

WALTER SCOTT

➤ BNY MELLON | INVESTMENT MANAGEMENT

ARTICLE 4

SUSTAINABLE FINANCE
DISCLOSURE REGULATION

ADVERSE SUSTAINABILITY IMPACTS

MARCH 10 2021

NON-COMPLIANCE WITH THE PRINCIPAL ADVERSE IMPACTS REGIME

As a UK regulated firm, Walter Scott is not directly subject to SFDR as a matter of UK law. However, we expect the introduction of similar rules in the UK at some point in the future. We are supportive of many of the principles of SFDR and accordingly, we have opted to implement high-level SFDR requirements on a voluntary basis.

Walter Scott has carefully evaluated the requirements of the principal adverse impacts regime in Article 4 of SFDR and in the draft Regulatory Technical Standards published in the final report in February 2021 (the “PAI Regime”).

We support the PAI Regime in its policy aims of improving transparency for clients, investors and the market regarding how financial market participants integrate the consideration of the adverse impacts of their investment decisions on sustainability factors into their investment processes. We take the view at present that the values used to assess adverse impacts of investment decisions and sustainability risk and opportunity are intrinsically linked. Experience has taught us that the companies that make the best long-term investments for our clients typically align with our investment values. As a result, we consider it inappropriate to comply today with the PAI Regime, which relates to the consideration of adverse impacts in isolation from sustainability risk but we continue to evaluate the situation.

We are analysing the data available that would be necessary to comply with many of the technical reporting requirements of the PAI Regime. We will keep our decision not to comply with the PAI Regime under regular review and will formally re-evaluate the decision periodically.

Notwithstanding our decision not to comply with the PAI Regime, we also wish to re-affirm our overall commitment to responsible investing. We believe sustainability factors are important in assessing a company’s ability to prosper over the long term. Because of this, we fully integrate our assessment of these factors into our investment process. Our investment approach is deliberately structured to identify companies that adhere to high standards of sustainability. In our experience, those companies that fail to do so rarely make good long-term investments. Please refer to our Responsible Investment Approach and Sustainability Risks Policy on our website for further details.

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