Walter Scott & Partners Limited

MIFIDPRU 8 Disclosure

2024

Contents

1 Introduction

Purpose of MIFIDPRU Disclosure

The Public Disclosure requirements of the Investment Firm Prudential Regulation ("IFPR") are set out in MIFIDPRU 8. The objective is to inject market discipline on firms, including Walter Scott & Partners Limited ("Walter Scott"), by requiring them to disclose information to key stakeholders and counterparties regarding Walter Scott's culture (risk management, governance, and remuneration), own funds (financial strength) and behaviour (investment policy).

This document refers specifically to Walter Scott and has been prepared and approved as a Non-SNI (Non-small and non-interconnected investment firm) UK firm.

This document sets out the framework of the firm's approach to the Disclosure requirements containing the key qualitative and quantitative information required as part of the Disclosure.

The disclosures are appropriate to the firm's size and internal organisation and to the nature, scope, and complexity of its activities.

Disclosure Approach

The Internal Capital Adequacy and Risk Assessment ("ICARA") process is the collective term for the internal systems and controls that a firm must operate to identify and manage potential material harms (to the firm's clients, the market in which the firm operates and to the firm itself) that may arise from the operation of its business, and to ensure its operations can be wound down in an orderly manner. The regulatory requirement to conduct an ICARA sits with the firm and the outcomes of the assessment are subject to Board Risk Committee ("BRC") approval on behalf of the Walter Scott Board of Directors ("the Board") and governance processes.

Compilation of the Walter Scott ICARA document and this disclosure has been undertaken by the Walter Scott Risk, Business and Finance teams.

The information contained within this disclosure supersedes the 2023 MIFIDPRU Disclosure.

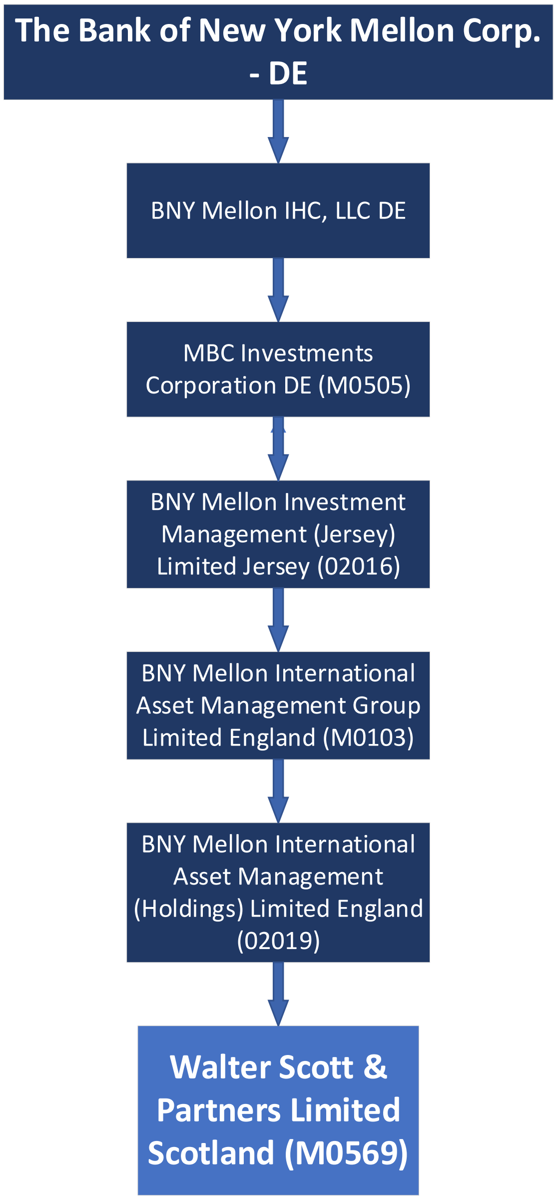
2 Scope of Application

Background and Firm Description

Walter Scott is a long-only global equities investment manager based in Edinburgh. The ultimate holding company of Walter Scott is The Bank of New York Mellon Corporation ("BNY"). The firm's investment strategy focusses on a single asset class, listed global equities. The business has consistently applied the same investment philosophy and process throughout its history since founded in 1983.

Walter Scott has clients in over twenty jurisdictions and, as at the end of December 2023, had £73.6bn in assets under management ("AUM"). The firm has a broad range of institutional clients including governments, pension plan sponsors, corporations, foundations and charities.

The following simplified legal entity chart illustrates the ownership structure as of 30th June 2024.

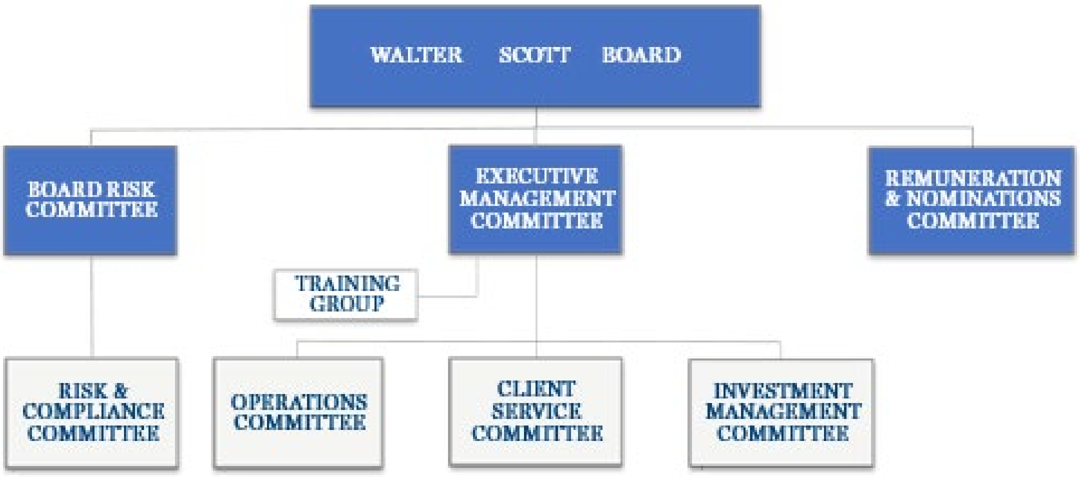


Note – the above chart has been streamlined to only show the Walter Scott corporate relationship.

3 Governance Arrangements

Governance and Oversight Structure

The Board has ultimate responsibility for corporate governance. Walter Scott discharges its responsibilities through regular board meetings and by delegating aspects of that responsibility through a formal committee structure (see below as of 30th June 2024). Policies and procedures have also been established to ensure effective and appropriate governance of the business.



Committee	Description
Board Risk Committee (BRC)	The purpose of the BRC, under delegation from the Walter Scott & Partners Limited Board, is to support the Walter Scott Board in its consideration of the business activities that expose Walter Scott to material risks, as assessed by Walter Scott's Risk Management Framework, Risk Appetite Statement and Internal Audit Programme, to the successful attainment of the Walter Scott strategy, with focus on current and forward-looking aspects of risk exposure.
Executive Management Committee (EMC)	The purpose of the EMC, under delegation from the Walter Scott Board, is to run the business day-to-day ensuring that the Firm deploys the Right Strategy, Right Resources and Right Governance and to deliver all other matters that may be delegated to it by the Board. It is important that the EMC manages the business in such a way that Walter Scott complies with regulator expectations and requirements, primarily from the Financial Conduct Authority (FCA) but also from other regulators around the world including federal regulators in the US which supervise BNY.
Remuneration & Nominations Committees (RNC)	The purpose of the RNC is to approve salaries, incentives, and any other compensation payments to Walter Scott employees; to make nominations for board appointments; to approve compensation structures and have oversight of relevant administrative matters. The RNC is constituted such that it is able to exercise competent and independent judgement on the Firm's remuneration policies and practices and the incentives created for managing risk, capital, and liquidity.

Committee	Description
Risk & Compliance Committee (RCC)	The purpose of the RCC, under delegation from the Walter Scott BRC, is to oversee the monitoring of the firm with regard to operational risk, adherence to corporate policies and compliance with the regulatory requirements in all jurisdictions within which the firm operates. Furthermore, the RCC monitors the firm's risk & compliance awareness and any internal/external visits of a regulatory nature.
Operations Committee (OC)	The purpose of the OC, under delegation from the Walter Scott EMC, is to oversee all support provided to the firm's investment, client service and risk & compliance activities.
Client Service Committee (CSC)	The purpose of the CSC, under delegation from the Walter Scott EMC is to oversee the firm's ongoing service to its clients and its business development efforts.
Investment Management Committee (IMC)	The purpose of the IMC, under delegation from the Walter Scott EMC is to provide oversight of the firm's investment process.

The committees that report to the Board generally meet on a monthly or quarterly basis, with the exception of the RNC which meets as required. The Chair of the Board, an Independent Non-Executive Director, also chairs the firm's BRC. The shareholder representative is the BNY Investments CEO. The Managing Director of Walter Scott is a member of the firm's Board and a member of all committees.

Directorships

As of 31st December 2023, the Walter Scott Board comprised four Executive Directors, one Shareholder Representative and four Independent Non-Executive Directors. Walter Scott Independent Non-Executive Directors have been selected for their broad range of skills and experiences and their ability to provide an independent view on Walter Scott's strategy, governance, technology, external threats, and opportunities. The number of reportable external Directorships held by the Walter Scott Board members as at 31st December 2023 were:

Voting Member	Role	External Directorships
A. Hammond-Chambers	Independent Non-Executive Director - Chair	2
S. Potter	Independent Non-Executive Director	3
R. Watt	Independent Non-Executive Director	-
J.P. O'Meara	Independent Non-Executive Director	2
H. Smits	Non-Executive Director (The Bank of New York Mellon)	-
J. Henderson	Executive Director – Managing Director	-
R. Leckie	Executive Director	-
C. Macquaker	Executive Director	-
T. Sneddon	Executive Director	-

Strategy

The Board provides strategic direction to its EMC and approves and oversees delivery by the EMC of the Walter Scott Strategic Plan and supporting Business Plans. The Board owns the strategic relationship with BNY as its sole shareholder. The Board also reviews and monitors the day to day running of the business, which the Board delegates in full to the CEO and EMC, in relation to the firm's strategy, risk appetite, policies, budgets and performance objectives to align with and/or mitigate external market risks and opportunities. The Board oversees all climate risks and opportunities regarding client assets and Walter Scott's own business operations and approves any change to the strategic product offering.

Resources

The Board ensures that the necessary financial and non-financial resources are in place to meet Walter Scott's strategic plan and business objectives as well as to measure performance and take corrective action, as necessary. This includes, inter alia, the appropriate levels of capital and liquidity. The Board oversees significant projects, programmes and corporate development activities. The Board ensures that the firm has an appropriately qualified and skilled team of executive and investment managers to oversee performance of the business and drive investment returns for clients.

Governance

The Board monitors the effectiveness of its corporate governance and oversees the firm's culture and conduct in order to comply and align with BNY's stated values, professional standards and those legal, regulatory and moral obligations (including as reflected in Walter Scott and BNY's policies) to support its long-term success and high standards of business conduct. The BRC sets and reviews the firm's risk appetite with reference to the strategy and reviews any items escalated to the Board. The Board monitors any potential conflicts of interest. The Board receives and actions reports from its underlying committees and approves their terms of reference. The Board reviews and approves the annual Walter Scott financial statements.

Diversity Policy

Walter Scott is committed to fostering a culture that values diversity at every level. The firm strives to create and maintain a positive environment where everyone feels welcomed, valued and respected, and that each individual who works at Walter Scott has an equal chance to fulfil their potential.

Walter Scott does not set specific targets in respect of its Diversity, Equity and Inclusion policy; however, the firm is committed to:

- Promoting a culture and environment that encourages employees to feel they belong and are given the equal opportunity to contribute and progress.
- Providing mandatory annual and ongoing training to reaffirm personal accountability.
- Implementing and reviewing policies and practices to promote fairness and impartiality so all have the same chance to succeed.
- Seeking a diverse group of applicants through recruitment activities.
- Community outreach by partnering with organisations seeking to reduce inequality and promote opportunity.
- Assessing progress and reporting outcomes to the EMC on a bi-annual basis.

Overall responsibility for diversity and inclusion at Walter Scott sits with the firm's EMC, which subjects all aspects of diversity and inclusion to a half-yearly review.

4 Risk Management Objectives and Policies

Risk Management Framework

As a subsidiary of BNY the firm operates under the BNY Enterprise Risk Management Framework (ERMF). It is the foundation of the Walter Scott risk management approach that establishes risk management practices which are transparent, comprehensible and consistent.

The ERMF promotes Walter Scott's goals of long-term resiliency, safety and soundness to withstand the impact of financial market and other stresses and to maintain compliance with laws and regulations.

The four key elements of the ERMF are as follows:

- **Holistic Risk Management Principles** — promoting a strong risk culture, with oversight, governance and accountability.
- **Risk Management Framework** — which drives effective management of risks corresponding to the execution of the business strategy and the firm's day-to-day operations.
- **Risk Reporting Standards** — delivers a consistent and aggregated measurement and monitoring of risk that support decision making.
- **Continuous Improvement** — for monitoring the effectiveness of ERMF.

The Risk Management processes include actively identifying and assessing the risks and potential harms to the business through a number of assessments, including the Internal Capital and Risk Assessment Process ("ICARA"), the Firm's Risk Control Self-Assessment ("RCSA") process, Operational Risk Event ("ORE") capture, root cause analysis and Key Risk Indicators ("KRIs").

The Risk Framework is embedded across Walter Scott in the Three Lines of Defence model, the business areas which own and manage the risk are the first line, Risk Management which oversees risk is the second and Internal Audit is the third line of defence. Walter Scott Risk Managers work in conjunction with a central BNY Risk function.

Risk Management Structure and Operations

The Board has ultimate responsibility for corporate governance, including the management of risk. It discharges its responsibilities through regular board meetings and by delegating aspects of that responsibility through a formal committee structure (see page 5). Risk matters are delegated to the firm's BRC. Policies and procedures have been established to ensure effective and appropriate governance of the business.

Notwithstanding the autonomy of the Board, Walter Scott adopts a common overall risk framework in line with global BNY policy standards. This helps to ensure thoroughness of risk management activities, consistency of approach and commonality in escalation to the BNY Investments Risk Committee.

Risk Appetite Statement

The BRC sets the firm's Risk Appetite, including identification of material Operational Risk Limits (KRI thresholds). The Risk Appetite articulates the firm's appetite and tolerance for risk across all risk categories. Operational Risk Limits identified are used as part of the firm's risk monitoring, escalation and reporting processes including, but not restricted to, the RCC, BRC, Board, senior management, parent organisation and regulatory reporting. The firm's Risk Appetite is reflected in its ICARA process and related decision making.

Effectiveness of the Risk Management Processes

During the period under review all aspects of the Walter Scott Risk Management process functioned as required with no changes to the firm's framework and supporting processes. All risk reviews and assessments were completed on schedule with no material findings, there was no material increase in inherent or residual risk identified and no material risk events.

In addition, Walter Scott's risk management processes are subject to BNY internal audits and external audits. Walter Scott engages KPMG annually to examine certain aspects of the firm's internal controls environment and processes.

ICARA Risk Assessment Summary

Walter Scott does not undertake any principal activity which puts its capital at risk, or risks the capital of its immediate parent, or higher-level corporate controllers except to the extent of any seed capital that may be invested in strategies it manages. Other investment activity undertaken is as agent for its clients.

Risk	Description & Mitigation of Risk
Operational Risk	Operational risk may arise from errors in transaction processing, breaches of internal control systems and compliance requirements, internal or external fraud, damage to physical assets, and/or business disruption due to systems failures, execution, delivery and process management or other events. Operational risk presents one of the most material harms facing Walter Scott and as such a BNY developed Operational Risk Management Framework ("ORMF") is in place across the firm to manage, monitor and mitigate operational risks. Operational risk is monitored through the regular review of Key Risk Indicators ("KRIs"), the Risk and Control Self Assessments ("RCSA") process, and the reporting/management of Operational Risk Events ("ORE").
Credit Risk	The nature of the firm's activities does not materially expose it to credit risk in excess of the credit risk related to balance sheet assets, where credit risk arises largely from cash held on the firm's balance sheet not required to fund ongoing operations. Possible scenarios considered by Walter Scott include: - The risk of failure of BNY banking institutions or external banks - Risk of losses arising from bad debts The firm has assessed its total credit risk exposures and then agreed an appropriate methodology at the firm ICARA Working Group ("IWG") to quantify additional financial resources suitable for that exposure taking in to account probability and severity of a credit risk event as well as the impact of a loss on their ability to continue ongoing operations or conduct an orderly wind-down. To calculate the firm's Credit Risk capital Walter Scott assigned a weighting and exposure (based on anticipated recovery rates in event of a failure) to relevant balance sheet items in line within current assets.
Market Risk	The firm is not authorised to trade on its own account or to underwrite issues of financial instruments on a firm commitment basis nor run proprietary trading positions therefore minimising direct exposure of proprietary capital to market risk. A market risk scenario would arise within the firm should the market move adversely resulting in an on impact non-trading exposures i.e. fee payments in non-functional currencies. As Walter Scott does not take proprietary positions, this risk component is limited to Foreign Currency risk from currency exposure on settled balances, receivables and payables due in non-sterling currencies. In 2023 this exposure was primarily made up of USD, CAD and EUR balances. These exposures are actively managed through the firm's FX Hedging Strategy. Walter Scott outsourced the management of USD and CAD foreign currency exposure across its BNY currency accounts to a central BNY Treasury function. All other currency exposures are subject to transfers from the multicurrency accounts to the functional GBP accounts.

Concentration Risk	Walter Scott has a diverse client base covering a number of client types and jurisdictions, with no material concentration risk for any single client. Walter Scott has adopted a policy by which no single client will exceed 10% of AUM at the time of funding. Inherent in the business model of the firm is to focus on certain geographies, client types and asset classes, this is a business decision, and the firm is aware of, and accepts, the risks associated with it. The biggest source of this risk to the firm arises from the credit concentration risk to its parent BNY, through the concentration of deposits held with BNY. To mitigate credit concentration risk, a substantial proportion of this liquid capital is held in external third-party banks creating natural diversification (of at least the higher of the firm's OFTR or LATR).
Group Risk	The harm from the materialisation of a Group Risk scenario could impact Walter Scott as the firm interrelates with affiliated group entities in several areas: - Share Ownership - Risk & Compliance - Systems and IT Security - Business Development - Finance The main contributor to the mitigation of Group Risk is the structure of the firm, which is autonomous, reasonably self-contained, strongly capitalised with no financial reliance on the parent company, separately branded and has a client base which is well diversified and, for the most part, has not been obtained through BNY or via banking relationships.
Reputational Risk	The firm is potentially exposed to reputational risks carried through BNY and other BNY affiliates, as well as other Investment Firms within BNY. In addition to this, reputation risk could present itself as a loss of confidence by its clients. Consistent poor performance over a period of time, operational events that occur without appropriate remedy and are perceived by clients to be systemic weaknesses in controls, and a loss of key investment managers are all possible reasons for a loss of confidence. The financial impacts and potential harms caused by Reputational Risk scenarios within the firm are constrained due to these mitigating factors: - Investment Performance is actively and effectively monitored and managed by senior business - A centralised compensation and retention policy which disincentives short term and poor conduct related behaviours with contractual clawback terms in discretionary awards. - A strong management led risk focussed culture with policies and training focussed on the control of Conduct Risk with zero tolerance for poor conduct. There is a continued focus on maintaining the strong reputation of the firm through sound risk management practices and controls and a strong code of conduct and governance framework.
Liquidity Risk	The exposure to liquidity risk within the firm is limited by the fact that Walter Scott does not hold client cash on its balance sheet, has no retail deposits and does not make loans to clients. The firm does not have any off-balance sheet or material own account derivatives exposures. It is not necessary for Walter Scott to actively manage liquidity across legal entities, business lines or currencies. Within the firm management fees provide the major source of funds, and payment of staff and administrative expenses representing the majority use of funds. As part of the risk assessment process Walter Scott applied a severe but plausible liquidity stress scenarios to its financial projections to analyse the impact on their balance sheet and projected cash flows. It was concluded that the firm would need to hold liquid assets equal to one third of the FOR plus the higher of any additional liquid assets to fund ongoing business and liquid assets required to wind-down the business.

Strategic Risk	The firm's business model exposes it to capital markets performance and strategic risk is a function of the compatibility of the firm's strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, and the quality of implementation. The senior management of Walter Scott is placed to strategically manage the business within the wider framework of BNY and BNY Investments. Walter Scott articulates and approves its strategy annually and measures performance against completion of its objectives. Material misalignment or failure resulting in poor strategic direction, objectives or consistent underperformance would be identified and escalated through internal governance procedures and eventually to BNY senior management.
Business Risk	Business risk could arise from exposure to a wide range of macro-economic, geopolitical, industry, regulatory, client behaviour, inappropriate management actions, and other external risks that might deflect from desired strategy and business plans. Stress scenarios were developed by the firm as part of the 2024 ICARA process to assess the potential impact of certain specific high-risk factors on business profitability or viability. These stress tests encompassed various themes specific to Walter Scott and were used to determine whether there is a need for additional capital to support business in case of adverse circumstances.

5 Own Funds

This disclosure has been completed in accordance with the MIFIDPRU 8.4 requirements, using the MIFIDPRU 8 Annex 1R template as required. The information contained within this section is as of 31 December 2023.

Composition of regulatory own funds			
	Item	**Amount (GBP 000s)**	**Source based on reference numbers/ letters of the balance sheet in the audited financial statements**
1	**OWN FUNDS**	**237,149**	
2	**TIER CAPITAL**	**237,149**	
3	**COMMON EQUITY TIER 1 CAPITAL**	**238,401**	
4	Fully paid-up capital instruments	25	Statement of Changes in Equity
5	Share premium:		
6	Retained earnings	238,376	Statement of Changes in Equity
7	Accumulated other comprehensive income:		
8	Other reserves	19,860	Statement of Changes in Equity
9	Adjustments to CET1 due to prudential filters	(19,860)	Statement of Changes in Equity
10	Other funds:		
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(1,252)	Note 10
19	CET 1: Other capital elements, deductions, and adjustments	-	
20	**ADDITIONAL TIER 1 CAPITAL**		
21	Fully paid up, directly issued capital instruments	-	
22	Share premium	-	
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	-	
24	Additional Tier 1: Other capital elements, deductions, and adjustments	-	
25	**TIER 2 CAPITAL**		
26	Fully paid up, directly issued capital instruments	-	
27	Share premium	-	
28	(1) TOTAL DEDUCTIONS FROM TIER 2	-	
29	Tier 2: Other capital elements, deductions, and adjustments	-	

Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements				
Figures are in GBP thousands (£000s) unless noted otherwise				
-	-	**a**	**b**	**c**
-	-	**Balance sheet as in published/ audited financial statements**	**Under regulatory scope of consolidation**	**Cross-reference to template OF1**
-	-	**As at period end 31 December 2023**	**As at period end**	**-**
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements				
1	Tangible assets	11,734	-	-
2	Intangible fixed assets	1,252	-	-
3	Debtors	85,061	-	-
4	Investments	57,249	-	-
5	Cash at bank and in hand	206,672	-	-
	Total Assets	**361,968**	-	-
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Creditors: amounts falling due within one year	69,064	-	
2	Creditors: amounts falling due after more than one year	34,643	-	
	Total Liabilities	**103,707**	-	
Shareholders' Equity				
1	Called up share capital	25	-	
2	Other reserves	19,860	-	
3	Profit and loss account	238,376	-	
	Total Shareholders' equity	**258,261**	-	

Own funds: main features of own instruments issued by the firm
Own funds are comprised of share premium, fully paid-up capital instruments and retained earnings which are accounted for within shareholders equity. Called up share capital constitutes 25,126 of ordinary shares of £1 each.

6 Own Funds Requirement

This disclosure has been made in accordance with the MIFIDPRU 8.5 requirements. The information contained this section is as of 31 December 2023.

Walter Scott has complied with its Own Funds requirement throughout the period.

	Walter Scott Own Funds Requirement	Input £	Capital Assessment £
Ref	**Own Funds Requirement**		
A	PMR (Permanent Minimum Requirement)	75,000	-
B	FOR (Fixed Overheads Requirement)	19,736,913	-
C	K-AUM (Assets Under Management)	13,357,198	-
D	K-COH (Client Orders Handled)	5,199	-
E	KFR ***(C+D)*** (K-Factor Requirement)	13,362,397	-
F	Own Funds Requirement ***Higher of (A, B or E)***		**19,736,913**

Adequacy of Own Funds Assessment

The firm's Own Funds Assessment was derived after completion of the 2024 ICARA process which considered all relevant material harms. As part of this process, the Own Funds Assessment was subject to challenge by firm specific, severe but plausible hypothetical scenarios designed to stress the firm's capital. Based on these activities it is believed the firm's Own Funds Assessment figure is adequate.

7 Remuneration Disclosure

Walter Scott is required to disclose information on its remuneration policy and practices for those categories of staff whose professional activities have a material impact on its risk profile. This disclosure is made in accordance with the MIFIDPRU 8.6 requirements. The information disclosed is as at 31 December 2023, in respect of Walter Scott. Where appropriate this disclosure exercises the confidentiality provisions of MIFIDPRU 8.6.8 (7).

Remuneration Policy and Governance

Walter Scott's Remuneration Policy is designed to align with the long-term interests of the firm's clients.

Walter Scott's Remuneration Policy has been designed to provide a remuneration approach that is consistent and appropriate to all its staff. It ensures that pay practices are appropriate and proportionate to the nature, scale and complexity of the current and future risks that are inherent in the business model and activities carried out.

In addition to being regulatory compliant and gender neutral, as well as supporting equal pay and diversity, the Remuneration Policy also promotes sound and effective risk management, aligns with the firm's business strategy and rewards long-term sustainable investment outcomes for its clients.

The approach to remuneration is governed by the Walter Scott Remuneration Committee ("RC"), which has delegated responsibility for remuneration matters from the Walter Scott Board which, in consultation with the BNY Investment Management Compensation Oversight Committee ("IM COC"), is responsible for remuneration policy decisions and the approval of year-end compensation awards for its respective regulated staff members. All new material incentive plans, material changes to existing incentive/sales plans and funding accrual decisions are subject to review and approval by the IM COC.

The RC meets at least three times per year. Compensation proposals are made to the RC on an annual basis which includes a review of proposals for the EMC members, Material Risk Takers ("MRTs") and other high earners. This review includes formal input from the Risk and Compliance and Human Resources functions. The RC may, from time to time, consider additional input from external consultants as deemed appropriate.

To manage any potential conflicts of interest, remuneration decisions for employees in control functions are determined in conjunction with the BNY corporate function. Variable compensation deferrals for these employees are aligned to the BNY corporate deferral rates, subject to any additional regulatory requirements which may apply.

The RC is accountable for ensuring remuneration practices are implemented appropriately in line with the firm's business strategy, all relevant legal and regulatory requirements, policies, and practices reflecting the risk profile, long term objectives and the overall philosophy of the firm.

Remuneration Philosophy

Walter Scott's overarching compensation philosophy is designed to align with the long-term interests of the firm's clients and to attract and retain the highest caliber of staff with a compensation and benefits package that is market competitive and is designed to reward:

- Growth and development for our clients, our shareholders, our people, our business, and the communities within which we operate to be consistent with and promote sound and effective risk management.
- Performance (of the firm, team, and individuals against established goals).
- The creation and maintenance of an inclusive and positive culture focused on doing what is right and supporting sustainable long-term value.
- Being in line with the firm's business strategy, objectives, and long-term interests.

Linking Strategy to our Reward Philosophy

Walter Scott offers a total compensation opportunity that supports its values; passion for excellence, long term client relationships, integrity, strength in diversity and courage to lead. The business values individual and team contributions with rewards based on how both contribute to client and overall business outcomes. In support of this philosophy, variable compensation is regularly used as a means of recognising performance.

Through the compensation philosophy and principles, the interests of our clients, employees and shareholder are aligned by encouraging actions that contribute to superior investment performance for clients without taking unnecessary or excessive risks that threaten the value of the Walter Scott business or benefit individual employees.

The compensation structures are comprised of an appropriate mix of fixed and variable compensation that vests over time and are consistent with business and market practice.

Material Risk Takers

As required by the MIFIDPRU Remuneration Code, relevant investment firms are required to identify employees whose professional activities have a material impact on the risk profile of the firm or the assets that are managed by the firm. The Remuneration Code includes published criteria to assist in identifying those employees.

The Walter Scott RC is presented with the firm's interpretation of the Remuneration Code identification criteria for formal approval on an annual basis. Using this identification criteria, a list of MRTs is also presented for approval. This intentionally captures those with responsibility to control risk and with potential risk exposure.

Employees identified as MRTs include, but are not limited to, those who meet the following criteria:

- Members of a management body in its management or supervisory function, or a member of senior management.
- Those with managerial responsibility for a regulated activity.
- Those with managerial responsibility for a control function, including Risk and Money Laundering.
- Those whose professional activities are otherwise determined to have an impact on the risk profile of the firm, or the assets managed.

All identified MRTs are informed of their status as MRTs and the implication of what this means for them through a notification letter. The list of MRTs is maintained through the year and updated as necessary by the firm. For the 2023 performance year, 12 employees were identified as MRTs.

Structure of Compensation

The level of individual compensation is based on multiple factors, including:

- Job function – type of work being done, financial responsibility, decision-making authority and number of employees supervised.
- Knowledge requirements – skill, education and training required to successfully perform the job.
- Competence – breadth and depth and competence of prior work experience.
- Local labor market – local pay rate for similar jobs at other companies in the same global location.
- Talent availability – number of qualified workers who fulfil the job requirements.
- Individual performance – level of performance of the person doing the job.

Walter Scott's employee compensation structure is comprised of an appropriate mix of salary and variable compensation (incentives) that vests over time.

Fixed Component

The fixed component of an employees' compensation is determined by considering market practice, being sufficient to provide security and a financial foundation for the relevant location, reflect the size and scope and value of roles within the firm, in addition to the capability and competence of the individual.

Fixed compensation is set at a level high enough to ensure that there is no requirement or obligation to pay variable compensation when the performance of the individual, team or firm does not justify it.

Variable Component

The variable incentive pool is determined by the profitability of the business and is calculated as a set percentage of the firm's annual pre-tax operating profits.

All Walter Scott employees are eligible to be awarded variable compensation but have no entitlement to such awards which are discretionary. Variable compensation is an important element of total compensation and is the firm's way of paying for performance. The proportion of total compensation made up of variable compensation typically increases with the seniority of the role and often constitutes the majority of total compensation.

Variable compensation may consist of both upfront cash and deferred components. The split is determined by the functional hierarchy of the business or function to which the individual staff member belongs, and in accordance with the terms and conditions of the incentive compensation plan that is applicable for the business or business partner service.

The deferred component is intended to align a portion of the variable compensation award with the management of longer-term business risk. It is generally awarded in the form of deferred cash which is invested in either BNY LTIP arrangements or the Walter Scott specific LTIP.

Guaranteed variable compensation is only awarded in exceptional circumstances and, in line with the regulatory requirements, limited to the first year of service and in the context of hiring new staff.

Buyout awards, which compensate a new joiner for forfeited deferred remuneration from a previous employer, will take into consideration the value and terms including any deferral period, nature of award (e.g. cash, shares etc.) and retention period of the variable compensation to be forfeited.

In addition, any retention or severance payments (in addition to any local statutory requirements) are made at the discretion of the Walter Scott RC and are made in line with the regulatory requirements of the Remuneration Code.

To ensure effective risk adjustment, Walter Scott requires employees who receive variable remuneration awards (both upfront and deferred) to agree to forfeiture and claw back of such awards in the event of fraud, misconduct or actions contributing to the detriment of business interests, including competing with the business, and soliciting employees or clients. Where required by regulations, awards to MRTs are subject to more stringent risk adjustment, including, but not limited to, forfeiture and claw back in the event of employee misbehaviour, material error, material downturn in business performance or a material failure of risk management.

Performance criteria

Variable compensation is designed to be determined based on individual, team and business performance measured against varied criteria and is intended to reward leadership performance equitably with technical performance and delivery.

Performance is measured against criteria including risk and compliance standards/policies/procedures and requirements, achievement of goals, modeling of diversity, equity and inclusion and ESG. The balance of each criteria ensures that variable remuneration does not encourage excessive risk taking nor affect the sound capital base of the firm. It also reflects the long-term performance of employees.

Long Term Incentive Plans ("LTIP")

Walter Scott operates a LTIP for certain employees based on their level of total remuneration. Awards are a deferred cash investment into funds of which the firm is the sub-advisor. These investments vest over a three-year period on a pro-rata basis (one third on each anniversary). Three-year deferral period is considered appropriate given the long-hold nature of the firm's investment approach and the low employee turnover.

Variable Remuneration of Control Function Staff

The variable compensation awarded to control function staff (for example, finance, risk, and compliance) is dependent on performance that is assessed according to the achievement of objectives specific to their functional role and is independent of the activities they oversee.

Performance Adjustment

The Walter Scott RC is responsible for ensuring any variable remuneration, including any amounts deferred, is paid or vests only if it is sustainable according to the financial position of the firm as a whole and justified by the performance of the individual, the individual's team and the firm.

All employees have three non-financial objectives on which they are assessed. These being Diversity, Equity & Inclusion, ESG and Risk and Compliance.

The Walter Scott RC takes into consideration input from the HR and Risk and Compliance functions when determining remuneration outcomes and may, in its sole discretion, cancel or reduce all or any portion of an unvested award of variable remuneration ("Malus") based on criteria included in the Remuneration Policy, including but not limited to, employee misconduct, material error, material downturn in business unit performance, material failure of risk management and failure to meet fitness and proprietary standards. In addition, claw back may be applied for up to seven years from the date the variable remuneration was awarded.

Termination Payments may be made where the employment contract is terminated early at the initiative of the employer. The payments will be subject to general standards that are dependent on a number of factors which may include the seniority of the individual, their length of service, the circumstances surrounding the termination and any applicable legal requirements and shall not reward failure or misconduct. Termination payments do not reward failure (personal or corporate) or misconduct. Termination payments are made in line with applicable legal requirements.

Quantitative Disclosures

Walter Scott is required to disclosure information on the aggregate remuneration for its employee and MRTs for the 2023 performance year.

The remuneration amounts below are presented on a gross basis, regardless of the time spent by staff in respect of Walter Scott.

	Senior Management	Other MRTs[1]	Other Staff
Total Number	10		172
Total Remuneration	£29,054,465		£38,758,922
Fixed Remuneration	£2,109,465		£11,019,707
Variable Remuneration	£26,945,000		£27,739,215
Cash	£10,851,500		
Upfront Shares	£45,000		
Deferred Shares	£0		
Share-linked	-		
Other	£16,048,500		
Deferred Remuneration awarded for prior year	46,916,601.00		
2024 Vesting [2]	16,407,029.22		
Subsequent Years vesting [3]	30,509,571.79		
Due to vest but withheld due to performance adjustment	-		
Total Guaranteed Variable	None		
Total Severance Payments	None		
Highest Severance Payment	N/A		
Exemptions under SYSC 19G.5.9R	N/A		

[1] Under MIFIDPRU 8.6.9 no information is provided to prevent identification of two material risk takers.

[2] Based on unit price at date of distribution.

[3] Based on unit price at date of 31 December 2023.

8 Investment Policy

This disclosure has been made in accordance with the MIFIDPRU 8.7 requirements. The information contained within this section is at 31 December 2023.

- Walter Scott did not hold any shares directly during the period.
- Walter Scott did not hold shares indirectly on behalf of clients in excess of 5% of any issuance with voting rights attached.

IP1 – Proportion of Voting Rights

Company name	LEI	Proportion voting rights attached to shares held directly or indirectly in accordance with MIFIDPRU 8.7.4R
N/A	N/A	N/A

IP2 – Voting Behaviour

IP2.01 – DESCRIPTION OF VOTING BEHAVIOUR		
Row	**Item**	**Value**
1	Number of relevant companies in the scope of disclosure	0
2	Number of general meetings in the scope of disclosure during the past year	N/A
3	Number of general meetings in the scope of disclosure in which the firm has voted during the past year	N/A
4	Does the investment firm inform the company of negative votes prior to the general meeting? (Yes/No/Other – please explain)	No - As per Walter Scott's Proxy Voting Policy, in the event of a vote against management, we notify the company in question after the general meeting outlining our rationale for the decision.
5	On a consolidation basis, does the investment firm group possess a policy regarding conflicts of interest between relevant entities of the group? (Yes/No)	Yes
6	If yes, summary of this policy	Potential conflicts of interest are dealt with in Walter Scott's Proxy Voting Policy - https://www.walterscott.com/wp-content/uploads/2023/12/Proxy-Voting-Policy-2024.pdf

IP2.02 – VOTING BEHAVIOUR			
Row	**Item**	**Number**	**Percentage (of all resolutions)**
1	General meeting resolutions:	N/A	N/A
2	The firm has approved management's recommendation	N/A	N/A
3	The firm has opposed management's recommendations	N/A	N/A
4	In which the firm has abstained	N/A	N/A
5	General meetings in which the firm has opposed at least one resolution	N/A	N/A

IP2.03 – VOTING BEHAVIOUR IN RESOLUTION BY THEME (number unless specified)					
Row	**Item**	**Voted For**	**Voted Against**	**Abstained**	**Total**
1	Voted resolutions by theme during the past year	N/A	N/A	N/A	N/A
2	Board structure	N/A	N/A	N/A	N/A
3	Executive remuneration	N/A	N/A	N/A	N/A
4	Auditors	N/A	N/A	N/A	N/A
5	Environmental, social, governance not covered by rows 2-4	N/A	N/A	N/A	N/A
6	Capital transactions	N/A	N/A	N/A	N/A
7	External resolutions (e.g., shareholder proposals)	N/A	N/A	N/A	N/A
8	Other	N/A	N/A	N/A	N/A
9	Percentage of all resolutions put forward by the administrative or management body that are approved by the firm	N/A	N/A	N/A	N/A

IP3 – Use of Proxy Advisor Firms

IP3 – USE OF PROXY ADVISOR FIRMS
Explanation on the use of proxy advisor firms
Walter Scott receives third party research from Institutional Shareholder Services (ISS) for information purposes. However, the recommendations from any intermediary have no bearing on how Walter Scott votes.

IP4 – Voting Guidelines

IP4 – VOTING GUIDELINES
Voting guidelines regarding the companies the shares of which are held in accordance with MIFIDPRU 8.7.4R: short summary and, if available, links to non-confidential documents
Where authorized to do so, Walter Scott votes at shareholder meetings in a manner consistent with our clients' best interests. While Walter Scott considers all votes on a case-by-case basis, we have guidelines in place for specific issues, which are all detailed in Walter Scott's 2024 Proxy Voting Policy - https://www.walterscott.com/wp-content/uploads/2023/12/Proxy-Voting-Policy-2024.pdf

9 Contact Information

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