engage with regulators and policymakers directly on relevant issues.

Whether to collaborate is a decision that we approach on a case-by-case basis. We will only undertake to work with other investors if we believe it is likely to prove effective and that it is in the best interests of our clients and provided we can do so in a manner that is in full compliance with all applicable laws and regulations.

## Proxy Voting

A discerning approach to proxy voting is central to the effective stewardship of shareholder capital. We consider every resolution on an individual basis, and we ultimately vote at shareholder meetings in a manner we believe to be consistent with our clients' best interests.

The overall responsibility for proxy voting decisions rests with our Research team. Analytical support is provided by our Stewardship & Sustainability

team which manages the day-to-day proxy voting process and helps to ensure that voting is consistent and aligned with our approach. Our approach to proxy voting is overseen by the Proxy Voting & Engagement Group (PVEG), with strategic oversight from the Investment Stewardship & Sustainability Committee (ISSC).

## Proxy Voting materials

To ensure that we have all the necessary information for an Annual General Meeting or Extraordinary General Meeting, we receive documentation on forthcoming votes from custodians, and we review all meeting related company disclosures.

We consider third-party material for information purposes but arrive at voting decisions independently. We base our decision on a review of company meeting materials and, where helpful, additional information from company engagement. We use a third-party voting platform to submit all votes and require confirmation that those votes have been processed and submitted.

## Policy

Our Proxy Voting policy applies across all investments, regardless of geography or strategy. It accounts for the fact that corporate governance approaches and expectations can vary between regions. It also applies across all clients for whom we are mandated to vote. For clients that delegate voting authority to us, we consider this to be a key lever in our ability to be effective stewards of shareholder capital, and we therefore have a strong preference for being given full discretionary voting authority by our clients.

If a segregated account client for whom we have voting authority instructs us to vote differently to our policy on a specific item, then we are able to facilitate this given sufficient notice and on the understanding that such requests are relatively rare. For information on our approach to managing potential conflicts of interest relating to proxy voting see page 20.

## Additional Objectives Portfolios

To meet evolving client needs we launched a supplementary process in 2022 for portfolios that are managed in line with additional sustainability requirements, such as the Article 8 disclosure regime set out in the EU SFDR. Our AOP methodology builds on our longstanding work on ESG Integration and Stewardship.

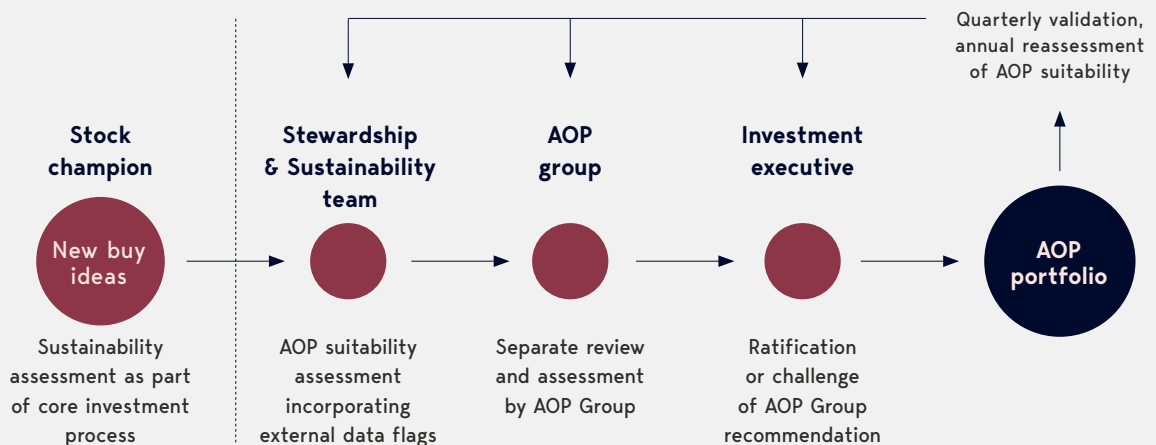
In addition to developing a methodology for assessing the suitability of holdings for these portfolios, we developed a governance framework to ensure there was a separate review of all proposed holdings. The AOP Group (AOPG –

referenced in the Governance chart on page 17) performs this function, making recommendations to our Investment Executive about the suitability of holdings.

The AOPG is comprised of members of the Investment Research, Stewardship & Sustainability and Research Operations teams. It is important to note that the AOPG does not have a veto over holdings in AOP funds or recommend new ideas, nor does it have responsibility for portfolio construction – decision-making responsibility continues to sit with the Investment Executive, supported by the Research team and the relevant stock champion.

### Additional Objectives Portfolios assessment process

Holdings are assessed and separately reviewed for AOP suitability on an ongoing basis



#### Ongoing AOP Group monitoring of:

- Sustainability indicators

#### For portfolios considering the below, additional monitoring of:

- Sustainable investments
- Portfolio level PAI (principal adverse impact) indicators
- Other client-specific requirements

**Process**

Our suitability assessment process (set out on page 11), overseen by our Stewardship & Sustainability team, combines external ESG data with fundamental analysis and the company-specific knowledge of our stock champions.

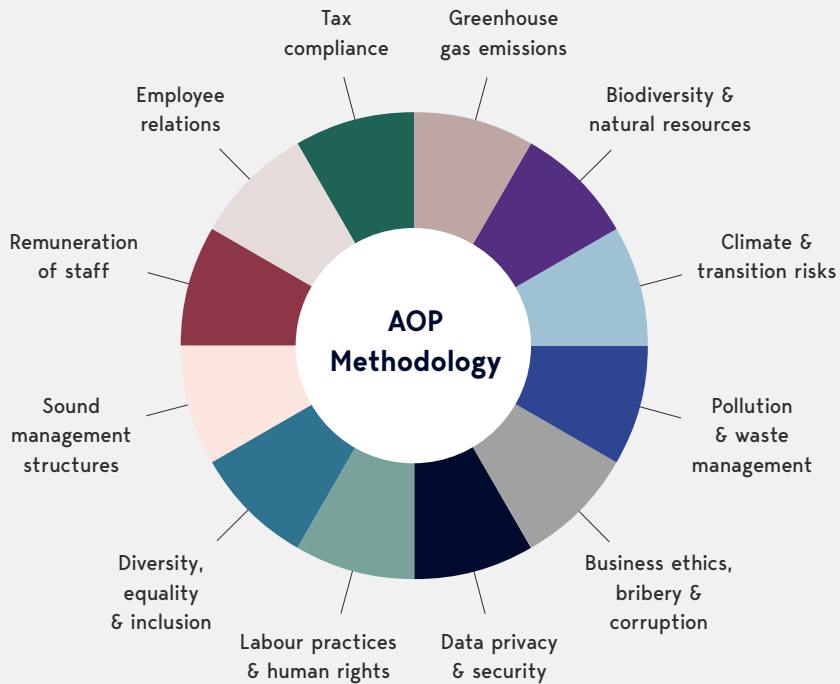
The suitability assessment incorporates 12 sustainability sub-themes (see diagram below) that we determine to be important in deciding whether a company meets the appropriate portfolio sustainability requirements.

This process uses carefully selected external vendor data to augment proprietary analysis of company performance on material sustainability factors. We use a structured assessment

template to capture insights and conclusions. If a company 'flags' against the monitoring thresholds that we have set for each of the external data points, we will undertake additional analysis to determine the accuracy of the data and the materiality of the issues identified.

The analysis (including an overall suitability recommendation) is then reviewed by the AOPG. If the AOPG has any outstanding concerns it may arrange a meeting with the stock champion and Stewardship & Sustainability team to discuss the matter in detail before a final recommendation is made to the Investment Executive with respect to suitability for respective portfolios.

**Additional Objectives Portfolios – key sub-themes**



In addition to this core suitability assessment process, relevant data pertaining to additional EU SFDR considerations such as 'Sustainable Investment' classification (incorporating 'do no significant harm' checks) and portfolio level 'Principal Adverse Impact' indicators are also reviewed quarterly by the AOPG. We have the capability to provide oversight and monitoring to a range of additional sustainability requirements through this model, such as a number of current client mandates with additional climate features.

The AOPG meets on a quarterly basis to review any material developments relating to AOP holdings and changes in the selected external data points (with appropriate stock champion analysis) which

might have an impact on suitability. This includes a review of any holdings that have previously been deemed to be unsuitable for AOP clients to determine whether an issue has been satisfactorily addressed. Additional interim meetings are arranged as required.

As part of this ongoing oversight and monitoring role, the AOPG can request enhanced Stewardship & Sustainability team monitoring and analysis on selected holdings if required, reporting on developments and escalating any concerns to the Investment Executive where appropriate. The Stewardship & Sustainability team can also undertake additional thematic research into key sustainability issues arising relating to AOP holdings.



# Climate

## Introduction

It is a core responsibility of an active investment manager to identify and take account of long-term risks to client portfolios. Idiosyncratic and systemic risks can arise from increasing average temperatures, changing rainfall patterns, and extreme weather events. In addition to increasing physical climate risks, the transition challenges arising from diverging climate and emissions regulation present potential risks to unprepared businesses.

The Board of Walter Scott has delegated responsibility for climate change strategy to the Managing Director in her role as chair of the Executive Management Committee. The Walter Scott climate change strategy is subject to periodic review and challenge by the Board of Directors. We report annually in alignment with the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations, further enhancing our disclosure in this important area.

## Integrating climate risks and opportunities into our investment research

For a number of years, we have been analysing climate risks and opportunities that we have deemed to be potentially material to our investments. Not all physical and transition risks arising from climate change will be intuitively predictable. Idiosyncratic company-specific nuance and strategy matters. We also expect the continuation of significant climate policy divergence between different regions of the world.

Finally, there is a wide range of potential transition and physical risk variables depending on different future scenarios. For all of these reasons, bottom-up fundamental analysis of investee companies is more important than ever.

The ISSC provides oversight to our investment research on climate-related investment risks. We have included an element of structured climate scenario analysis in our Integrity document since 2021. Since then, we have enhanced our analysis, augmenting our existing bottom-up fundamental analysis of climate risks.

- Our ESG Datasheet, a proprietary research dashboard, which is maintained for all holdings, includes climate and emissions-related data. We track company emissions targets and commitments to initiatives, such as CDP, TCFD and Science Based Targets initiatives.
- We undertake ongoing climate scenario analysis for all holdings, using three Network for Greening the Financial System (NGFS) scenarios (NGFS Orderly – Net Zero 2050; NGFS Disorderly – Delayed Transition; NGFS Hothouse – Nationally Determined Contributions).
- In addition to the core analysis outlined above, we undertake an Enhanced Climate Assessment to provide additional analysis of climate risks and opportunities pertaining to higher emissions/potentially higher risk current and potential holdings.
- We also undertake annual climate scenario analysis at a strategy level, presenting the findings to our Investment Management Committee (IMC).

In recent years, our work has evolved to encompass more analysis of climate-related factors, including

**“Not all physical and transition risks arising from climate change will be intuitively predictable”**

decarbonisation strategies, stranded asset risks and technological advances (both at an individual company and sector-wide level).

To support this work, the Research and Stewardship & Sustainability teams continue to receive periodic updates from a specialist energy transition-focused research provider, in addition to attending relevant conferences and seminars throughout the year.

## Managing climate risks

Our primary means of managing the climate risks of our clients' investments is through our fundamental company analysis, which applies across all investment strategies and clients. Through diligent research, we look to factor climate considerations into our ongoing analysis of holdings and avoid investments in companies that are likely to be impacted by climate change to an extent that would undermine the investment case.

We expect that all our investee companies have the ability to operate and grow in a range of future climate scenarios (including a Paris-aligned global economy), and that their business operations are resilient to physical climate risks under future scenarios.

Where we have concerns about a company's approach to climate risks, we will seek dialogue to facilitate greater understanding of its strategy and the challenges it faces. Regular engagement with management teams allows us to further appraise the depth of each company's assessment of climate-related considerations. These interactions afford us a greater understanding of the climate risks and opportunities faced by that business, enabling us to better evaluate the potential impact on the investment case.

It is the responsibility of the IMC to ensure that no portfolio is exposed to excessive risk of any form. We continue to refine the information provided to the IMC to help monitor and manage relevant and financially material climate risks. Since 2024, firmwide holdings and strategy level climate scenario analysis has been presented to the IMC.

Our climate-related analysis is updated at least annually. This analysis is subject to the collective scrutiny of the Research team at a formal annual review of each holding. While our research is proprietary, we augment our understanding of climate risks with information and analysis from external sources, including

## Categorising climate risks

### Physical risks

Defined as risks to our clients' assets arising from the physical manifestations of climate change and the associated costs. Physical risks can be chronic or acute and can include drought, rising sea levels, failed harvests, and extreme weather events, such as flooding and hurricanes, that damage the physical infrastructure. Costs can include higher insurance premiums, rising commodity prices and falling asset values.

### Transition risks

Defined as risks to our clients' assets arising from the anticipated move towards a less carbon-intensive economy. Potential transition risks include higher carbon prices and taxes, stranded assets, increased climate regulation and falling demand for carbon-intensive goods and services. Companies with high carbon emissions are usually more exposed to transition risks.

third-party research providers, academics, and subject-matter experts.

To provide additional ongoing monitoring of selected ESG risks, including those related to climate, we developed an ESG Risk Review. This quarterly management information pack utilises external vendor data sources to highlight the comparative performance of holdings and portfolios on selected ESG integration indicators.

The introduction of the ESG Risk Review complements our primary focus on bottom-up fundamental analysis of risks and opportunities, enabling us to monitor these in a systematic manner. It is intended to highlight potential issues and generate discussion and is therefore an input to our research process rather than a screen or portfolio construction tool.

## Engagement

We expect all our investee companies to disclose emissions data to the CDP and to report according to the TCFD recommendations. Doing so provides us with financially relevant climate information and data to use in a structured and useful way. Where this is not the case, we will engage to raise awareness of both initiatives. Where we consider it appropriate and constructive, we are open to engaging collaboratively with other investors, such as through the CDP initiative.

We recognise that in many markets there is still considerable work to be done to meet these disclosure standards. It is important to re-emphasise that our objective with monitoring and engagement is about creating value for our clients over the long term.



# Governance and resources

## Governance

The IMC is responsible for overseeing all investment activity at Walter Scott, including our approach to ESG Integration, Stewardship and Additional Objectives Portfolios. The IMC delegates responsibility for the governance and oversight of sustainability and stewardship to the ISSC, which has senior representation from relevant areas of the business, including the firm's Managing Director.

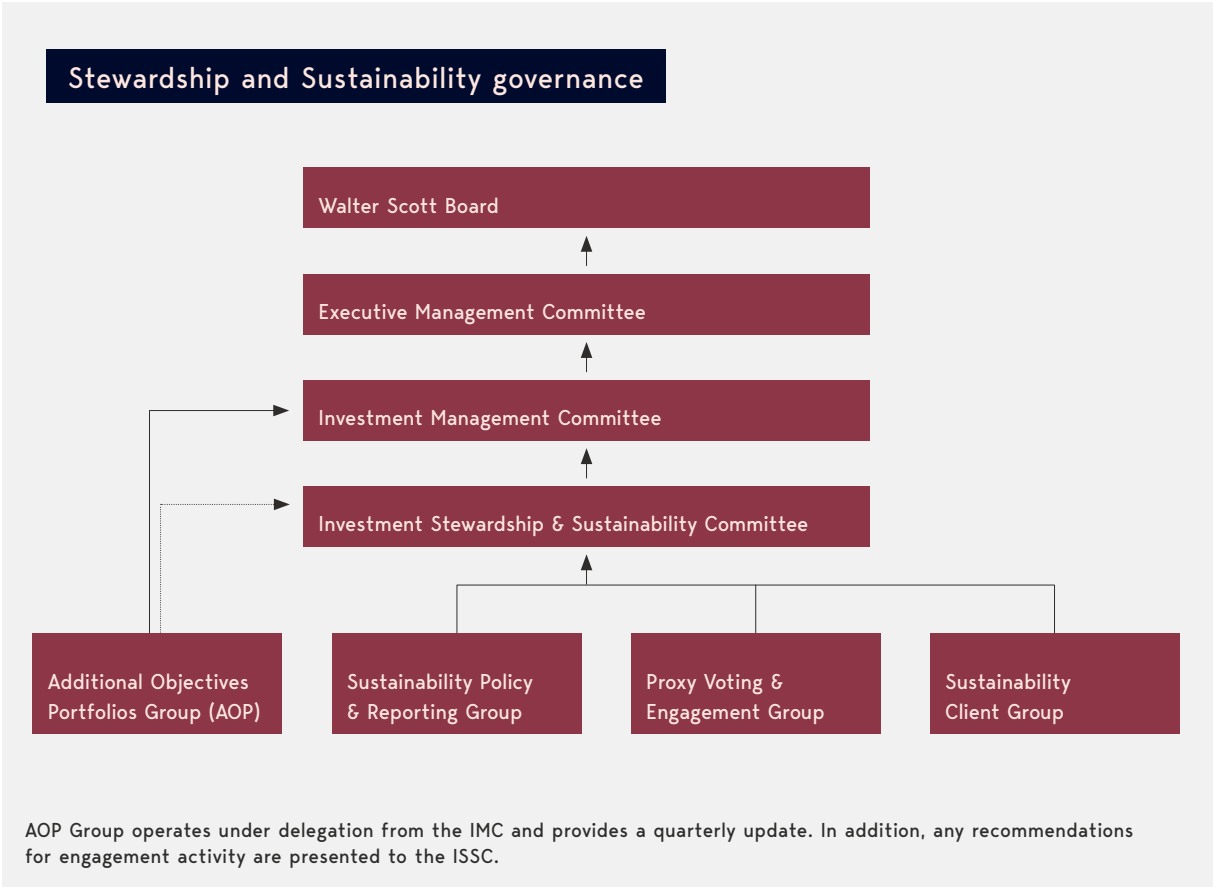
The ISSC has in turn delegated operational responsibility for key elements of its remit to specialist groups with representation from relevant parts of the firm (see chart).

Our Proxy Voting & Engagement Group supports our stewardship activities. Additionally, the Sustainability Policy & Reporting Group focuses on external reporting and emerging policy and regulations.

The Additional Objectives Portfolios Group implements our framework for assessing the suitability of investments for clients with additional social and/or environmental investment objectives. The Sustainability Client Group coordinates interactions with clients relating to additional stewardship or sustainability requirements.

## Resources

To support the firm's work in this area, in addition to the Investment team, we have dedicated resources in the Stewardship & Sustainability



team and several other senior positions where ESG Integration and Stewardship is a significant component of the role – see the chart below.

**Investment team**

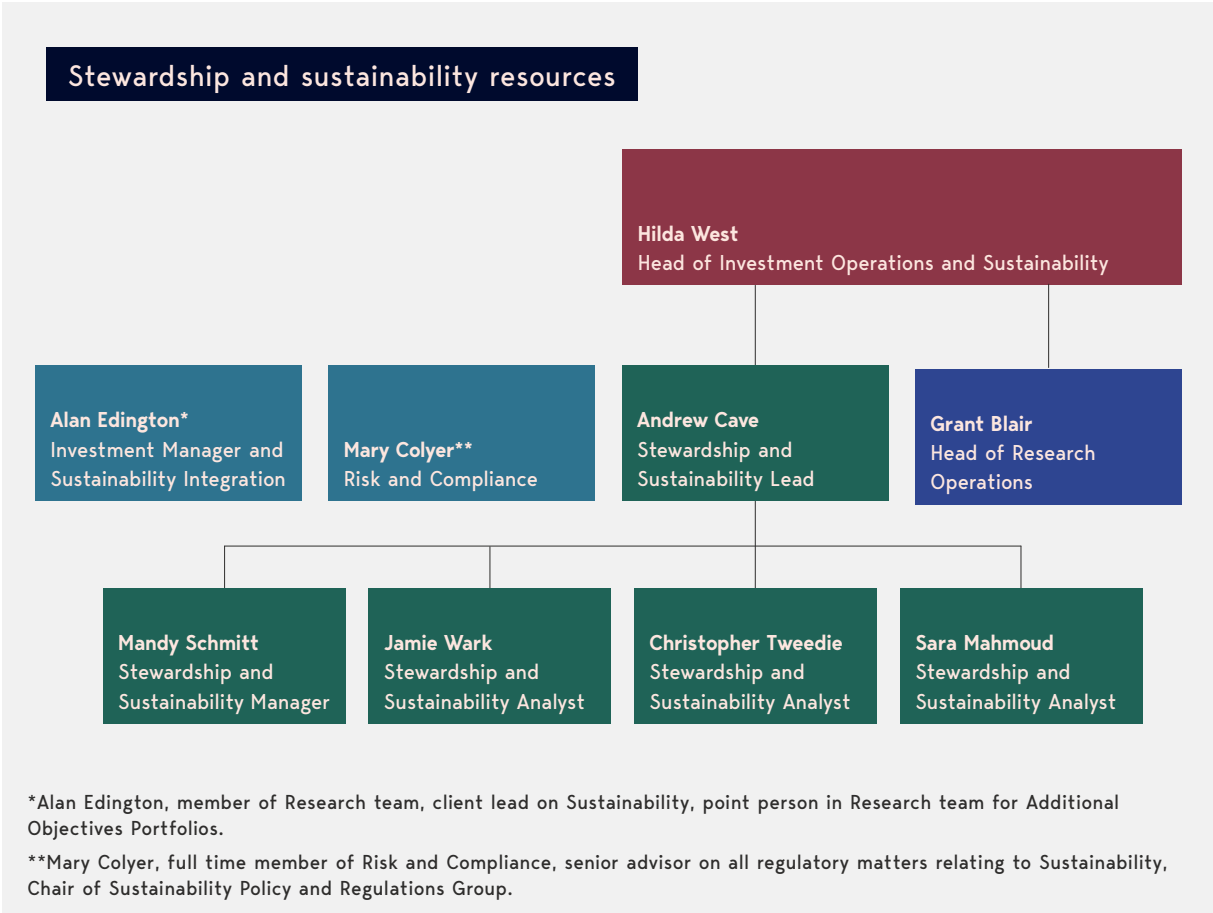
The Investment team comprises the Investment Executive and the Research team. The Research team consists of investment managers and investment analysts working collectively across all portfolios managed by the firm. A senior member of the Investment team also has additional responsibility for overseeing the ongoing integration of material ESG considerations into the investment process.

The individual members of the Research team – the stock champions – are responsible not only

for ESG analysis and research but also engagement and proxy voting. Furthermore, they are responsible for assessing, analysing and monitoring material sustainability risks and opportunities that make up part of an investment case.

**Stewardship & Sustainability team**

The Stewardship & Sustainability team works together with the Investment team to enhance and refine our approach to ESG Integration and Stewardship. The team also supports the firm’s external sustainability disclosures and the coordination of corporate governance and sustainability-related memberships and initiatives.



\*Alan Edington, member of Research team, client lead on Sustainability, point person in Research team for Additional Objectives Portfolios.

\*\*Mary Colyer, full time member of Risk and Compliance, senior advisor on all regulatory matters relating to Sustainability, Chair of Sustainability Policy and Regulations Group.

**“We consider effective client communication critical to what we do, and we have always prioritised client servicing resources accordingly”**

In addition to providing support in areas such as proxy voting analysis and the management of formal ESG-related engagements, the team provides supplemental information to investment colleagues:

- ESG Datasheet for all holdings.
- Climate risk analysis at both a company and portfolio level, and ongoing monitoring of ESG risks and controversies. Quarterly internal reports on material ESG risks.
- Periodic thematic research on topical ESG issues, such as biodiversity and labour-related supply chain risks.
- Article 8 EU SFDR company assessments and ongoing analysis for clients with additional sustainability requirements.

The team also supports the ISSC and Walter Scott’s own operational sustainability programme.

## Dialogue with clients

### Feedback from clients

Feedback is primarily gathered through conversations with clients in regular meetings over time. While we believe that is the most effective way of anticipating and reacting to client needs, particularly given the tenure of many clients, we do also on occasion ask for formal feedback. For several years, we have used a major US research house to survey clients and consultants to gather impressions across all aspects of client communications. Following a client event, we typically ask for feedback to help us plan for future events.

### Custom client requirements

Some of our segregated clients have specific investment restrictions laid out in their formal investment management agreement with us. Those restrictions are wide ranging, such as religious or ethical views on alcohol or tobacco, with climate-linked restrictions also increasingly demanded.

Restrictions are coded into our trade management and processing system, Charles River, and manual oversight checks are also undertaken.

### Client communication

We consider effective client communication critical to what we do, and we have always prioritised client servicing resources accordingly. While we have moved to more video conferencing in recent years, we do still place a priority on face-to-face conversations. With a relatively small number of clients and an institutional client base, our Client Service and Client Management teams are structured to allow regular conversations with clients, sharing information and views while also soliciting feedback.

Within those conversations, there continues to be interest in our stewardship activities. Reporting on our stewardship activities is via our response to the UK Stewardship Code and our Shareholder Rights Directive II disclosures, which provide details on engagements, proxy voting records and significant votes. A quarterly stewardship commentary is shared with clients and is posted on our website. Our quarterly management reports that we prepare for each client include information on proxy voting and engagement.

In addition to timetabled communications, we share our research and thoughts in other ways. Our Research Journal combines contributions from our Research team with those of external experts. Client events mirror our Research Journal, combining contributions from our Research team and external academics or industry experts with contributions from companies.

### Addressing conflicts of interest

We have organised activities to ensure the interests of our clients are always placed first and to avoid material conflicts of interest that cannot be managed in the best interests

of clients. Our Conflicts of Interest policy, available on our website, sets out our approach where conflicts are unavoidable.

## Procedures and controls

Walter Scott has established procedures to identify and manage potential conflicts of interest, including employee training, disclosure requirements, registration of interests, segregation of duties and, where appropriate, information barriers.

Regarding potential conflicts emanating from ownership or outside interests, the firm is 100% owned by BNY and there are strict compliance and review processes around any individual within Walter Scott taking on any external role, whether remunerated or not.

Regarding personal trading, Walter Scott has robust rules in place, with investments in single stocks prohibited.

## Potential conflicts relating to ESG

There are appropriate controls in place to manage potential conflicts of interest across a client base with differing sustainability and governance preferences. These include communicating our investment process to new and existing clients, the separate AOP process for those clients with additional sustainability requirements, and internal committee oversight. Furthermore, trading restrictions are coded into our trade management system to ensure adherence to client-specific investment objectives.

## Potential conflicts relating to Proxy Voting

Our Proxy Voting policy and associated procedures have been structured to ensure that only the interests of clients influence our voting decisions. Unless instructed to the contrary by a client, we perform proxy voting on their behalf.

Potential conflicts of interest may arise when we exercise our discretionary proxy voting authority on behalf of clients. For example, several clients

are corporate-sponsored pension schemes associated with companies in which we invest.

In the event of a potential conflict, the matter is referred to the PVEG to confirm whether the voting position in question is consistent with the Proxy Voting policy.

An example for a voting related conflict would be where the proponent of a shareholder resolution is also a client. The PVEG, with representation from the Risk & Compliance team, reviews the voting agenda as well as the proposed voting recommendation and evaluates if these are consistent with Walter Scott's Proxy Voting policy.

Should the PVEG be unable to reach a decision, the issue can be escalated to the ISSC for decision making, voting direction or consent from clients.

## Signatories and memberships



Underlining our commitment to the principles of stewardship and sustainability, and to provide access to additional research and insights, we are signatories to or members of several initiatives that we believe represent the best interests of clients.

## Training

Knowledge sharing and continuous development are important elements of our investment research process. The Research and Stewardship & Sustainability teams are encouraged to deepen their knowledge by attending seminars, conferences, and events.

In addition to relevant Stewardship & Sustainability team qualifications, several members of the

Research team have also completed training certificates in aspects of ESG and climate integration. We have a regular programme of external speakers to share insights and challenge our understanding of established and emerging ESG integration and stewardship issues.

## Technology use

AI tools are increasingly used by the Research team within the investment process to enable broad access to, and analysis of, information in an efficient manner. As AI technology advances, we anticipate a significant increase in potential use cases, and we will take advantage where appropriate. While AI tools are increasingly important for research and analysis, they do not play a role in investment decision making.

We have established an internal AI working group. Comprised of stakeholders from across the firm, it aims to ensure broad awareness of available AI tools and to encourage collaboration so that AI use cases are widely understood and the appropriate solutions applied.

## Service providers

External service providers are used to support our work on stewardship and sustainability. It is therefore important that we monitor the quality of data and information provided.

## Vendor review and monitoring

We conduct ongoing quarterly sustainability data governance reviews where we interrogate data for integrity and consistency.

We have procedures in place to monitor the data and service providers used within our investment process. Utilising the systems and processes of our parent company, BNY, we have extensive vendor management procedures. These procedures and checks not only cover the take on or cessation of a vendor but they also require ongoing monitoring.

While dialogue must be ongoing, that annual review is structured to include consideration of any previous issues as well as possible improvements. Where the relationship or service provided is material to the business, a meeting with documented notes, rather than an exchange of correspondence, is required.

Because investment decisions do not rest on a single data point or input from an external research or service provider, there is no need to use a specific source or provider of external research. However, there is value in gathering data to help build a long-term investment case for a particular company, and the Research team is given the resources it needs to undertake that work, be that through general and broad services, such as Bloomberg, or specific inputs on environmental data.

## Ongoing review

We continue to evaluate our core ESG data providers and to consider potential additional data providers. With new providers in the market, as well as emerging technologies, we will keep this area under regular review. We consider that we have access to the relevant ESG vendor data to supplement our fundamental investment analysis.

“While AI tools are increasingly important for research and analysis, they do not play a role in investment decision making”

# ANNUAL STEWARDSHIP AND SUSTAINABILITY ACTIVITIES UPDATE

## Introduction

2025 marked another year of solid progress for Walter Scott in this area of our business. Our Research and Stewardship & Sustainability teams worked collaboratively to strengthen and refine our ESG integration approach. This included expanding the information available to stock champions through an enhanced ESG datasheet, as well as completing thematic research on biodiversity and labour-related supply chain risks.

In addition, the Stewardship & Sustainability team expanded its support for the Research team, including in areas such as climate risk analysis and assessment of the suitability of companies for our products that make disclosures under Article 8 of the EU Sustainable Finance Disclosure Regulation (SFDR).

We believe that our firm's size and investment philosophy provide an excellent platform for ESG integration, stewardship and sustainable investment requirements. Active long-term ownership of portfolios and a focus on fundamental research requires insightful ESG research, thoughtful proxy voting and meaningful company engagement.

Our ongoing objective is for stock champions to be supported by specialist analytical resources. In addition, we recognise the value of portfolio level and thematic insights into material ESG related risks. This work is primarily led by the Stewardship & Sustainability team and complements existing support for proxy voting and engagement activities.

We believe that this approach provides the best overall balance between understanding emerging and current ESG insights on one hand and determining the ultimate financial materiality of such issues on the other. We are confident that our resources and approach stand us in good stead for the future.

## ESG research update

A review of the year's company engagements serves as a useful reminder of the breadth of corporate governance and sustainability issues facing today's management teams. From perennial areas of focus, such as carbon emissions and environmental pollution, to more recent additions, like AI and cybersecurity, the list of sustainability-related risks and opportunities seems to grow longer every year.

This growth demands that we maintain high levels of research, analysis and engagement to help us understand as fully as possible the underlying drivers of each issue and how they potentially impact the companies in our portfolios. Reflecting this, the Research team was fittingly busy from a sustainability perspective in 2025, whether at their desks in Edinburgh, on the road in company meetings or attending relevant conferences and events.

Noteworthy examples of the latter include investment manager Des Armstrong's trip to CERAWEEK, the world's premier energy conference held each year in Houston, Texas. With over 450 C-suite executives, 1,400 speakers, and 10,000 attendees from 89 countries, no other forum offers such a comprehensive overview of the energy world.

## Key ESG issues researched and discussed with held companies in 2025

**Artificial intelligence** – Experian, Mastercard, Microsoft

**Energy transition** – Air Liquide, Linde, TotalEnergies

**Executive remuneration** – Adobe, Coloplast, CSL

**Senior management change** – Lonza, Novo Nordisk, Wolters Kluwer

**Supply chain governance** – Booking Holdings, Inditex, TJX Companies

Geopolitics, AI, government policy, nuclear power, renewables and mineral supply chains were among the topics on the agenda, all issues with potentially financially material ramifications for companies across the portfolios.

Fellow investment manager Alan Edington attended the Council of Institutional Investors (CII) Fall Conference in San Francisco, California. As with CERAWeek, the agenda spanned a broad array of topics, including AI ethics, the influence of proxy adviser firms, tariffs, and recent changes to US corporate law. Due to the formidable convening power of the CII, these events are valuable indicators of how the wider investment community is approaching sustainability issues.

Back in Edinburgh and working with colleagues in the Stewardship & Sustainability team, members of the Research team collaborated on a biodiversity-related risk-mapping exercise across portfolios.

The consequences of biodiversity loss for businesses across a range of sectors are potentially significant, with reputational risks also prevalent for companies involved with a number of specific commodities. You can read more about this exercise, which will

continue to inform our company-specific analysis, on page 24.

Reflecting the team's ongoing commitment to training and knowledge sharing, we invited several external speakers to present on relevant topics. Sean Brocklebank, Senior Lecturer at Edinburgh University's School of Economics, spoke on drug pricing regulation, and regulation and governance in the banking sector. Rob West, founder and lead analyst at Thunder Said Energy, presented on the current challenges and opportunities stemming from the global energy transition. Internally, the Stewardship & Sustainability team presented on the SEC's updated guidance on proxy voting and engagement.

### **ESG research vendor review and monitoring**

In 2025 we conducted quarterly sustainability data governance reviews where we interrogated data for integrity and consistency. We also continued to evaluate our core ESG data and proxy information providers and to consider potential alternative or additional data providers. We met with both of our core ESG data and proxy information vendors in 2025 to review the service provided and to give feedback on potential areas for development.

“The consequences of biodiversity loss for businesses across a range of sectors are potentially significant”

## Mapping the big four commodities driving deforestation

Biodiversity loss can disrupt ecosystems, diminishing their ability to provide essential resources like food, clean air and water, while potentially accelerating the spread of diseases.

Increasingly, the issue is also being viewed through an economic lens. The World Economic Forum estimates that over half of global GDP is “moderately or highly dependent on nature and its services”. From water shortages putting stress on global supply chains, to deforestation reducing the availability of valuable commodities, the loss of “natural capital” may have implications for businesses across a range of sectors. For some companies, the risks are not only operational, but potentially systemic.

### Regulation is coming

With the current rate of global biodiversity loss now higher than at any other time in human history, several regulators and policymakers are placing greater emphasis on biodiversity-related financial risks.

As the potential economic consequences of nature loss are better recognised, it is important that we understand as fully as possible the financially material biodiversity-related risks faced by the companies in which we invest. Reflecting this, last year we undertook a biodiversity-related risk-mapping exercise across our portfolios.

Our research was guided by the Taskforce on Nature-related Financial Disclosures (TNFD), which provides guidance for companies and investors on how best to consider nature and biodiversity-related risks and impacts.

TNFD divides nature into four “realms”: land, ocean, freshwater and atmosphere. Biodiversity refers to the variability among living organisms that is essential to the

productivity, resilience and adaptability of ecosystems within these realms.

Based on our review of this guidance and the sector weightings in our portfolios, our initial assessment focused on deforestation. The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services has identified four commodities as key drivers of deforestation: beef, palm oil, soya and timber. Despite limited data availability on biodiversity loss, there is readily available data specific to these four commodities, which we considered when assessing our portfolio holdings.

As anticipated, the mapping exercise revealed only a relatively small number of companies in our portfolios with exposure to one or more of the four commodities. The number with direct exposure is even smaller.

### Palm oil: a complex crop

Of the four commodities, palm oil carries a high potential deforestation risk. Appearing in almost half of all supermarket packaged products, palm oil can be found in food, cosmetics and cleaning supplies. It is also used in biofuels and as a cooking oil.

Valued for its stability and versatility, oil palm is an incredibly easy and efficient crop to grow, yielding around 40% of the world’s vegetable oil demand on just under 6% of the land used to produce all vegetable oils. This makes it lucrative for growers, who have responded to huge global demand by increasing production, in Indonesia and Malaysia in particular, which collectively account for around 85% of global production.

Due to the potential for deforestation, there have been frequent calls to abstain from using palm oil. However, Procter & Gamble (P&G) shows there could be a more nuanced approach.

## “Appearing in almost half of all supermarket packaged products, palm oil can be found in food, cosmetics and cleaning supplies”

P&G uses palm oil in its fabric care, home care and beauty products and it is estimated to use around 0.6% of global palm oil produced annually.

P&G’s answer to those who demand that it phase out palm oil concerns the lack of viable and scalable alternatives. Palm oil is a natural, high-yielding substitute for many petroleum-based products. Replacing production with lower-yielding vegetable oil crops could potentially lead to increased deforestation and land degradation in other regions of the world.

Rather than explore sub-optimal alternatives, P&G believes it can best mitigate deforestation through responsible supply chain management and an adherence to appropriate regulatory and industry standards. In that respect, the company can point to considerable progress since 2020, when two-thirds of shareholders voted for a shareholder proposal encouraging the business to “*eliminate deforestation and the degradation of intact forests in its supply chains*”. As a member of the Roundtable on Sustainable Palm Oil (RSPO), P&G’s brands have used 100% RSPO certified palm oils since 2021.

When framing the debate around palm oil, we believe it is important to distinguish between mature production – those large-scale plantations already in existence – and further expansion into tropical forests

with high conservation value. P&G’s sourcing policy adheres to the ‘No Deforestation, No Peat and No Exploitation’ commitment, and it regularly publishes a list of tier-one suppliers, all of whom are expected to be members of RSPO.

The use of environmental satellites enables P&G to monitor its supply landbank in real time to mitigate potential deforestation. Over 18.9 million hectares of supplier landbanks in Indonesia, Papua New Guinea and Malaysia are currently monitored. In 2024, 99.95% of landscapes monitored were found to be “free of deforestation or conversion issues”. Where issues were identified, the business has engaged with suppliers on remedial action.

### Disclosure and mitigation

We believe that by recognising the financially material risks to its business and by adopting robust mitigation measures, P&G exemplifies a proactive yet pragmatic approach. Sufficient disclosure also enables external assessment of the materiality of the company’s biodiversity risks and the appropriateness of its mitigation measures. This can then be augmented through ongoing engagement with management.

We think companies should as standard adhere to relevant regulations, maintain good levels of disclosure and take appropriate mitigation steps. As biodiversity loss accelerates, potentially impacting asset values and long-term returns, it is important that exposed companies and investors understand and assess the associated risks.

Similar nuances and considerations apply to the other three commodities (beef, soya, timber) that were included in our risk-mapping review, which we think emphasises the importance of undertaking fundamental company-level analysis on such issues, in addition to portfolio-level thematic research.

# Engagement

We believe engagement with companies is central to good stewardship on behalf of our clients. Through constructive dialogue with company management, we seek greater insight into the risks and opportunities that can affect a company's ability to deliver long-term value for clients.

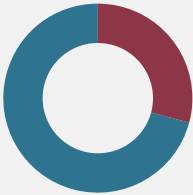
Engagement also gives us a platform to recommend improvements that we believe can enhance the long-term financial performance of a company.

Engagement in 2025 was as extensive and as wide-ranging as ever. Covering a diverse inventory of topics, the Research team discussed sustainability-related considerations at more than 270 company meetings. From supply chains and shareholder return policies to executive remuneration and labour relations, the focus

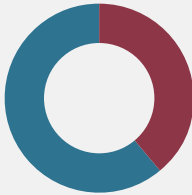
was always guided by financial materiality and the potential implications for our long-term investment case.

Unsurprisingly, AI was a common point of discussion. As the technology moves into the mainstream, the ramifications from a sustainability

## Company meetings

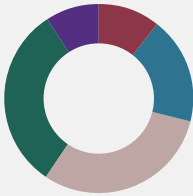


● Sustainability discussed – 272  
● No sustainability content – 656



● Owned companies – 363  
● Non-owned companies – 565

## Equity company – ESG category selected



● Carbon risk and climate change – 13%  
● Environmental considerations – 22%  
● Governance – 37%  
● Human and social capital – 38%  
● Other – 11%

\*More than one category might be raised in a single meeting.

perspective are far reaching. Whether it's the environmental implications of energy-intensive datacentres, legal challenges arising from alleged copyright infringement, or the fallout from labour market disruption, company management teams are having to grapple with a raft of new risks.

AI presents opportunities too, however. While much of the narrative to date has focused on the technology's potential to spark innovation and secure significant productivity gains, there should also be rewards for those companies with sound AI governance and transparent disclosure, whether through enhanced customer trust or the mitigation of regulatory and reputational risk.

Our engagement with several investee companies in 2025 provided valuable insights into how they are navigating this rapidly evolving landscape and the potential financial materiality of AI-related challenges.

**Mastercard**, for example, is playing a vital role in establishing the guardrails and protocols necessary to build trust and security in agentic commerce.

By only training its models on proprietary, legally sound data, **Adobe** aims to position itself as the go-to provider of commercially safe generative AI.

In the music industry, the advent of generative AI is creating risks around copyright infringement. **Universal Music Group** is at the forefront of the fight against illegal consumption of protected intellectual property, heading up industry initiatives to develop appropriate AI guardrails.

In line with previous years, we encouraged investee companies to align their reporting with the Task Force on Climate-related Financial Disclosures and the CDP disclosure framework. Alignment gives investors a better understanding of a company's approach to the financial and operational implications of climate-related risks and opportunities, as well as providing a simple and consistent framework for obtaining comparable and useful information.

The emphasis of our engagement work was on 'business as usual' meetings with management teams and independent board directors alike, providing a forum for our Research team to ask for further information on topics that we deemed to be materially relevant to long-term financial performance. These meetings are also an opportunity to provide feedback, challenge management, and express our views on strategic direction. However, we also initiated several formal engagements on specific issues that we believed would be better addressed through a more structured engagement framework.

The following pages include examples of business-as-usual and formal engagements.

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## BUSINESS AS USUAL

### Booking Holdings

#### **Social considerations and human capital: online travel listings in dispute and conflict-affected territories**

Our research identified property listings in disputed and conflict-affected territories on Booking Holdings' online travel platform. The company attributes the presence of these listings to the platform's self-sign-up model, as well as its in-house approach of only refusing listings in locations where there is a legal requirement to do so.

Booking is conscious that these listings could expose it to human rights risks. To help mitigate this and to avoid exacerbating the situation of the territory in question, the business conducts heightened due diligence where appropriate and will act if it identifies evidence of discrimination or other human-rights abuses.

While it is legitimate to ask if the very small revenues from these territories justify the potential risks, we understand this is a nuanced issue – Booking does not want to deny revenue streams to legitimate groups. Reflecting this, we think that the business has the appropriate policies and procedures in place and is managing the risks that come with its approach well.

## Cognizant Technology Solutions

### **Social considerations and human capital: changes to US work visa rules**

In the US, many technology and IT consulting firms rely heavily on foreign-born employees with H-1B visas, which are granted for roles that require “specialised knowledge.” Indian nationals account for nearly three-quarters of all H-1B holders.

Following the announcement that the US government planned to impose a US\$100,000 fee on new H-1B applications, we spoke with Cognizant Technology Solutions to assess the potential impact of the proposed fee.

Headquartered in the US, but with most of its workforce based in India, Cognizant has been gradually reducing its reliance on H-1B visas, with application volumes declining significantly in recent years. That trend is expected to continue into fiscal year 2026 due to stricter guidelines and increased scrutiny. Currently, fewer than 10,000 Cognizant employees in the US hold an H-1B. Since the new fee applies only to fresh applications, the financial impact for the current fiscal year is therefore expected to be minimal.

Looking ahead, the company is exploring mitigation strategies such as increased local hiring and nearshoring. Ultimately, customer preferences will guide the approach.

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## TotalEnergies

### **Environmental and climate considerations: impact of US policy on energy industry**

The impact of changing public policy on the energy industry was on the agenda when we met with TotalEnergies early in the year. The French integrated energy major has a diverse range of assets in the US, from oil and natural gas to wind and solar.

The business expects LNG (liquefied natural gas) development to be aligned with the administration’s policy goal of energy independence. This should

benefit Total, with its Rio Grande LNG facility in south Texas expected to come online in 2027. The project will add 5.4 million tonnes per year of US LNG to the company’s global portfolio, taking the figure to 15 million tonnes by 2030. Furthermore, there is potential to expand the Cameron LNG facility in Louisiana.

More broadly, the business believes the key to navigating the shifting sands of geopolitics is consistency, which builds trust with shareholders and stakeholders. For Total, this means continuing to invest in hydrocarbon projects, while retaining a balanced portfolio that is transitioning in line with policy by reinvesting some of the proceeds from these highly cash-generative assets into its low-carbon Integrated Energy portfolio.

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## O’Reilly Automotive

### **Environmental and climate considerations: impact of EVs on the US automotive parts market**

The evolution of the electric vehicle (EV) market in the US was discussed during a call with O’Reilly Automotive. The key question: should we be worried about the future of an auto parts business given EVs require less maintenance than internal combustion engine vehicles?

Operationally, O’Reilly is confident that the business has the necessary products, services and employee experience to establish a strong position in EVs as and when this part of the market builds serious scale.

For now, however, the scale of the EV market in relation to the total US car fleet remains negligible and its impact on the automotive aftermarket is limited. O’Reilly believes the total cost of ownership is acting as a headwind to EV sales. Maintenance is expensive relative to traditional combustion engine vehicles, in part due to the toll the weight of the vehicle takes on brakes and tyres. A lack of investment in charging infrastructure is also inhibiting more widespread adoption.

We remain confident that O’Reilly has years of growth ahead uninhibited by EV penetration. When

these vehicles do penetrate more of the market and therefore become a material part of the aftersales market, we consider O'Reilly is doing the right things to be a leader in this space.

## Wolters Kluwer

### Corporate governance: succession and key-person risk

Following the appointment of a new CEO in 2003, Wolters Kluwer underwent a highly successful transformation from a traditional publishing business into a digital publishing and software solutions company. Over this period, the company's market capitalisation increased tenfold. Given the scale of this achievement, the decision of the CEO to retire understandably prompted some investor anxiety. The key question is whether the incoming CEO is well placed to build on this impressive track record.

There is strong confidence in the successor's credentials. Although external candidates were considered as part of a rigorous search process, the board ultimately concluded that the internal candidate was, by a clear margin, the best person

for the role. With more than three decades at the firm, including leadership of two of its largest divisions, the individual had long been regarded as a credible future chief executive.

We are confident that the new CEO brings a deep understanding of the business alongside the leadership qualities required for continued success. To ensure continuity, the outgoing CEO will remain involved for a further 12 months, with the handover scheduled for February 2026. We welcomed this disciplined and well managed succession process, which we view as particularly important during periods of senior management transition.

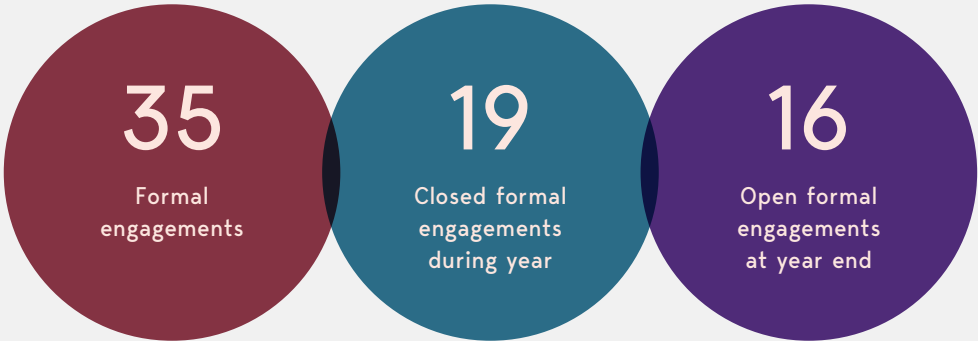
## FORMAL

### TJX Companies

#### Social considerations and human capital: supply chain disclosure *Initiated Q3 2025*

We have engaged with off-price retailer TJX Companies to encourage additional disclosure on the scope and scale of its supplier factory audit

### Formal engagements in 2025



programme. In our view, greater disclosure will allow investors to better understand and evaluate TJX's supply chain risks and reduce the risk of potentially financially material reputational damage. We have also asked the business to consider participating in one or more collaborative initiatives aimed at improving standards in this area.

While TJX has clear sustainability policies and a public commitment to setting and maintaining high standards in its supply chain, we conducted a benchmarking exercise that highlighted several areas where the company lags industry peers.

The engagement has a particular focus on improving disclosure on 'Made for TJX' inventory: fashion and apparel items that are neither TJX's own label nor widely recognised third-party brands of companies with their own public supply chain disclosure.

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## **Dassault Systèmes**

### **Corporate governance: revenue reporting**

*Initiated Q4 2025*

We asked Dassault Systèmes to provide investors with more detail on the company's revenue model. The varied structures of the company's cloud and on-premise contracts are causing increasingly lumpy revenue and cash flow numbers. Management appears to struggle to guide the market accurately in this context and this has resulted in some negative share price moves following results announcements.

In our view, giving more detail to the market to allow a better understanding of the potential for and reasons for lumpy revenue and cash flows could help mitigate against large price moves. This should also provide investors some reassurance about Dassault's ongoing growth prospects as more of the company's offering transitions to a subscription model.

Having communicated to the company how it might improve its approach, we were asked to put our thoughts in writing for management to consider further. The engagement is ongoing.

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## **Inditex**

### **Social considerations and human capital: supply chain disclosure**

*Initiated Q3 2025*

Unlike most of its 'fast fashion' peers, Inditex does not publish a full supplier list, potentially exposing the business to unnecessary reputational and commercial risks. This lack of transparency not only limits shareholder oversight but also creates financially material risks under emerging due diligence regulations and heightens the potential for reputational damage if labour violations surface. During a call with the company, we asked for further detail on its current stance.

While reiterating a commitment to transparency, citing extensive existing supply chain reporting, management explained that non-disclosure reflects the highly dynamic nature of Inditex's supply chain, accuracy concerns and proprietary considerations. The present approach also reflects scepticism about the value of public lists, which often provide only limited transparency or due diligence benefit.

However, the company acknowledged that non-publication does risk reputational damage and possible misinterpretation by external observers. As such, the business is open to revisiting its approach should technology enable more accurate, less-burdensome reporting. We will continue our engagement on this issue in subsequent meetings to assess progress.

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### **Collaboration**

In 2025, we were a lead signatory in CDP's non-disclosure campaign, engaging with seven portfolio companies and encouraging them to respond to the CDP questionnaire.

We recognise that all investment firms must play a part in encouraging well-functioning markets and financial systems. Despite our size, we do believe it is incumbent upon all to proactively collaborate to address challenges and improve standards where possible. Through our membership of the Investment Association, we participated in several industry initiatives and working groups.

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### Identifying, assessing and responding to systemic risks

We believe that well-functioning markets require companies to identify and address existing and emerging systemic risks that have the potential to impact the financial system and wider economy.

Systemic risks can include issues such as climate change, biodiversity loss, water availability and developing and maintaining ethical, accountable and human-centric artificial intelligence.

Political and regulatory changes can also present systemic risks, as well as widespread changes in corporate governance when adopted across multiple markets. In 2025 we took account of relevant systemic risks in our fundamental company research, in our thematic ESG research projects and in our climate scenario analysis.

We also raised and discussed the management of systemic risks with several holdings where we deemed the issues to be material to a company's operations.



# Proxy Voting

Considered proxy voting strengthens our ability to be engaged owners of companies on behalf of our clients. It helps us to promote effective corporate governance and the prioritisation of long-term shareholder value creation.

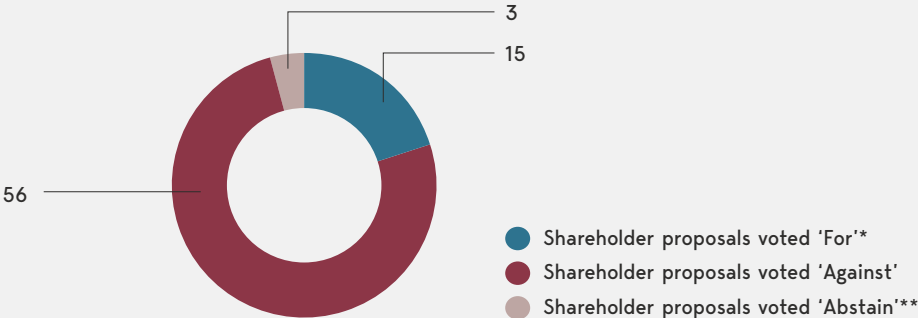
Voting complements our engagement with leadership teams by allowing us to express our views on specific issues to protect and promote the best long-term financial interests of our clients.

This year's proxy voting season took place against the backdrop of a fast-evolving regulatory landscape in the US. There was a marked decline in the number of sustainability and governance focused resolutions, particularly those relating to environmental and social factors following the introduction of new SEC guidance. Support for those that did make their way onto proxy ballots was broadly stable compared to the prior year, however, this was

skewed again towards governance-related resolutions rather than those addressing environmental and social issues.

Europe witnessed a similar decline in ESG proposals, albeit shareholder resolutions are typically less prevalent due to local regulations and ownership structures. Shareholder support, notably for environmental and social resolutions, was far higher in Europe than in the US, however.

## Shareholder proposals



\*We supported 12 shareholder proposals where management either recommended a vote FOR or where no recommendation was provided – 11 related to director elections and one related to capitalisation. We also supported three shareholder resolutions against management's recommendation.

\*\*All abstentions due to voting mechanics in relation to Brazil's Remote Voting Card.

## Proxy Voting case studies

### CSL

#### Corporate governance: remuneration report

We met with senior representatives of CSL, which recently faced significant dissent regarding its 2024 remuneration report. With over 25% of votes cast against the remuneration proposal, CSL received its first strike under the Australian Corporations Act.

Following the vote and to help avoid a second strike the company conducted shareholder outreach to gather feedback on the reasons for the opposition.

The “two strikes rule” is a legislative measure designed to enhance accountability among corporate directors regarding executive compensation. If a company receives a first strike, the board is expected to engage with shareholders and address concerns in the next remuneration report. If, at the following AGM, the remuneration report again receives 25% or more votes against, the company receives a second strike, triggering a spill resolution vote and a potential spill meeting where all board positions other than that of CEO are declared vacant.

From conversations with those who voted against, it appears that while most believed the remuneration framework was sound, there were some concerns around:

- The level of stretch in performance targets for the long-term incentive plan (LTIP).
- The size of the downward discretion applied to the former CEO’s LTIP vesting in September 2024, which was not considered to be sufficient.

CSL’s board discussed the feedback and agreed that more care could be taken around

targets, and that the business could do a better job of communicating the reasons for the use of discretion.

This was the first time that CSL had used discretion in its executive remuneration. Five directors, including the CEO, had their LTIP awards reduced by 20% due primarily to the underperformance of CSL’s Vifor business. While the board viewed Vifor’s struggles as a collective leadership issue, Australian proxy advisers suggested the CEO to be held to higher account.

This latter factor goes some way to explaining the extent of the vote against. While the global proxy advisory firms ISS and Glass Lewis recommended a vote for, a local advisor and the Australian Council of Superannuation Investors, which advises the large Australian Super funds, suggested a vote against. While domestic advisers consider these issues in a purely Australian context, CSL must remain competitive in a global pharmaceutical market. We consider the company’s approach in line with international best practice and voted in line with management’s recommendation. However, we welcome greater rigour and less discretion being applied by the board.

### Amazon

#### Environmental and climate considerations: impact of datacentres on climate commitments

A shareholder proposal at Amazon’s AGM requested that the company issue additional reporting on the impact of data centres on its climate commitments.

Specifically, the proposal sought greater clarity on how Amazon “will meet the climate change-related commitments it has made on

*greenhouse gas emissions, given the massively growing energy demand from artificial intelligence and data centers that Amazon is planning to build.”*

Responding to the proposal, management emphasised that the business remains focused on meeting its climate goals, providing “regular, public updates on our progress, initiatives, and work to meet our goals, including our efforts to reduce the carbon footprint of artificial intelligence (“AI”) workloads and to make our new data centers more sustainable”. The response also drew attention to the ongoing reduction in Amazon’s absolute carbon emissions and its efforts to decouple emissions and business growth.

We voted against the proposal, agreeing with management that Amazon’s current public reporting made the report requested by the proposal “unnecessary”. We also noted the company’s existing sustainability initiatives and the decline in absolute carbon emissions and intensity.

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### **Alimentation Couche-Tard Corporate governance: use of virtual-only AGM**

In 2024, we voted against a shareholder proposal calling for Alimentation Couche-Tard to hold a hybrid AGM (in-person and virtual) rather than a purely virtual meeting. While we informed the company that we would have preferred an in-person option to be retained until best practice on virtual only meetings was established, we also took the view that there was no reason why a virtual format should not allow for fair shareholder participation and engagement, if conducted properly.

Our view aligned with Couche-Tard’s argument that: “given the geographically diverse shareholder base and significant carbon

*footprint reduction, there is no need to oppose virtual only meetings, as long as there are fair processes for participation in place”.* Our experience of the AGM itself was mostly disappointing, however, with engagement impacted by limited speaker visibility and poor translation voiceovers. That said, there were also positive elements as the proponents of shareholder resolutions were given airtime to defend their proposals.

At the Couche-Tard AGM 2025, we were pleased to observe a notable improvement in format, with the addition of live speaker videos significantly enhancing clarity and engagement. The shareholder proposal requesting to “Hold Annual Meetings of the Company in Person with Virtual Meetings as Complements” was on the agenda again and we maintained our position.

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### **Novo Nordisk Corporate governance: board personnel changes**

In October, Novo Nordisk announced the departure of seven members of its board of directors, including the chair and vice-chair. The sudden move reflected a dispute between the board and the company’s largest shareholder, the Novo Nordisk Foundation, about future board composition.

In place of the outgoing directors, the Foundation proposed five candidates for election. The list of the proposed board members included former Novo Nordisk CEO Lars Rebien Sørensen as chair.

We opted to support the election of the Foundation’s proposed candidates. Despite some reservations about the speed of the board overhaul, we took the view that it was more important that Novo had a suitably qualified board of directors that enjoyed both

the support of the Foundation and minority investors. There was no evidence to suggest that the nominees were not credible candidates to serve in the best interest of shareholders.

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## Microsoft

### Social considerations and human capital: increase human rights disclosure

For the third year in a row, we voted for a shareholder proposal requesting that Microsoft *"commission a report assessing the implications of siting Microsoft cloud datacentres in countries of significant human rights concern, and the Company's strategies for mitigating these impacts."*

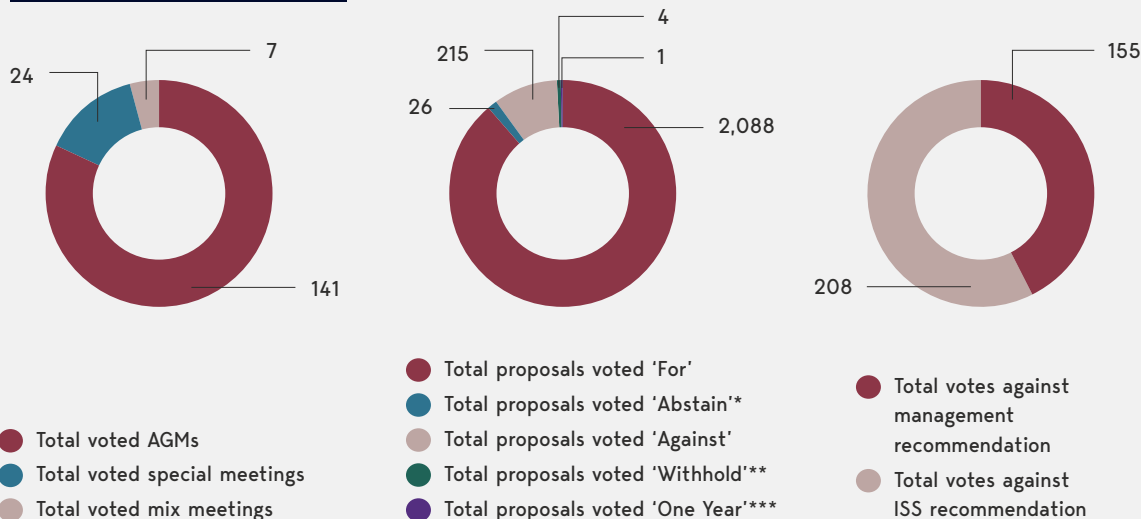
The proposal cited Microsoft's plans to expand datacentre operations to locations identified by the US State Department as presenting significant human rights challenges. There are concerns that these governments might access data, potentially threatening human rights more broadly.

Recommending shareholders oppose the proposal, Microsoft drew attention to its existing disclosures relating to human rights risks and its commitments to protecting user privacy and freedom of expression. Acknowledging that the issue is of interest to shareholders, the company stated that it had responded to the continued refiling of this specific proposal by regularly enhancing the publicly available explanation of its policies and practices.

While we agree that Microsoft provides good human rights-related disclosures, its assurances and due diligence processes stop short of outlining how these will be enacted or enforced. And as the company expands its datacentre presence in high-risk countries, exposure to human rights-related reputational and legal risks will only increase. Given we consider these risks to be potentially financially material, we think additional disclosure on due diligence in this area would enable us to better evaluate Microsoft's risk management processes.



## Proxy Voting overview



\*All abstentions due to voting mechanics in relation to Brazil's Remote Voting Card  
 \*\*Withheld due to plurality vote standards, where Walter Scott was unable to vote 'Against'  
 \*\*\*Relates to our preferred frequency on 'Say on Pay'.

## Rationale for votes against management's recommendation



This voting summary for the full year 2025 reflects the votes cast by Walter Scott & Partners Limited during the period on behalf of our clients for whom we have full voting discretion. 100% of votes were submitted to ISS where we had the authority to do so in 2025. Full voting records on a quarterly basis, including a rationale for any votes against management recommendations, and our voting on shareholder proposals (both against and in line with management's recommendation), can be found on our website. Our Shareholder Rights Directive II (SRD II) disclosures also provide detail regarding significant votes.



**WALTER SCOTT**

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Walter Scott & Partners Limited, One Charlotte Square, Edinburgh EH2 4DR  
Tel: +44 (0)131 225 1357 · Fax: +44 (0)131 225 7997 · [www.walterscott.com](http://www.walterscott.com)

Registered in Scotland 93685. Registered Office as above.  
Authorised and regulated by the Financial Conduct Authority.

FCA Head Office: 12 Endeavour Square, London E20 1JN · [www.fca.org.uk](http://www.fca.org.uk)