
Environmental, Social and Governance

POLICY

1. SCOPE

Environmental, Social and Governance considerations are an important and integral part of Walter Scott's investment philosophy and process, underpinned by the firm's following policies:

- Response to the UK Stewardship Code
- Response to Japan's Stewardship Code
- Proxy Voting Policy

Where Walter Scott manages assets for a publicly listed company, the client relationship has no bearing on Walter Scott's investment perspective on the company, nor on engagement with company management nor on proxy voting.

2. INTRODUCTION

Walter Scott believes that investing in a company carries with it the responsibility to consider and monitor how the company operates with regard to all stakeholders as well as the environment.

Within the investment management industry a wide range of terms are used to describe environmental, social and governance (ESG) considerations, such as socially responsible investing (SRI), sustainable investing, ethical investing, corporate and social responsibility (CSR) and responsible investing (RI); at Walter Scott the term 'sustainability' encapsulates all of these concepts.

3. INVESTMENT PHILOSOPHY AND PROCESS

Walter Scott is solely focused on global equity investing on behalf of its clients. The firm's core conviction is that over the long term, returns to shareholders can only ever be as great as the wealth generated by the underlying businesses in which they are invested. The primary task is identifying companies capable of sustaining high rates of wealth generation over the long term. Walter Scott's investment philosophy and process, within which sustainability is an integral part, have been consistently applied since the firm was founded in 1983; all companies are analysed and monitored in-depth. The investment rationale for every stock held is built around long-term ownership with no defined expectation of sale. The search for longevity of compound returns goes hand in hand with the concept of sustainability.

Successful investing relies on an ability to discern all factors that might influence a company's valuation, at both the time of purchase and in the future. With a sole focus on 'bottom-up' investment, Walter Scott's investment process is structured to avoid companies where ethical, governance, environmental or social standards are deemed to put the achievement of the long-term portfolio return targets at risk.

Walter Scott believes that responsibility for decision making in the ESG arena should not be delegated. The firm's approach is balanced, professional, based on sound and experienced judgement and free from any political or emotional agenda that may not serve in our client's best interests.

For Walter Scott, good stewardship means acting as a responsible owner on behalf of the firm's clients thereby creating investment opportunities and decreasing investment risk. Below are some examples of how this is achieved:

- The consistent application of the firm's investment philosophy and process.
- In-depth analysis and monitoring of companies - Walter Scott's research process is built on the following foundations: (1) detailed analysis of audited financial statements and non-financial information; (2) qualitative company and industry research; (3) decision making and (4) monitoring and regular review.
- Engagement – Walter Scott strives to hold regular meetings with senior management. These meetings provide the forum to discuss governance issues, as well as environmental and social concerns where necessary. Additional engagement may occur relating to matters such as proxy voting, governance or consultation on revised remuneration policies.
- Proxy Voting - The firm has its own Proxy Voting Policy which is adhered to for all clients with the exception of any client that has directed us to follow its own policy. In voting, Walter Scott seeks to act in the best interests of its clients. This requires that each proposal is considered on its own merits. Walter Scott's Proxy Voting Policy and voting records can be found on the firm's website (www.walterscott.com).

The responsibility for ESG lies within the Investment Research team ('Research team') which is supported by the Investment Operations team in a variety of roles including proxy voting and policies. Walter Scott does not have a separate ESG team.

4. KEY ESG THEMES

Walter Scott invests in companies across different geographies and sectors; therefore the governance, social and environmental issues each company faces will differ. However, key themes include, but are not limited, to:

- Governance
 - Board structure and effectiveness
 - Remuneration
 - Regulation
 - Bribery and corruption
 - Tax
- Social
 - Employee training and satisfaction
 - Sustainable, traceable and ethical supply chain
 - Health and safety
 - Cybersecurity
 - Demographics
 - Affordability and access
 - Stakeholder relationships
- Environment
 - Climate change
 - Pollution/emissions
 - Water scarcity
 - Resource consumption
 - Waste management

5. EXTERNAL CODES

Walter Scott is a signatory to both the UK Stewardship Code and Japanese Stewardship Code; the firm's Responses to both Stewardship Codes can be found on Walter Scott's website. The firm is also a signatory to the United Nations Principles for Responsible Investment (UNPRI), the CDP (previously known as the Carbon Disclosure Project) and the Climate Action 100+ initiative.

6. OWNERSHIP

This policy is owned by the Investment Management Committee (IMC).