WALTER SCOTT

BNY MELLON | INVESTMENT MANAGEMENT

OUR RESPONSE TO CLIMATE CHANGE

2022

CONTENTS

OUR RESPONSE TO CLIMATE CHANGE

JANE HENDERSON
Managing Director

If left unaddressed, climate change is expected to cause widespread damage and disruption to our environment, society, and economy. If we are to avoid such an outcome, governments, businesses, and individuals must take action to facilitate the transition to a cleaner, more sustainable economic model.

Given the scale of its potential impact, climate change is one of the most significant issues facing investors today, particularly for those of us with a long-term investment horizon. A warming planet and the transition to a low-carbon economy will have meaningful implications for investment returns.

As responsible stewards of clients' capital, we must seek to understand the role we can play in helping to address some of the challenges of climate change through capital allocation and constructive engagement. It is therefore imperative that we ascertain as fully as possible the climate-related risks and opportunities faced by companies today and in the future. To do otherwise would be a dereliction of our fiduciary duty to our clients.

It is also true that we must be able to evidence how we at Walter Scott manage the impact on the climate from our own operations – "Do as I say but not as I do" is not an option when faced with a challenge as all-encompassing as climate change.

We believe that the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) provide an important framework for disclosing climate-related risks and opportunities. In that context, this document outlines our response to climate change; from the embedding of climate-risk considerations within the governance and strategy of our business, through their integration into our risk management and investment processes, to the role of climate-related metrics and targets in our clients' investments and business operations.

Like many other investors, we know there is still more that we can do to help combat climate change and support the transition to a low-carbon future. Our efforts in this area are therefore ongoing, and our approach will evolve and adapt accordingly. We look forward to keeping you updated of our progress.

Best wishes,

Jane Henderson, Managing Director

"Do as I say but not as I do" is not an option when faced with a challenge as all-encompassing as climate change.

GOVERNANCE

BOARD OF DIRECTORS

The Walter Scott Board of Directors is responsible for oversight of the firm and challenging and holding the Executive Management Committee to account. The Board is tasked with overseeing that all climate-related considerations are integrated into our decision-making and business processes.

The board of Walter Scott & Partners Limited delegates responsibility for the development and implementation of our climate change strategy to the Managing Director in her role as chair of the Executive Management Committee. In turn, the Managing Director reports on climate risks and opportunities concerning our clients' assets and our own business operations to the Board on a quarterly basis. The climate change strategy is also subject to ongoing scrutiny and periodic review and challenge by the Board of Directors.

EXECUTIVE MANAGEMENT COMMITTEE

The Executive Management Committee is responsible for the ongoing management of Walter Scott, including the management of climate-related risks and opportunities. To ensure a clear delineation between the investment and operational functions of the business, the Committee delegates responsibility for the ongoing management of investment-related climate risks to the Investment Management Committee, and the management of all internal sustainability matters, including our operational climate impact, to the Sustainability at Walter Scott Group.

INVESTMENT MANAGEMENT COMMITTEE

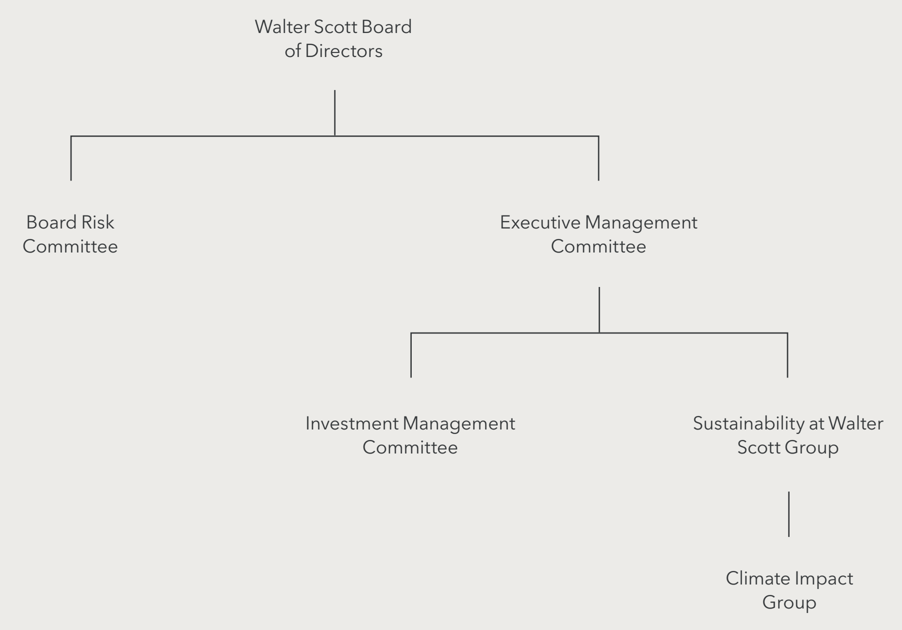
The Investment Management Committee oversees all Walter Scott's investment activities, including those related to climate risk. While the Committee meets regularly to monitor, manage, and mitigate risks within our portfolios, it is the responsibility of every member of our Research Team to understand the impact of climate change on our investee companies. The Executive Director, Investment and Co-Chair of the Investment Management Committee is responsible for reporting on investment-related climate risks and opportunities to the Executive Management Committee.

SUSTAINABILITY AT WALTER SCOTT GROUP

The Sustainability at Walter Scott Group considers how best to approach sustainability issues. Consisting of representatives from across the

> *"The Board is tasked with overseeing that all climate related considerations are integrated into our decision-making and business processes."*

GOVERNANCE



business, the group has responsibility for generating and communicating sustainability initiatives. Management of Walter Scott's operational climate impact is delegated to the Climate Impact Group, which designs and monitors all climate-related initiatives and has responsibility for the provision and development of relevant non-financial metrics.

BOARD RISK COMMITTEE

The Board Risk Committee is responsible for escalating all emerging risks to the Board of Directors, which could include emerging climate-related risks.

STRATEGY

INVESTMENT STRATEGY

It is important to ensure that every company in which we invest, and by extension the portfolios we manage, are relevant in a global energy system compatible with limiting global warming to 1.5°C above pre-industrial levels.

Our long-term strategy is to protect and grow our clients' assets over time by acting as responsible stewards of capital. To deliver this strategy effectively, we must seek to understand as fully as possible the risks and opportunities faced by the companies in which we invest and the impact these could have on the performance of our clients' investments. To this end, we are committed to integrating analysis of material physical and transition risks and opportunities of climate change into our investment process. In recent years, this work has evolved to encompass more in-depth analysis of climate-related factors, including decarbonisation strategies, stranded asset risk and technological advances (both at an individual company and sector-wide level). Work is also underway to incorporate climate scenario analysis into our analysis of each company. It is important to ensure that every company in which we invest, and by extension the portfolios we manage, is relevant in a global energy system compatible with limiting global warming to 1.5°C above pre-industrial levels.

As responsible stewards of clients' capital, regular engagement with management teams allows us to further assess a company's approach to its climate-related responsibilities. Not only do these interactions afford us a greater understanding of the climate risks and opportunities faced by a business, but they enable us to support companies as they seek to reduce or limit their contribution to climate change. We encourage all our investee companies to report according to TCFD recommendations.

Where we consider it appropriate and constructive, we engage collaboratively with other investors. Collective engagement can help drive ongoing improvements in sustainability and governance practices at our investee companies, while also providing an opportunity to share insights and knowledge to mutual benefit. As signatories to and members of several climate-related initiatives, we have worked with others to encourage action on emissions, governance and disclosure.

Climate Action 100+
Climate Action 100+ is an investor-led initiative that encourages significant greenhouse gas emitters to act on climate change. Our collaboration through Climate Action 100+ involves structured dialogue with investee companies on specific climate-related objectives and allows us to scale our potential impact on material issues.

> *"We must seek to understand as fully as possible the risks and opportunities faced by the companies in which we invest."*

"We are committed to integrating analysis of material physical and transition risks of climate change into our investment process."

CDP
CDP is a not-for-profit organisation that runs a system of global environmental disclosures. Through our collaboration with CDP, we aim to promote the disclosure of more and better environmental data, which facilitates more focused company engagement and analysis.

The path of climate change depends on a range of variables, making it difficult to predict with accuracy its potential impact. Furthermore, the physical and transition risks and opportunities of climate change will impact different companies, sectors, and economies in different ways, creating relative winners and losers. Despite this uncertainty, we have identified risks and opportunities that we believe are likely to manifest themselves over differing time horizons.

Short-Term (0-3 years)
In the immediate future, the merits of many companies will be subject to changing sentiment due to factors such as the carbon intensity of their operations, the efficacy of their transition strategies, or anticipated regulatory changes. Those companies already exposed to the physical risks of climate change will also face higher operating costs. Consumer-facing companies will be subject to changing customer expectations regarding their climate impact.

Medium-Term (3-5 years)
Over the next few years, companies, particularly those with significant carbon footprints, will face rising costs of compliance as governments impose carbon taxes and introduce more regulation to combat climate change. There will be costs involved in adopting less carbon-intensive technologies and processes. Companies that fail to exhibit sufficient commitment to mitigating their climate impact are likely to experience a higher cost of capital.

Long-Term (5+ years)
On a longer-term horizon, the adoption of new technologies and alternative energy sources is likely to disrupt existing business models, rendering some obsolete. There is a risk of stranded assets for those companies that fail to adapt to changes in technology and regulation. As existing business models are disrupted, winners are likely to emerge, whether these be incumbents that have adapted well to transition or providers of new solutions and technologies. If left unaddressed, climate change could foster significant social unrest that will impact a wide range of companies and economies.

Looking across our portfolios, there is limited exposure to more carbon-intensive industries, such as utilities and fossil fuels, where the physical and transition risks outlined above are more pronounced. Our portfolios typically have greater exposure to industries, such as healthcare and information technology, where such risks, while still applicable, tend to be less material.

OPERATIONAL STRATEGY

We want to ensure that our operations adhere to high standards of reporting and disclosure. We believe there is always more we can do and that doing nothing is not an option.

We want to ensure that our operations adhere to high standards of climate reporting and disclosure and we will continually explore more efficient ways of working and using resources. Engagement with our people, clients and stakeholders will also drive further improvements in our environmental approach. We believe there is always more we can do and that doing nothing is not an option.

THE IMPACT OF CLIMATE RISKS ON OUR STRATEGY

Climate risks impact our business at both an investment and an operational level.

INVESTMENT

We are cognisant that a greater emphasis on climate risk could drive future capital allocation decisions. To address this increased focus, it is important that we continue to demonstrate the quality and depth of our climate-risk analysis, while striving where possible to enhance our current approach.

We are working towards subjecting all investee companies to climate-risk scenario analysis (both physical risk and transition risk) and measuring the carbon intensity of each. We also monitor which companies set science-based climate targets and those that report according to TCFD recommendations. This analysis is recorded and monitored on an ongoing basis and is subject to a formal annual review. In time, we aim to regularly review the carbon intensity of our portfolios.

Looking ahead, it is our intention to conduct climate-related scenario analysis with a view to informing investment decisions on carbon-intensive businesses and low-carbon opportunities. We have undertaken work to understand the impact of carbon prices and these learnings are helping to inform our analysis of the potential financial implications of such measures across portfolios.

> *“We are cognisant that a greater emphasis on climate risk could drive future capital allocation decisions.”*

OPERATIONAL

The current risk from physical climate change to our operations is low. Potential risks to our buildings and our ability to work effectively are analysed and reviewed on a regular basis by our Business Continuity team as part of the ongoing management of business continuity risks. Business continuity processes cover crisis management, business resumption and technology recovery. This helps ensure the resilience of our business to the impact of climate change on physical assets and day-to-day working. It is our intention to extend this work to the physical assets of our suppliers.

We continue to invest in technology to improve the resilience of our operations in the event of disruption from extreme weather events. Other operational risks we consider include regulatory change and rising energy prices. We will consider stress tests and will review a range of possible future climate scenarios to inform our operational strategy where appropriate.

> *“The current risk from physical climate change to our operations is low.”*

RISK MANAGEMENT

Through our fundamental company-focused research, we seek to better understand and measure the risks and opportunities posed by climate change and the world's transition to a low-carbon economy. Our research and analysis of these risks and opportunities is integrated into our investment process.

> *Our primary means of managing climate risks to our clients' investments is through our fundamental company analysis.*

IDENTIFYING AND ASSESSING RISKS TO OUR CLIENTS' ASSETS

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

- Business activities and physical footprint
- Integrity, sustainability, and governance
- Market characteristics
- Control of destiny
- Financial profile
- Management and board
- Valuation and trading

Climate risk is considered as part of our analysis of integrity, sustainability, and governance factors. Using a systematic template, we aim to better understand each company's material physical and transition risks and opportunities, and their financial implications. The assessment of the materiality and probability of these risks and opportunities, and how they should be prioritised, is subject to the scrutiny and challenge of the entire Research team.

Physical Risks
These are 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
These occur as the world moves towards a less carbon-intensive economic model. 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 most exposed to transition risks.

Climate-related analysis is updated at least annually, which enables us to monitor a company's progress on material issues over time. This analysis is subject to the collective scrutiny of the Research team at a formal annual review of each holding.

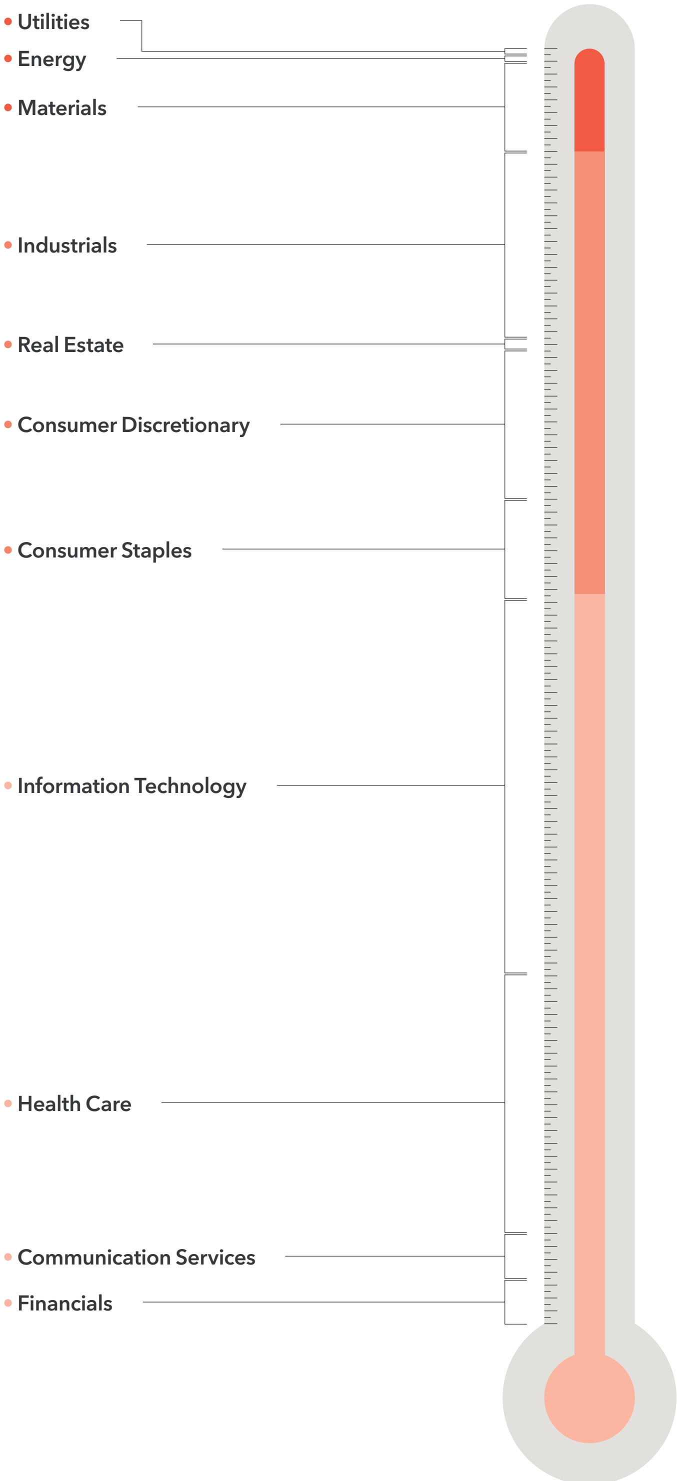
While our research is proprietary, we augment our understanding of climate risks with information and analysis from external sources, including third-party research providers, academics, and subject-matter experts. Over the years, we have developed a broad network of independent contacts that includes industry experts, academics, think tanks, central bankers, and other financial market participants.

> *Climate risk is considered as part of our analysis of integrity, sustainability, and governance factors.*

MANAGING RISKS TO OUR CLIENTS' ASSETS

Our primary means of managing the climate risks of our clients' investments is through our fundamental company analysis. Through diligent research, we look to avoid those companies

WALTER SCOTT ASSETS BY SECTOR[1]



- Any company with high carbon emissions must have a robust reduction strategy in place that will enable it to remain relevant in the transition to a low-carbon world.
- We focus on companies rather than sectors. Two companies in the same sector can have very different emissions profiles; for example, the industrials sector includes both traditional heavy industrial businesses, to which we have very limited, if any, exposure, and less carbon-intensive companies that we would be more likely to view as investment candidates.
- Our investment approach typically guides us towards those sectors and companies with relatively lower levels of carbon intensity.

MSCI WORLD AVERAGE SCOPE 1+2 EMISSIONS INTENSITY BY SECTOR (TONS CO_2E/USD MILLION SALES)[2]

- High average carbon intensity
- Medium average carbon intensity
- Lower average carbon intensity

[1]As at 30/06/2021
[2]See footnote 1 on page 14

most likely to be negatively impacted by climate change. Where we have concerns about a company's approach to climate risks, we seek ongoing dialogue to facilitate greater understanding of its strategy and the challenges it faces.

Regular engagement with management teams allows us to further assess the depth of each company's assessment of climate-related risks. Not only do these interactions afford us a greater understanding of the climate risks and opportunities faced by a business, but they enable us to support companies as they seek to reduce or limit their contribution to climate change.

> *"It is our aim in time to establish a clear picture of the aggregate climate-related risk in a portfolio."*

Work to more fully develop the metrics by which we assess climate risk is ongoing, and it is our aim in time to establish a clear picture of the aggregate climate-related risk in a portfolio. It is the responsibility of our Investment Management Committee to ensure that no portfolio is exposed to excessive risk of any form.

MANAGING THE CLIMATE IMPACT OF OUR OPERATIONS

Through the Climate Impact Group, we consider the climate impact of our own operations as a cross-function business risk, with relevant and material analysis from each area of the firm fed back into the Executive Management Committee. The Climate Impact Group designs and monitors all climate-related initiatives and has responsibility for the provision and development of relevant non-financial metrics.

To this end, our own carbon footprint is measured and reported on a quarterly basis, along with updates on our efforts to reduce our operational climate impact. Annual disclosures are provided in accordance with UK Companies Regulations 2018 under the Streamline Energy and Carbon Reporting.

Further details of how we manage our operational climate impact can be found in the Metrics & Targets section of this document.

> *"Our own carbon footprint is measured and reported on a quarterly basis, along with updates on our efforts to reduce our operational climate impact."*

METRICS & TARGETS

INVESTMENT

The global energy system is too complex to adopt a one-size-fits-all solution to emissions reduction. Given climate change is the result of aggregate system-wide emissions, we believe it is important to distinguish between a company's direct emissions and system-wide emissions, and we do not view it as desirable to impose restrictions on the former that could impede a company's ability to contribute positively to the latter.

To achieve the goals of the Paris Agreement requires a global system that is aligned with climate scenarios that can statistically limit the rise of average global temperatures to 1.5oC when compared to pre-industrial times. In many instances, it will be viable and appropriate for companies to pursue an emissions reduction strategy compliant with the goals of the Paris Agreement. For others, however, this may not be the most effective means of achieving an overall reduction in emissions. A company producing goods that enhance energy efficiency for customers, for example, may have significant direct carbon emissions, but if its products are contributing to a reduction in system-wide emissions then it would be counter-productive for it to pursue a Paris-compliant strategy. Accordingly, we do not feel it appropriate to impose quantitative, Paris-aligned emissions targets for our portfolio companies today.

It is our belief that detailed company level analysis remains the best way to address climate-related risk. In our opinion, metrics that attempt to quantify climate-related risk at a portfolio level are of limited utility at present, although this may change in future.

However, as one measure of our portfolios' alignment with the goals of the Paris Agreement we monitor the proportion of companies that have set targets in line with the Science Based Targets initiative (SBTi). That said, the limitations of this metric in quantifying climate risk at a portfolio level must be acknowledged. For any given company, setting a science-based target is not a necessary requirement for alignment with the system-wide goals of the Paris Agreement. Nor does Paris alignment necessarily correlate with low climate risk. However, we continue to explore metrics that could provide further insight into the climate alignment and climate risk of our portfolios.

What is more important is that we will not own companies where we believe the risks associated with climate change are material. Such a company would not be relevant in a decarbonising world. If a company is to deliver long-term growth and sustainably high levels of profitability, then it will need to have a business model that is consistent with the transition to a carbon-neutral global economy. Those that fail to ensure relevance are likely to face heightened risks from carbon taxes, higher input costs, regulatory pressures, higher cost of capital or stranded assets.

We expect all our portfolio companies to adhere to the relevant regulatory and legal standards of the jurisdictions of their operations, and to exhibit due consideration to material climate risks and opportunities. While acknowledging that climate-related risks vary by company and industry, our preference is for all management teams to assess the materiality of these risks and embed this work in their business strategy, set and disclose targets and monitor and disclose progress. Furthermore, companies should measure, monitor, and disclose greenhouse gas emissions and have a carbon-mitigation strategy in place, particularly if they have a material carbon footprint.

As part of the analysis of all companies in which we invest, relevant climate-related disclosures are recorded and progress versus associated goals monitored on an

“We will not own companies where we believe the risks associated with climate change are material.”

"We aim to achieve at least net zero [in our operations] going forward."

ongoing basis. This information is scrutinised by the Research team and subject to a formal annual review.

For information purposes, we receive reports on representative portfolios from an external data provider. These reports compare the carbon emissions, fossil fuel reserves and other carbon-related characteristics of the portfolios relative to relevant markets and benchmarks.

OPERATIONAL

By using relevant and appropriate metrics and targets, we can track our progress on climate change and ensure that we are responding appropriately to many of the risks and opportunities facing our business.

In 2021, we achieved net zero in relation to our scope 1 and 2 emissions, and those emissions relating to business travel and office waste. We aim to achieve at least net zero going forward. During 2021, we continued to make positive progress in several key areas:

Employee Engagement
Employee engagement is critical to successfully tackling our environmental footprint. The initiation, implementation, and ongoing monitoring of many of our operational climate-impact projects is undertaken by a working group of individuals from across Walter Scott and we actively encourage staff to contribute new ideas and propose new ways of working. In 2021, we launched an annual staff survey to help us better understand how we work-from-home and commute.

Energy Consumption
Gas consumption levels in 2020 and 2021 were broadly consistent with 2019, despite the introduction of Covid-19 related lockdowns. This was in part due to our decision to keep our kitchens open to supply pre-prepared meals to a local community project. Although electricity consumption remained relatively consistent from 2019 to 2021, Scope 2 emissions decreased.

Waste Management
We recorded a 65% decline in the volume of waste per person in 2021, primarily due to lower in-person office attendance. However, our average waste recycling rate of 80% continues to exceed both the UK and Scottish governments' recycling targets. During 2021, we increased recycling points in our offices and continued to cut our paper use through investment in technology and electronic alternatives. Non-recycled waste was incinerated using methane capture.

Business Travel
While business travel is an essential part of what we do, our new travel provider has been tasked with developing enhanced carbon reporting and helping the business make better travel choices. We purchase carbon offset units in relation to our direct Scope 1, 2 and 3 business travel emissions, and during 2021 we developed methodologies for the measurement of additional Scope 3 emissions, including those from staff commuting. In 2022, we will engage with an external consultant to review our business travel practices and support low carbon commuting.

Reporting and Disclosure
We are currently working towards ISO 14001 certification, the international standard for environmental management systems (EMS), as part of our parent company BNY Mellon's certification process. This will help us assess our ability to operate an EMS and mitigate the environmental impact of our Edinburgh offices, as well as ensuring we comply with all necessary laws and regulations. It is our intention to work with a third party to review our emissions calculations and identify further opportunities to improve data availability and quality.

WALTER SCOTT EMISSIONS DATA

Breakdown of emission sources:	**Units**	**2021**		**2020**		**2019**		**Notes**
		Usage	**Emissions (tCO_2e)**	**Usage**	**Emissions (tCO_2e)**	**Usage**	**Emissions (tCO_2e)**	
Scope 1 Gas	kWh	344,627	70	348,278	71	381,758	78	1
Scope 2 Purchased electricity (location-based)	kWh	241,353	51	238,357	56	290,523	74	2
Scope 2 Purchased electricity (market-based)	kWh	241,353	0	238,357	0	290,523	26	3
Gross Scope 1 and 2 emissions (market-based)			70		71		104	
Scope 3 Business travel	km	260,797	44	510,234	111	2,863,199	698	4
Scope 3 Waste generated in operations	Metric tonnes	15.37	0.3	11.34	0.2	23.10	0.5	5
Scope 1, 2 and 3 Offsets			(232)		(215)		(710)	6
Annual Emissions (incl within Net Zero Commitment)			**(118)**		**(33)**		**93**	
Scope 3 Purchased goods and services	–		160					7
Scope 3 Fuel and energy related activities not included in Scope 1 and 2	kWh	910,507	188					8
Scope 3 Employee commuting	km	190,845	17					9
Scope 3 Investments[1]	–		n/a		2,559,659		2,748,451	10
Total Annual Emissions (excl from Net Zero Commitment)			**365**		**2,559,659**		**2,748,451**	

Carbon Dioxide equivalent emissions in tonnes per Person Employed (PE):	**2021**		**2020**		**2019**	
	Persons Employed (PE)	**Emissions per PE (tCO_2e)**	**Persons Employed (PE)**	**Emissions per PE (tCO_2e)**	**Persons Employed (PE)**	**Emissions per PE (tCO_2e)**
Scope 1 Gas[2]	38	1.84	n/a	n/a	155	0.50
Scope 2 Purchased electricity (market-based)[2]		–		n/a		0.17
Scope 3 Business travel[3]	19	2.32	34	3.27	64	10.91
Scope 3 Purchased goods and services[4]	170	0.94				

[1] This disclosure was developed using information from MSCI ESG Research LLC or its affiliates or information providers. Although WALTER SCOTT & PARTNERS LIMITED'S information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the "ESG Parties"), obtain information (the "Information") from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness, of any data herein and expressly disclaim all express or implied warranties, including those of merchantability and fitness for a particular purpose. The Information may only be used for your internal use, may not be reproduced or redisseminated in any form and may not be used as a basis for, or a component of, any financial instruments or products or indices. Further, none of the Information can in and of itself be used to determine which securities to buy or sell or when to buy or sell them. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

[2] PE figure based on annual average of individuals working in the UK offices. Data not provided for 2020 due to minimal PE working from Company's UK offices due to COVID-19 lockdowns.

[3] PE figure represents the number of individuals travelling during the year.

[4] PE figure based on annual average of individuals working in the UK offices including permanent and temporary staff.

METHODOLOGY NOTES

1. Walter Scott's Scope 1 emissions include emissions from the tracked use of natural gas in occupied facilities. Natural gas usage is tracked using meter readings at each of the buildings occupied in Edinburgh, UK.

2. Location-based Scope 2 electricity emissions are estimated based on recorded consumption in kWh which are then converted using UK government emissions conversion factors for each applicable year.

3. Electricity usage is recorded through meter readings in each of the buildings occupied in Edinburgh. The firm procured 100% renewable electricity from a UK supplier throughout 2020 and 2021, meaning that the firm can report a reduced emission figure under the market-based method. Although the majority of staff were required to work from home during lockdowns in 2020 and 2021, electricity consumption remained flat compared to pre-pandemic levels as there was a need to keep essential IT equipment and other hardware running in the offices during this period.

4. Scope 3 business travel emissions include international travel due to the nature of the business' primary business activity and location of clients. Our travel provider calculates the carbon emissions associated with each business trip and as such the calculated emissions will vary depending on factors including the route and class of travel.

5. Waste generated in operations has been reported as the total mass of waste recorded by the waste management company that services our offices. Reported emissions relate to those emitted in the end-of-life disposal process, in accordance with the GHG Protocol waste-type-specific-method and have been calculated using the weight of waste materials multiplied by the relevant UK government emissions conversion factors.

6. Aside from the emissions offset by a certified 100% carbon offset gas contract, all other Scope 1, 2 and 3 emissions for 2020 and 2021 included within the Net Zero Commitment have been offset by a selection of projects through our international offset provider Natural Capital Partners. In 2019, only Scope 3 Business Travel emissions were offset by Natural Capital Partners. These projects are independently verified to assure emission reductions are occurring and adhere to standards approved by the International Carbon Reduction and Offset Alliance ("ICROA"). The international projects that have been chosen are verified under leading carbon market standards, including the Climate, Community and Biodiversity ("CCB"); Gold Standard ("GS"); and Verified Carbon Standard ("VCS"), and the American Carbon Registry ("ACR").

7. Purchased goods and services includes all upstream emissions from production of products and services acquired. This includes both tangible and intangible items and has been calculated using the hybrid method according to the GHG Protocol. This involves the use of a combination of supplier provided emissions data and the use of secondary data. Emissions reported for 2021 are calculated using the most current data relating to the vendor. Comparatives are not provided on the basis of inconsistencies in the availability of data.

8. Emissions associated with employee home working have been reported using the results of the staff survey conducted in Q3 2021, in accordance with the GHG Protocol average-data-method. The survey gathered information at a respondent level including the type of energy tariff the member of staff held at home; the number of electrical devices used; and whether they used additional heating or cooling equipment.

9. Employee commuting includes emissions from the transportation of employees between their homes and the workplace. Employee commuting emissions have been reported based on the results of a staff survey conducted in Q3 2021, in accordance with the GHG Protocol distance-based-method. The survey gathered information at a respondent level including, mode of transport used; distance from the office; and frequency of travel. Emissions may arise from automobile travel, bus travel, rail travel and any other forms of transport that emit CO2e.

10. Emissions associated with the investments managed by Walter Scott on behalf of clients are reported using the investment-specific method according to the GHG Protocol. This method involves collecting Scope 1 and 2 emissions from the investee company and allocating the emissions based upon the share of investment at the 31st of December for the year reported. While the reporting guidelines for investment emissions in the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard are mostly clear, accurately capturing investment emissions is complex and for this reason emissions reported should considered as an estimate. Due to a lack of available Scope 1 and 2 investee company data for 2021, emissions have not been reported.

Paul Donaldson
South from Arthur's Seat

Walter Scott has been supporting emerging Scottish talent since 1988. In the same way that we believe that different perspectives within the team generate the best investment ideas, so we believe that our art collection should incorporate a wide range of work from an eclectic group of contemporary artists.

Our commitment to the art community is also reflected in our established partnerships with – and sponsorship of prizes at – the Royal Scottish Academy, the Royal Glasgow Institute of The Fine Arts and the Royal Scottish Society of Painters in Watercolour.

This document forms Walter Scott's Climate Change approach and is owned by the Investment Management Committee.

REGULATORY INFORMATION

Walter Scott & Partners Limited (Walter Scott) is an investment management firm authorised and regulated in the United Kingdom by the Financial Conduct Authority in the conduct of investment business. Walter Scott is a 100% owned non-bank subsidiary of The Bank of New York Mellon Corporation. Walter Scott is registered in the United States under the Investment Advisers Act of 1940.

Walter Scott provides investment management and advisory services to non-UK clients and, Walter Scott is responsible for portfolios managed on behalf of pension plans, endowments and similar institutional investors.

Walter Scott is registered with the SEC in the United States of America, as an Exempt Market Dealer in all Canadian provinces and, with the FSCA in South Africa.

IMPORTANT INFORMATION FOR USA

Walter Scott & Partners Limited (Walter Scott) is authorised and regulated in the United Kingdom by the Financial Conduct Authority. Walter Scott is also registered as an investment adviser with the US Securities and Exchange Commission (SEC). Securities offered in the US by BNY Mellon Securities Corporation (BNYMSC), a registered broker-dealer. Investment advisory products offered in the US through BNYMSC employees acting in their capacity as associated investment adviser representatives of BNYMSC.

IMPORTANT INFORMATION FOR CANADA

Walter Scott is registered as an Exempt Market Dealer (EMD) (through which it offers certain investment vehicles on a private placement basis) in all Canadian provinces (Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland & Labrador, Nova Scotia, Prince Edward Island, Quebec, Saskatchewan and Ontario) and is also availing itself of the International Adviser Exemption (IAE) in these same provinces with the exception of Prince Edward Island. Each of the EMD registration and the IAE are in compliance with National Instrument 31-103, Registration Requirements, Exemptions and Ongoing Registrant Obligations.

IMPORTANT INFORMATION FOR AUSTRALIA

This material is provided on the basis that you are a wholesale client as defined within s761G of the Corporations Act 2001. Walter Scott is registered as a foreign company under the Corporations Act 2001. It is exempt from the requirement to hold an Australian Financial Services License under the Corporations Act 2001 in respect of these services provided to Australian wholesale clients.

IMPORTANT INFORMATION FOR SOUTH AFRICA

Walter Scott is registered as a Foreign Financial Services Provider with the Financial Sector Conduct Authority in South Africa. FSP No. 9725.

RISK FACTORS & IMPORTANT INFORMATION

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