

# SECTION 172 STATEMENT

for the year ended 31 December 2024

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. Updates include client and business development activities e.g. wins, types of mandates, pipeline, and business at risk.
- The Board oversees the Company's operations including services provided by third parties or affiliates. This oversight includes any strategic considerations regarding any further potential outsourcing or insourcing opportunities, and specifically whether they may bring efficiencies to the business and benefit to its shareholders.
- As part of the Company's governance framework, the monthly Operations Committee receives an update on the management of all vendor relationships. Material issues are escalated as required to the Executive Management Committee ("EMC") and, ultimately, to the Board.
- The BNY 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 seeks assurance from senior management in relation to the implementation of any regulatory changes 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 Code of Conduct.
- The Company 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 outlines the expected standards for all its suppliers.

## High standards of business conduct

- 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 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.
- The FCA's Senior Managers & Certification Regime ("SM&CR") classifies the Company as an Enhanced Firm. All Senior Managers, Certified Persons and Conduct Rules staff undertake ongoing appropriate training sessions.
- 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. Under the auspices of SM&CR, the Company aims to:
  - Encourage staff to take personal responsibility for their actions;
  - Improve conduct at all levels; and
  - Ensure relevant staff clearly understand and can demonstrate their roles and responsibilities.

- The Board recognises the importance of risk management in the execution of its strategy and has defined the levels of risk acceptable to the Company i.e. its "risk appetite". The Board retains overall responsibility for approval of the Company's risk appetite and strategy, including its capital adequacy and financial liquidity.
- The Board seeks and receives assurances from the Board Risk Committee over the governance around preparing a number of regulatory submissions and associated policies.
- The Board approves an internal policies framework to maintain controls and governance within the business. The framework is reviewed at least annually.
- Company employees' activities are carried out in accordance with applicable processes and procedures. Issues with clients, market practice, regulators or vendors that require senior level consideration are addressed through the escalation mechanisms in the 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 ("RNC") supports the Board to achieve this goal.

### **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.
- Company employees are paid competitive base salaries. The compensation structure is designed to promote fair and equal treatment of all staff. The RNC determines the salary and profit share allocation based on the overall performance of the Company. All Company employees are eligible to participate in its 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.
- The majority of annual compensation for Executive Directors and senior management 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 the positive impact cognitive diversity has on the long term success of the business. The Company has a Diversity, Equity and Inclusion Working Group which reports to the EMC twice per annum. It makes recommendations and takes actions which consider diversity, equity and inclusion at the Company.
- The Company undertook its third Culture Survey of employees in 2024. The results were very positive and any follow up actions have been included in the HR Plan for 2025.

### **Impact on the community and the environment**

Total charitable donations made by the Company's Giving Group during 2024 totalled £1,000,000 (2023: £1,000,000). Donations were made to 70 organisations predominantly in Scotland, but also in Boston and supported areas ranging from young people, education, homelessness, wellbeing and the community.

- 43% of the 2024 budget was allocated to multi year programmes. Many charities are heavily reliant on annual funding, so long term support offers valuable financial security and enables charities to plan with confidence.
- The Giving Group's approach is unchanged from previous years and is to focus on specific projects whose outline, budget, expected outcomes and evaluation are clear. The evaluation element provides the Group with clear accountability for the efficiency and impact of donations made. It also offers the opportunity for further future improvements to the programme.
- The Group maintained a close relationship with its 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.
- The Company ran its Research and Operations internship programmes during the year. These enabled the Company to engage with students from across a number of UK and International institutions, whilst continuing with 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. In 2024, three of our eleven interns were Crankstart Scholars and we were able to provide placements during the year for one individuals associated with The Robertson Trust. The Company partners with these organisations to reach talented individuals who may not otherwise engage with Walter Scott.

### **Our investment approach and climate change**

- The consideration of financially material sustainability factors in the management of its clients' portfolios is fundamental to the Company's approach and has always been included in the analysis of companies.
- As long term stewards of clients' capital, the Company must seek to understand the financially material climate related risks and opportunities faced by companies today and in the future. These risks and opportunities are better understood and analysed through constructive engagement with the management of our portfolios companies, with the sole objective of creating long term value for our clients.
- The Carbon Disclosure Project ("CDP") is a not for profit organisation that runs a system of global environmental disclosures. By collaborating with CDP, the Company aims to promote the disclosure of more and better quality environmental data, which facilitates more focused company engagement and analysis with a view to ensuring that financially material factors are properly scrutinised.

### **Operations and sustainability**

- Overall, the Company's carbon emissions (using the location based method), excluding emissions associated with the investments managed by the Company, for 2024 were 11% lower than 2023, and 22% less than 2019 base year emissions (when comparing like for like emissions sources).
- The Company has set the following targets relating to its operations and sustainability to be tracked versus the baseline year of 2019:

#### **Maintain an average annual recycling rate of 70% of total Edinburgh office waste**

The Company's recycling rate, which was an average of 64% for 2024 (2023: 72%; 2019: 72%). As the Company continues to maintain office printing at the historic lows seen during COVID, the expectation is that the Company will see a decreasing proportion of its waste attributable to recyclable waste, and as such will impact its ability to achieve the 70% recycling target. New bins with enhanced signage, along with detailed waste audits were introduced during the year to help improve the recycling ratio. More importantly the Company remains committed to reducing the absolute volume of waste going forward.

#### **A reduction in total office waste by 5% by the end of 2024 compared to the base year 2019**

Total waste generated in 2024 of 19.4 tonnes represents a reduction of 16% versus the 23.1 tonnes in 2019 and a reduction of 15% versus the 22.8 generated in 2023. The Company is mindful that reductions in waste, compared to the base year, coincide with a hybrid working model and that increased office attendance may have implications for waste volumes.

#### **An 80% reduction in office printing compared to the base year 2019:**

Print volumes were up 16% versus 2023 due to greater office attendance during the year but were down 85% versus the base year 2019. The benefits of reduced access to printers and enhanced electronic records management continue to contribute to a change in office printing behaviours.

#### **A 5% reduction in business travel related emissions compared to the base year 2019**

Excluding emissions associated with the investments managed by the Company, business travel is the single largest contributor to the Company's climate impact. Compared to the base year 2019 business travel related emissions fell by 23%.

Meeting clients and companies continues to be an important part of doing business, but the Company has worked hard to ensure it travels more efficiently. We continue to monitor and encourage better planning of trips, where possible, client meetings in North America are undertaken by resources based locally and where possible supported by Edinburgh based resources via virtual conferencing facilities.

### **A 5% reduction in scope 1 and 2 emissions compared to the base year 2019**

During 2024, gas consumption at 339,894 kWh was in line with 2023 (329,277 kWh), however, consumption was down 11% vs 2019 (381,758 kWh). This reduction in usage and no material change in the grid emission factor has resulted in a 12% reduction in scope 1 emissions compared to the base year 2019. Office electricity consumption in 2024 (250,212 kWh) increased by 2% versus 2023 (244,944 kWh) but remained 16% below 2019 usage (296,111 kWh). This reduction in usage coupled with a 19% reduction in the grid electricity conversion factor results in a 30% decrease in location-based scope 2 emissions compared to the base year 2019.

The Company's primary focus will be on its emission reduction efforts. The Company has not subscribed to any Net Zero frameworks and does not make any claims with respect to the Carbon Neutrality of its operations. Climate and biodiversity considerations remain important for staff engagement. In 2024 the Company donated to a Scottish charity whose objective it is to work with coastal communities to restore degraded inshore marine habitats to enhance biodiversity, improve water quality and sequester carbon.

## **Acting fairly between members of the Company**

Walter Scott & Partners Limited, which is a wholly owned subsidiary within the BNY group, is governed by the Company's Board. The Company maintains an open relationship with BNY, with whom ideas and strategic objectives are exchanged and shared, ensuring that the Company's 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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