

SECTION 172 STATEMENT

for the year ended 31 December 2022

Section 172 of the Companies Act 2006 requires directors to run the Company for the benefit of its shareholders as a whole and in doing so, the Company's Board of Directors (the "Board") should take into account (i) the long term impact of any decision, (ii) constructive stakeholder relationships, and (iii) the external impact of its activities all while maintaining high standards of business conduct. In addressing these matters, the Company would like to expand on the following:

BUSINESS RELATIONSHIPS WITH SUPPLIERS, CUSTOMERS AND OTHERS

- The Board receives updates on key milestones and progress, against plan, to deliver the agreed strategy. Client Service reports include updates on client and business development activities (wins, mandates, pipeline, and business at risk) and the Board reviews progress against plan and audit priority items.
- The Board oversees the functioning of the Company's operations including any operational services provided by third parties or affiliates. The Board's oversight includes any strategic considerations regarding potential outsourcing opportunities, and specifically whether they may bring efficiencies, cost or otherwise, to the business and benefit to its shareholders.
- As part of the Company's governance framework, the Operations Committee meets monthly and, as a standing agenda item, includes an update regarding the management of all the Company's vendor relationships. Material issues are escalated as required to the Executive Management Committee and, ultimately, the Board.
- The BNY Mellon Accounts Payable team ensures payments are made on behalf of the Company to suppliers on a controlled and timely basis. The Company publishes data in line with the Reporting on Payment Practices and Performance UK Regulations.
- The Board receives updates and seeks assurance from senior management in relation to the implementation and embedding of regulatory change initiatives and compliance with ongoing regulatory requirements. This includes staff training on relevant legal and compliance matters and an annual attestation from staff to confirm compliance with the BNY Mellon Code of Conduct.
- Walter Scott is committed to a culture of "doing the right thing". Examples of initiatives in this space include policies to cover conflicts and also stringent conditions around personal account trading. The Company's modern slavery statement is on its website, outlining expectations of standards that all suppliers should adhere to.

HIGH STANDARDS OF BUSINESS CONDUCT

- The Company is regulated in the United Kingdom by The Financial Conduct Authority (the "FCA") and operates within the rules of the FCA and the restrictions as defined within its regulatory licence.
- Under the FCA's Senior Managers & Certification Regime ("SM&CR"), Walter Scott is classified as an Enhanced Firm. All Senior Managers, Certified Persons and Conduct Rules staff undertake ongoing appropriate training sessions.

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- The aim of SM&CR is to reduce harm to consumers and strengthen market integrity by creating a system that enables firms and regulators to hold individuals to account. SM&CR aims to:
 - Encourage staff to take personal responsibility for their actions;
 - Improve conduct at all levels; and
 - Make sure firms and staff clearly understand and can demonstrate the roles and responsibilities of all relevant staff.
- The Board recognises the importance of risk management in the execution of its strategy and the Board has defined the levels of risk acceptable to the Company.
- The Board retains overall responsibility for approval of Walter Scott's risk appetite and strategy, including capital adequacy and liquidity of financial resources.
- The Board seeks and receives assurances from the Board Risk Committee over the governance and input in preparing a number of regulatory submissions, such as the Internal Capital and Risk Assessment (“ICARA”), and associated policies.
- The Board approves an internal policies framework to enhance controls and governance within the business. The policies framework is reviewed at least annually as required.
- Company employees' activities are carried out in accordance with applicable processes and procedures and where issues arise from liaisons with clients, market practice, regulators or vendors that require senior level consideration, they are addressed through the escalation mechanisms that are built into the robust, Board approved governance framework.
- The Board promotes a high performance culture by managing talent, strengthening employee engagement and ensuring effective employee communications. The Board Remuneration & Nominations Committee supports the Board to achieve this goal.
- The Board is responsible for and committed to good corporate governance. In fulfilment of its responsibilities the Board delegates certain functions of oversight, risk mitigation, regulatory compliance, remuneration and other obligatory functions to its committees and, in certain instances, empowers them to make decisions on its behalf.

THE INTEREST OF EMPLOYEES

- The Board promotes a high ethical standard of culture by ensuring high standards of employee engagement and robust lines of communication throughout the Company.
- Walter Scott's staff are paid competitive base salaries and the compensation structure is designed to promote fair and equal treatment of all staff. The Board's Remuneration & Nominations Committee determines the salary and profit share allocation based on the overall performance of the Company. Everyone in the Company is eligible to participate in the Company's annual profit share. This is the sole source of incentive compensation. The components of compensation will also vary from year to year depending on the level of operating profit.
- For Executive Directors and senior management, the majority of annual compensation comprises a share of the Company's profits. This is predominantly invested in a global equity fund of which Walter Scott is the investment adviser. There is a deferral period which vests on a pro rata basis over three or four years.
- The Board acknowledges the importance of a diverse culture and the positive impact cognitive diversity has on the long term success of the business. Walter Scott is led by Jane Henderson, Managing Director, who has been with the Company for 27 years. Women comprise 47% of the workforce, 50% of the Executive Management Committee, and 29% of the Board.
- Walter Scott has a Diversity, Equity and Inclusion Working Group which meets regularly to discuss those three matters. The Group reports to the Executive Management Committee twice per annum, makes recommendations and takes actions to improve diversity, equity and inclusion at the Company.
- An anonymous Culture Survey was conducted by the Company in 2022. This was followed by a meeting of a focus group to discuss results from the survey and consider future initiatives. Surveys of this type have helped the Company to develop its Hybrid Working Policy, which came into effect in early 2022. In

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recent years, this has assisted several aspects of staff engagement, including training and career development.

IMPACT ON THE COMMUNITY AND ENVIRONMENT

- The consideration of sustainability factors in the management of both its own and of its clients' portfolios is fundamental to the Company's approach and has always been included in the analysis of companies.
- In 2022, charitable donations administered by the Company's Giving Group totalled £1,000,000 (2021: £1,079,706). In 2022, the Company supported 61 charities across Scotland and in Boston, with a focus on young people, education, mental health, employment, homelessness and the community. Several new projects were supported over the course of the year, ranging from improving participation in art and musical activities to helping young people re engage with education.
- The Giving Group's commitment to forming long term partnerships with charities was reflected in the fact that almost 50% of the 2022 budget was allocated to multi year programmes. Many charities are heavily reliant on annual funding, so long term support like this not only offers valuable financial security but also enables charities to plan with confidence.
- One of the longstanding pillars of the Giving Group's approach has long been a focus on specific projects where the project outline, budget, expected outcomes and evaluation are clear. This provides the Group with clear accountability for the efficiency and impact of the donations and the evaluation component is a key aspect of our assessment. This offers not only the ability to assess whether the outcomes have been delivered, but also the opportunity for further improvement to the programme in the future. The Group considers this to be an important part of its engagement with the charities and an area where it hopes to provide value as a constructive sounding board and supporter.
- The Group maintained a close relationship with our supported charities through the year. At each monthly meeting of the Giving Group, an invited charity provided an update on its work and the impact of the Group's donation. These meetings also serve as a forum to discuss the charity's strategic outlook and challenges.
- The Company was able to operate its two internship programmes as "in person" experiences in 2022. The Research and Operations internships, enable the Company to deepen its relationship with organisations such as The Crankstart Internship, which supports students from low income households at the University of Oxford and The Robertson Trust, which is based in Scotland, and whose mission is to improve the quality of life and realise the potential of Scotland's people and communities.
- There are currently three permanent employees who have come through the Robertson Trust and there has been a total of six Robertson Trust interns who have worked at the Company. Two current employees joined the Company through the Juniper Trust. The partnership with the Robertson Trust was established in 2021 to support young people who are preparing for a commercial role at university, college or through apprenticeships. The Trust is particularly interested in young people who have faced financial, social or personal challenges.
- In 2022 the Company also engaged in a new partnership with DFN Project Search. The mission of DFN Project Search is to transform the lives of young people with learning disabilities and autism. The partnership resulted in the Company providing a 10 week placement for an individual during the year.

Our investment approach and climate change

- As long term stewards of clients' capital, the Company must seek to understand the material climate related risks and opportunities faced by companies today and in the future. We aim to manage these risks and opportunities through constructive engagement. To do otherwise would be a dereliction of our fiduciary duty to our clients.
- It is important to emphasise that the objective with the above engagement work is about creating value for clients over the long term. The Company wants to ensure that our holdings have the requisite

strategy, operational capability and management commitment to reduce the carbon intensity of their business to an extent that will allow them to operate and grow within the constraints of a Paris aligned global economy. Additionally, the Company wants to understand whether the holdings are exposed to additional unforeseen transition or physical climate risks, and factor that into the analysis.

- 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. Carbon Disclosure Project (“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 quality environmental data, which facilitates more focused company engagement and analysis.

Our operations and sustainability

- 2022 was a year of adjustment as the business saw a greater return to pre pandemic working practices. The Company, like other businesses, faced a challenge in ensuring it continued with the progress made towards managing its impact on the environment. These challenges included encouraging staff to spend time with colleagues in the office environment. This is important as it contributes to the collaborative culture that has been built by the Company over the years.
- Overall, the Company’s carbon emissions (using the location based method), excluding emissions associated with the investments managed by the Company, for 2022 were 63% greater than 2021, but 44% less than 2019 base year emissions (when comparing like for like emissions sources). Gas consumption was approximately 4% lower than 2021, however, due to the return of staff to the office electricity consumption increased marginally by 7%.
- During the year almost all office desktop computers were replaced with more energy efficient laptops to support the Company’s business continuity and climate considerations. The annual staff survey helped inform the Company about Scope 3 employee related emissions in commuting and working from home.
- The Company worked towards ISO 14001 certification, the international standard for environmental management systems (“EMS”), as part of the parent company BNY Mellon’s certification process. This will help assess the Company’s 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.
- Excluding emissions associated with the investments managed by the Company, business travel is the single largest contributor to the Company’s climate impact. 2022 saw an increase in business travel as the Company physically met with more clients, prospective clients and companies across the world. Meeting clients and companies is an important part of doing business and the Company has worked hard to ensure it travels as efficiently as possible. Working with its travel provider, a new travel policy was implemented with tighter rules around air travel. Better planning of trips has helped to ensure that, where possible, client meetings in North America are undertaken by resources based locally and supported by Edinburgh based resources via virtual conferencing facilities, when needed.
- The Company’s recycling rate, which was an average of 74% for 2022 (2021: 80%; 2019: 72%), continued to exceed the Scottish government’s 2025 target of 70%. A waste audit was performed in late 2022. The findings will help the Company identify strategies to help further reduce waste going forward.
- In 2022, print volumes decreased by 87% compared to the base year 2019, however, there was a 91% increase compared to 2021 when the majority of staff were working from home due to the Pandemic.
- The Company has moved to “digital by default” when it comes to client communications. Unless clients specifically request, presentations and other Company publications are no longer printed and bound. This practice also reduces the need to transport documents overseas.
- The Company is committed to undertaking a review of different climate scenarios in assessing climate risk to its operations. It will continue to use what it believes to be quality carbon offsets in limited volumes, given their wider socio economic benefits. However, the Company’s primary focus will be on its emission reduction efforts. The Company has not subscribed to any Net Zero frameworks.

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ACTING FAIRLY BETWEEN MEMBERS OF THE COMPANY

Walter Scott & Partners Limited, which is a wholly owned subsidiary within the BNY Mellon group, is governed by its Board. It maintains an open relationship with BNY Mellon, where ideas and strategic objectives are exchanged and shared, ensuring that its directors are aware of the strategic objectives and corporate values of its shareholder and that the Company is aligned with them whenever appropriate. Across all decisions, the Walter Scott Board is fully committed at the same time to ensuring due regard to the interest of other stakeholders as described above.

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