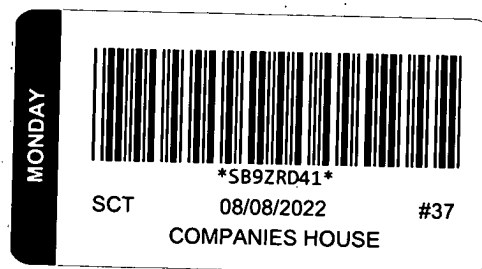


## **Walter Scott & Partners Limited**

**Strategic report, Directors' report and financial statements**

**Registered number SC093685**

**31 December 2021**



# Walter Scott & Partners Limited

## Contents

Board of Directors and other information	1
Strategic report	2 - 13
Directors' report	14 - 25
Statement of directors' responsibilities	26
Independent auditor's report	27 - 30
Statement of profit and loss and other comprehensive income	31
Balance sheet	32
Statement of changes in equity	33
Notes to the financial statements	34 - 53

# **Walter Scott & Partners Limited**

## **Board of Directors and other information**

### **Directors**

R A Hammond-Chambers (Chair of the Board)\*

J E Henderson (Managing Director)

R M Leckie

C E Macquaker

S N Potter\*

H Smits

J D Smith

\*Independent Non-Executive Director

### **Secretary**

Colin J Wood

One Charlotte Square

Edinburgh

EH2 4DR

### **Auditor**

KPMG LLP

Chartered Accountants

Saltire Court

20 Castle Terrace

Edinburgh

EH1 2EG

### **Registered Office**

One Charlotte Square

Edinburgh

EH2 4DR

### **Company Number**

SC093685

# Walter Scott & Partners Limited

## Strategic report

In accordance with Section 414A(1) of the Companies Acts 2006, the Strategic report includes a review of Walter Scott & Partners Limited's ("the Company" or "Walter Scott") business and future developments, a description of the principal risks and uncertainties facing the Company, key performance indicators, and reports against reporting requirements set out in Section 172 of the Companies Act 2006.

The ultimate parent company is The Bank of New York Mellon Corporation ("BNY Mellon" or "Group").

## Statement from the Chair of the Board of Directors

### The Coronavirus Pandemic (the second and hopefully final year)

It has been a long haul since the start of the Coronavirus pandemic in March 2020. The virus and its deviants have proven to be resilient and the pandemic has been drawn out. Under such circumstances it would be easy to lose enthusiasm for what we do. However, all of us at Walter Scott & Partners Limited have retained our enthusiasm for what we do looking after our clients' investments.

I would like to extend a huge thank you to all our clients, staff and colleagues at the Bank of New York Mellon. Thank you for helping us do our job for the benefit of our clients and all those many people that the clients represent. It is our hope that the job we do makes a positive difference to their lives.

As I write, it looks as though we are returning to "normal" albeit that it may be a "new" normal. It is not just the pandemic that will have changed some of the ways we do things but also other factors which have evolved meantime – including climate change, inflation and, maybe, a new cold war. Heraclitus' dictum that "the only constant in life is change" was never more true. Much has changed since the Company started out in business in 1983 and we have adapted to change – never changing, however, our purpose (to serve our clients) and the team culture we bring to the task of doing so.

### The business of Walter Scott & Partners: global equity investment

The purpose of our company is to earn returns for our clients of the order of 7% plus in real terms over the long term. We are conscious of clients' own obligations to earn positive returns for their own beneficiaries and of the investment risks that they can tolerate in order to achieve them. Our purpose is important because it sets the tone for our culture i.e. being focused on serving our clients, looking after our colleagues and performing a responsible role within our community. It summarises the essence of "Environmental, Social & Governance" ("ESG") that lies at the heart of today's institutional culture. The loyalty built up with our clients and colleagues is demonstrated by the very low client and staff turnover over many years.

### Governance and change

Change is a challenge and needs leadership. Our clients, regulators and shareholder are all concerned that the Firm should have strong leadership by its Board of Directors. In last year's statement I drew attention to the evolution of our governance structure – the appointment of non-executive directors and the governance process for managing the Board's duties. We aim to extend the Board's skills and experience with some new appointments in 2022 and to develop further our programme of "deep dives" at board meetings in which we look in depth at relevant issues affecting the business. We are very conscious that box ticking Board meeting agendas are the very enemy of progress.

Our governance duties are focused on four aspects of our responsibilities:

- Investment (Consistency of philosophy and process);
- Clients (Retain and grow client base);
- People (Consistency of delivery through a positive working culture); and
- Control (Governance framework working across the business).

# Walter Scott & Partners Limited

## Strategic report - continued

### Statement from the Chair of the Board of Directors - continued

#### Governance and change - continued

I will use these four aspects of our business to review the past year.

#### 2021

I am happy to report that the Company made good progress in:

- i. earning good positive returns for its clients;
- ii. building out its client servicing resources;
- iii. developing staff; and
- iv. building processes and controls to optimise its effectiveness.

#### Investment

2021 proved to be another good year for most stock markets around the world. The MSCI World Index rose 20% led essentially by the United States. Aided by that and by the performance of the stocks held within them, our clients' portfolios benefitted too. Indeed the returns earned by our two major strategies over the last one, three and five years have been very good by any historical measures.

We are studious in sticking to the way we invest and we do not do so complacently. Currently there are some important challenges e.g. the Coronavirus pandemic, the explosion of constructive and destructive technology, valuation ratings for growth equities, the emergence of inflation at a level not seen in over thirty years and now war. These have all clouded the outlook for politics, economies, markets and equity investing. It is our job to engage in robust and active discussion on these and other relevant issues to understand the context of our stock selection to avoid making mistakes. We may be entering a new world for equity investors. Some of the differences from the past may be:

- The redefining of the role of companies in our western societies (ESG issue);
- The restructuring of the global economy to a non carbon-based footing;
- The emergence of significant inflation with the possibility of higher interest rates; and
- The roles of investment management companies in the oversight of the corporate world.

The purpose of saying all of *this is to avoid thinking that what has been, will be*. It won't.

#### Clients

We take pride in that we have retained most of our clients for many years. That might be an easy statement to make on the back of five years of exceptional real returns but we have clients who have been with us for over 25 years and the average duration of our client base is just under 10 years.

The Company enhanced its collaboration with BNY Mellon Securities Corporation in 2019 for the specific purposes of looking after our existing clients in North America. A team of eight look after our US clients and work with consultants and other institutions. Most of the team has a portfolio management background providing a sound understanding of our portfolios and their performances.

In November 2021, the Company held its first virtual investment conference which was well attended. It proved to be a fascinating day and unveiled some interesting insights on what the future investment opportunities. Thinking about tomorrow's world and applying sound judgement lie at the heart of our investment approach and generating good long-term returns.

# **Walter Scott & Partners Limited**

## **Strategic report - continued**

### **Statement from the Chair of the Board of Directors - continued**

#### **People**

Nothing is more important to our business and its clients than our people. They make things happen.

Most of our colleagues are based in Edinburgh with some, as mentioned, based in Boston. Most have been with the Company a long time. We believe that colleagues are happy in their jobs, enthused with their responsibilities, capable and selflessly committed. Despite the challenges of the past two years, which have not made things easy, everyone has pulled together as a team. May I extend a huge thanks to all staff for their work, commitment and results in the year.

I would also extend a huge thanks to my Board-room colleagues who have provided sound leadership throughout the last two years. Motivated and effective teams need good leadership, and the Board provides this.

#### **Controls**

While the business of the Company is investment, it is its stewardship that provides the wherewithal for the Firm being a safe ship to sail in and one that is fit and able to reach its destination.

The world of investment management has become enormously complicated in the last decade. Although ours is a very simple business in the context of today's investment world the fact is that the operating environment is anything but simple. There has been much regulation over the time period, all of which needs to be complied with and evidenced.

We take stewardship matters very seriously indeed. Resourcing in this area is considered to be appropriate. The fact that 2021 was a crisis free year in respect of our stewardship is testament to the leadership in various areas (risk, finance, operations etc.) and to the systems and processes we have in place to make it thus.

#### **Future prospects**

If we keep focused on the business in hand, we will continue to earn competitive long term real returns for our clients. There will, however, be challenges as well as new opportunities along the way.

Some challenges I have referred to earlier but there will also be new ones we haven't thought about yet. We must understand how to adapt to fit into the new world of regulated ESG. The investment management business is seen by governments as an enormous influence upon corporate behaviour. However, it is important that ESG does not become the elephant in our business room. We are working on how we fulfil our obligations not only in law but also in practice (focussing on our own carbon footprint for instance). It concerns all parts of the Company's workings from the Board onwards.

In a world undergoing such significant change, there will be enormous opportunities as some businesses die off and as new ones are born. Our recent virtual conference illustrated where we are looking e.g. medicine, artificial intelligence and space. Opportunities are best recognised and taken advantage of if thought about in advance. The opportunities that will unfold are exciting and we look forward to being involved in them and continuing to produce excellent returns for our clients.

Alex Hammond Chambers

Chair, Board of Directors  
24 March 2022

# Walter Scott & Partners Limited

## Strategic report - continued

### Strategy

#### Core strategic proposition

The firm's core strategic objective is to deliver real investment returns for its clients over the long term.

#### Secondary strategic proposition

The firm's secondary long-term objectives are:

- **Client Retention:**  
To build stronger and deeper relationships with existing clients recognising that allocation increases and cross-selling opportunities come from a well informed and satisfied client.
- **Business Development:**  
To undertake a structured approach to delivering organic growth, working with key partners and aligning such growth with the firm's strategic initiatives (as maintained in the Client Service Business Plan).
- **Communications:**  
To deepen engagement with clients through a managed series of events and to maximise value in communications by delivering excellence in content.

#### Business and future developments

The business started the year with assets under management of £74.3bn and ended the year at £86.4bn an all-time high for Walter Scott.

As mentioned, the business aims to deliver world class client service, and so takes a prudent approach to introducing new clients, directly as well as jointly with key partners. Client growth will be aligned to the firm's strategic objectives.

The Company continues to invest in people and operational infrastructure to ensure the highest standards of investment research and client service are maintained. With a significant percentage of its clients based in North America, Walter Scott continues to enhance its collaboration with BNY Mellon Securities Corporation with the measured growth of the client facing team based in Boston which focuses solely on Walter Scott business in North America.

# Walter Scott & Partners Limited

## Strategic report - continued

### Financial key performance indicators

The Company's key financial and other performance indicators during the year were as follows:

	2021 £m	2020 £m	Change £m	Change %
Turnover	308.9	295.8	13.1	4%
Administrative expenses	98.5	96.3	2.2	2%
Net assets	306.9	289.8	17.1	6%
Assets under management	86,448	74,340	12,108	16%

Global equity markets performed strongly during 2021. The MSCI World Index closed at 3,232 on 31 December 2021, 20% higher than 31 December 2020 close of 2,690. Such strong markets were the primary contributor to net cash outflows of £2.3bn (2020: net cash inflows £3.0bn) experienced by the Company during the year as clients de-risked and rebalanced their portfolios.

Turnover increased by £13.1m (4%) during the year. This was driven by the strength of equity markets, favourable foreign exchange movements and an increased contribution from net new business relative to 2020.

Administrative expenses increased by £2.2m (2%) compared to 2020. This reflected increased compensation costs, headcount and market data costs.

Net assets increased by £17.1m (6%) during the year as a result of higher level of cash held.

### Principal risks and uncertainties

The principal risks and uncertainties affecting the business have been considered and addressed in the Directors' report on pages 14 to 25.

### Section 172 Statement

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. Investment and 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 due 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.



# Walter Scott & Partners Limited

## Strategic report - continued

- 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 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.
- 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.
- Walter Scott is aligned with BNY Mellon's stance on governance, best practices and diversity. The Company's governance policies are outlined further in the Directors' report.
- 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

# Walter Scott & Partners Limited

## Strategic report - continued

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. There is no cap on profit share as a percentage of base salary.
- For Executive Directors and senior management, the majority of annual compensation comprises a share of the Company's profits. An element of this is deferred via a long-term incentive plan. This is invested partly in a global equity fund of which Walter Scott is the investment adviser and partly in BNY Mellon stock. Both have a deferral period which vests on a pro-rata basis over 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. Regarding gender diversity the Company's Managing Director is Jane Henderson and the gender split on the Company's Executive Management Committee is 44% female and 56% male. Overall, the Company is split 46% female and 54% male.
- In the second half of the year the Diversity, Equity and Inclusion ("DEI") Working Group was formed. The purpose of the group is to help Walter Scott be the best it can in DEI. The group reports to the Executive Management Committee biannually and makes recommendations and carries out actions. The firm also adopted a new Diversity, Equity and Inclusion Policy that details its commitments in DEI.
- Walter Scott has six existing diversity partners who help it attract a diverse range of applicants and this network will increase further in 2022. Blind CVs are used in the internship programmes and this will be extended to all vacancies. The firm's Recruitment Process was redeveloped in 2020 to further encourage objectivity and this will be supplemented by development for all recruiting managers in 2022.

# Walter Scott & Partners Limited

## Strategic report - continued

- Walter Scott has also continued to consider new ways to ensure that the firm's culture is shared, understood and thereby protected. Culture cannot only be imposed from the top down, the firm must be sure that it is being understood and applied at all levels. At its core, the firm's culture is about doing the right thing for its clients at all times, and in doing so, doing the right thing for all stakeholders. It is critical that the culture is understood by all. To that end, in addition to investment in training and internal communications, this year, Walter Scott's management conducted a survey of the firm's culture amongst every member of staff. This followed on from the Company's first culture survey in 2020. That anonymous report allowed management to ensure culture was being conveyed whilst also providing a reference point to judge progress and improvement in the years to come.
- As part of the survey employees were asked to suggest improvements and 2021 saw the business develop responses to the most prominent suggestions. These responses included the development of a Hybrid Working Policy, which has since come into effect in early 2022, following guidance from the Scottish Government. A career development framework was also designed and rolled out to all employees during 2021, and this was supported by specific training sessions for managers and non-managers. Training courses included Constructive Conversations, Trust and Psychological Safety. Employees were also asked to comment on what aspect of working at Walter Scott they found most engaging. The Company recognises that it must continue to invest in these areas.
- As the pandemic continued into 2021 the wellbeing of employees continued to be an area of focus. The efforts of the Company's Wellbeing Champion, virtual coffee breaks, Zoom based movement and stretching classes, additional resilience coaching and telephone calls from Directors continued into 2021 along with new initiatives including the identification and training of several mental health first-aiders throughout the Company. The wellbeing initiatives promote relevant health and wellbeing opportunities and positive mental health in the workplace. This will be particularly relevant for the return to the office in 2022.

### Impact on the community and environment

- The consideration of ESG factors in the management of both its own business and of its clients' portfolios is fundamental to the Company's research approach and have always been included in the analysis of companies.
- In 2021, charitable donations totalled £1,079,706 (2020: £626,500). The annual donations are administered by the Walter Scott Giving Group ("The Giving Group"). The ambition is to support charities local to its operations that focus on community, education and health. Through multiyear commitments to a number of charities, it is hoped a meaningful difference can be made. The Giving Group requires assurance that donations are efficiently spent and the benefits are evidenced. The Giving Group actively supported 53 charities in the local community over the year covering projects focusing on homelessness, young people, employment, mental health, education, well-being, the community and the environment.
- The Giving Group works closely with charities, many of which continued to face challenges in delivering their programmes as the pandemic continued throughout 2021. In 2021, long term relationships where there is a multiyear support programme comprised 45% of the budget. Whilst offering valuable support the firm has encouraged the charities to diversify their income streams to provide greater resilience and security of funding.
- There is focus on specific projects where the project outline, budget, expected outcomes and evaluation are clear. The Giving Group has clear accountability for the efficiency and impact of the donations and the evaluation component is a key aspect of its 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. This is an important part of the engagement with the charities.
- The Giving Group supported the Scottish Book Trust and their initiative to bring authors into schools to inspire creative writing skills. The resilience of the programme, due to its digital delivery, was an important part of the

# Walter Scott & Partners Limited

## Strategic report - continued

Giving Group's assessment of the proposal. The Group also supported the Royal Scottish National Orchestra's school concert programme throughout Scotland - reaching over 46,000 children from every local authority across Scotland, including over 1,600 pupils with additional support needs and almost 7,000 pupils from the 20% most deprived areas of Scotland. The Group also supported young people from disadvantaged backgrounds through community mental health programmes and projects to help develop skills and employability.

- Supporting the homeless is an important focus both in Edinburgh and Boston. The Group continued to support the charity, Bridge Over Troubled Waters and following its support of the Rapid Rehousing programme for young people at risk in Boston last year, the Giving Group donated to the Bridge Welcome Center. This is the charity's main centre in Boston and provides overnight stays for the most vulnerable youth. This safe refuge allows the first engagement with their staff and to start to build a support programme which helps to break the cycle of homelessness.
- During the year, the Giving Group also continued to work with local partner charities to distribute meals to families living in deprived communities in Edinburgh during the pandemic. Sikh Sanjog is a charity based in North Edinburgh which was established in 1989 to provide tailored support in the community for young Sikhs, particularly women. The Giving Group supported a report ("Sikh Women Speak") which was published and presented to the Scottish Parliament in December 2021. This report collated views from Sikh women living in Scotland on a number of areas, including employment, health and wellbeing, culture, justice and education. The report revealed that Sikh women in Scotland faced many hurdles and barriers to raising their self-esteem, confidence and fair treatment in society. This report will hopefully provide the stepping stone for improvements.
- Walter Scott employees across the firm continued to volunteer their time in supporting charitable activities and the aim of the Giving Group is to further increase the engagement with colleagues throughout the firm.
- Despite the mostly virtual working environment during 2021, the Company continued to run two internship programmes, one for Research and one for Operations, engaging with a wide range of organisations to attract a diverse pool of potential candidates. Examples include;
- Crankstart Internship, which supports students from low-income households at the University of Oxford.
- The Robertson Trust - which is based in Scotland. The Trust's mission is to improve the quality of life and realise the potential of Scotland's people and communities. In particular, it focuses on the health, social and educational inequalities prevalent in Scotland. The Trust allows young people in the community who may not have been aware of, or considered Walter Scott as a viable employer, an opportunity to work and experience life within an investment firm. There are currently three permanent employees who have come through the Trust and there has been a total of five Robertson Trust interns who have worked at the Company.
- Juniper Trust - in 2021, the Company started a new partnership with this trust and hired a new permanent employee as a result. The focus of the Trust is on supporting young people who wish to pursue a commercial role and who are preparing for that at university, college or through apprenticeships. They are especially interested in those who have faced financial, social or personal challenges.

# Walter Scott & Partners Limited

## Strategic report - continued

### *Our investment approach and climate change*

- 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.
- In relation to our 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.
- 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 climate change*

- The Company must adhere to high standards of reporting and disclosure, and continually explore more efficient ways of working and using resources. In 2021, the Company achieved net zero in relation to our direct scope 1, 2 and direct emissions relating to business travel and office waste disposal. The aim is to achieve at least net zero going forward. During 2021, positive progress was made in several key areas:
  - Employee engagement is critical to successfully tackling our environmental footprint. Much of the initiation, implementation, and ongoing monitoring of many of our operational climate-impact projects are undertaken by the Climate Impact Working Group. We actively encourage staff to contribute new ideas and propose new ways of working, and in 2021, an annual staff survey was launched to help better understand the Company's working-from-home and commuting practices.
  - 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 packed lunches and meals to a community project. Although electricity consumption remained relatively consistent from 2019 to 2021, the firm procured 100% renewable electricity from a UK supplier throughout 2021.
  - Given reduced attendance at our Edinburgh offices, there was a 65% decline in the volume of waste per person in 2021. In 2021, with an average of 80% of waste being recycled, we continue to exceed both the UK and Scottish governments' recycling targets. During 2021, we increased the cardboard and stationery recycling points in our offices. For non-recycled waste, we work with our waste management partner to ensure no waste goes to landfill but is incinerated instead with energy recovery.
  - In 2021, we reduced our printing fleet by 25% and started the process of rolling-out secure PIN-enabled printing. Further printers will be removed in 2022 with the aim of reducing the total printing fleet by 50%. Client communications, such as regular and bespoke client reports, as well as Walter Scott publications, are now electronic by default. While the number of client meetings has understandably fallen significantly during the pandemic, we are investing in paper-free options for client presentations.
  - Whether travelling on research projects or to meet clients, business travel is an essential part of what we

# Walter Scott & Partners Limited

## Strategic report - continued

do. Against a backdrop of virtual client meetings in a COVID-19 environment, our view is that effective communication with our clients will continue to involve face-to-face meetings, but the business is open to clients' views as to how they would like to communicate with us going forward. We must be flexible in adapting to client needs and the Company has therefore invested in communications technology during 2021. This has ranged from more effective virtual conferencing facilities in the building to sound-proof pods where individual staff can meet virtually with clients. What is more, we held our first virtual conference in 2021, which enabled over 300 attendees from around the world to join us in listening to a selection of speakers and provided an opportunity for clients and prospective clients to meet an even larger number of our team. Unsurprisingly, these investments have also had a positive impact on reducing the use of paper. However, our new travel provider has been tasked with helping us develop enhanced carbon reporting and helping the business make better travel choices. In 2022, we will engage with an external consultant to review our business travel practices and support our people in the use of low carbon methods of commuting.

- 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. To the Company's knowledge, there are no material omissions from the reported energy and emissions data.

### 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.

# Walter Scott & Partners Limited

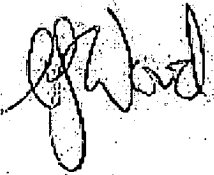
## Strategic report - continued

### Impact of Coronavirus ("COVID-19")

Since early 2020, COVID-19 has created significant disruption to people's lives and to economies and global markets. The Board and Management recognised the risks to the Company's clients, employees and suppliers and acted promptly putting in place procedures to safeguard lives and to monitor and mitigate other risks that the pandemic might throw up. An assessment of the impact of the uncertainty on the Company's current financial position and operational resilience has been performed and management has concluded that the pandemic will not have a substantial impact on the Company's ability to continue as a going concern.

### Approval

By order of the Board



CJ Wood  
Company Secretary

Walter Scott & Partners Limited  
One Charlotte Square  
Edinburgh  
EH2 4DR

24 March 2022

Registered number: SC093685

# Walter Scott & Partners Limited

## Directors' report

31 December 2021

The Directors present their report and financial statements for the year ended 31 December 2021.

### Principal activities

The principal activity of the Company is the provision of global equity portfolio management services to institutional clients from around the world.

The Company is authorised and regulated by the Financial Conduct Authority ("FCA") pursuant to the Financial Services Act 2012. All of the Company's activities during the year are regulated and conducted within the scope of permissions granted to the Company by the FCA.

Additionally, the Company is registered in the USA with the Securities and Exchange Commission ("SEC") as a Registered Investment Adviser ("RIA") and in South Africa with the Financial Sector Conduct Authority ("FSCA"). The Company 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, Ontario, Prince Edward Island, Quebec and Saskatchewan) 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 the National Instrument 31-103, Registration Requirements, Exemption and Ongoing Registrant Obligations. The Company operates in Australia under an Australian Securities and Investment Commission ("ASIC") Class Order 03/1099 exemption and in Japan under the offshore investment manager exemption.

### Results and dividends

The profit for the year after taxation amounted to £173.2m (2020: £159.4m).

Dividends paid during the year amounted to £158m (2020: £150m).

### Political donations

The Company made no political donations or incurred any political expenditure during the year.

### Risk management

The Company is a BIPRU firm, licenced and regulated by the FCA. Capital and other financial returns are prepared and submitted to the regulator on a semi-annual basis. At 31 December 2021 capital as reflected within the Company's regulatory returns amounted to £88.3m (2020: £78.6m).

### Governance and policies

Governance of the Company is the responsibility of the Board of Directors ("The Board"). The Board is responsible for the ongoing success and development of the Company's business as well as setting the risk appetite for the Company as part of the risk framework.

Board committees have been set up to help ensure a high standard of governance, risk management and controls are in place. Each committee has clearly stated terms of reference which includes their purpose and responsibilities.



# Walter Scott & Partners Limited

## Directors' report - continued

### Political donations

### *Governance and policies continued*

The current Board committees are:

- The Executive Management Committee
- The Remuneration and Nominations Committee
- The Board Risk Committee

Policies and procedures also exist throughout the Company to help ensure there is an appropriate level of risk management.

There are a number of key oversight committees within the BNY Mellon Global Risk Management Framework. The BNY Mellon Risk Management Committee is the most senior body and has an oversight responsibility covering all major risk sources. It is made up of senior Investment Management business and risk and compliance personnel. The Committee is provided with appropriate Management Information including any risk issues arising.

### Risk management process

The Board is responsible for identifying the risks associated with its key business processes, business change or external threats and identifying and assessing the quality of controls in place to mitigate risk and assigning accountability for the effectiveness of those controls. The objective of this detailed self-assessment is to prevent or minimise:

- Errors or service delivery failures, especially those with impact on clients
- Financial losses
- Compliance breaches
- Reputational damage

The Company utilises the BNY Mellon Operational Risk Platform to record the above. The platform is used to maintain risk and control self-assessments, key risk indicators and tracking of operational risk events. Risk Management works in partnership with the business to ensure that there is adequate understanding and assessment of, and accountability for, all risks that relate to the Company.

The Risk Appetite at the Group level is set and owned by the BNY Mellon board of Directors, giving the overall strategy and willingness to take on risk at a global level. The Company's Risk Appetite identifies the amount and type of risk that the business is willing to take in order to meet its strategic objective. It is commensurate with guidance set by BNY Mellon.

Risks associated with the Company's operations are measured through production and assessment of key risk indicators and other analysis, the results of which are formally reported to the Risk and Compliance Committee on a monthly basis as part of the risk management framework which has been adopted. An analysis of the Company's financial resources against the applicable regulatory capital requirements and liquidity risk management is reported to the Board Risk Committee on a quarterly basis.

### Certain risks

#### *Credit risk*

Credit risk covers default risk from counterparties or clients for loans, commitments, securities, and other assets where realisation of the value of the asset is dependent on counterparties' ability to perform.

The Company's Risk Appetite limits the holding of cash investment grade counterparties only. Therefore, cash deposits are held at either BNY Mellon London Branch or highly rated external banks or financial institutions.

# Walter Scott & Partners Limited

## Directors' report - continued

### **Risk management process continued**

#### **Certain risks**

Established operational policies, procedures and controls exist around the collection of receivables and identification and follow-up of at-risk balances.

#### ***Market risk***

Market risk is the risk of loss due to adverse changes in the financial markets. Market risk arises from foreign exchange exposure in respect of revenue, expenses, deposits and borrowings, and interest rate exposure on cash balances, deposits and borrowings.

The main source of market risk to the Company is through currency exposure on fees received and expenses paid in non-functional currencies. These exposures are actively managed through twice monthly spot sell off process of non-sterling currency cash balances.

#### ***Operational risk***

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events including the potential for loss that arises from problems with operational processing, human error or omission, breaches in internal controls, fraud, and unforeseen catastrophes.

#### ***Liquidity risk***

Liquidity risk is the risk that a firm, although balance sheet solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due, or can only do so at materially disadvantageous terms.

It is the responsibility of all BNY Mellon firms to maintain liquid resources that are adequate in both amounts and quality. The Company has adopted an internal liquidity policy (based on the Group policy) which has been approved by the Board Risk Committee and outlines the liquidity framework, annual stress testing programme and liquidity risk tolerance levels. Monthly liquidity trend analysis is carried out by the Finance function and breaches to tolerance are reported to the Board Risk Committee.

#### ***Business risk***

Business risk includes risk to a firm arising from changes in its business, including the risk that the firm may not be able to carry out its business plan and its desired strategy.

Business risk is managed through both the Emerging Risk and Strategic Risk frameworks, and key risks are monitored and reported to the Board Risk Committee and Board.

#### ***Compliance risk***

Compliance risk covers the risk relating to earnings or capital from violation, or non-conformance with laws, rules, regulations, prescribed practices or ethical standards which may, in turn, expose the firm and its executors to fines, payment of damages, the voiding of contracts and damaged reputation.

The Company's compliance arrangements are inherently risk based. Although, and as noted under Operational Risk, the Company measures and monitors broad operational risk areas of the business via the Risk Control Self-Assessment ("RCSA") process, the regulatory requirements are assessed via a separate Compliance Risk Assessment ("CRA") to identify and measure areas of regulatory risk. The CRA output drives the Compliance Monitoring Plans, focusing on those

# Walter Scott & Partners Limited

## Directors' report - continued

### **Risk management process continued**

#### *Compliance risk continued*

areas where the regulatory risk to the Company is deemed to pose a higher risk. Governance arrangements are in place to allow for the effective management of key regulatory risks with relevant management information.

#### *Conduct risk*

Conduct risk is defined as the risk that detriment is caused to clients, the market, the Company or its employees because of inappropriate execution of our business activities or inappropriate behaviour by the Company or its employees.

The Company is subject to the BNY Mellon group Conduct Risk Policy and Code of Conduct. It sets out clear expectations of the roles of senior management in setting the appropriate tone and includes examples of good and poor conduct. Employees received periodic training/briefing on conduct related matters and are required to complete and annual process to confirm adherence to the Code of Conduct. Conduct related management information is captured and provided to the Board Risk Committee and reviews of conduct related matters can be included in the scope of Compliance Monitoring or Internal Audit assurance reviews.

### **Pillar 3 risk disclosures**

Basel II Pillar 3 disclosures about the Company (capital and risk management) are covered by the BNY Mellon Investment Management (Europe) Holdings Limited group disclosures which can be found on the group website (<https://www.bnymellon.com/us/en/investor-relations/regulatory-filings.html>).

#### **Geopolitical and other macro environmental risks**

The Company is exposed to geopolitical risks associated with political instability, terrorist acts, military conflicts, civil unrest and tensions between countries, which could impact its clients and cause disruption to business operations.

The COVID-19 pandemic continues to remain dynamic and has led to a continued level of uncertainty. To ensure the health and wellbeing of its people and continuing ability to service its clients, Walter Scott moved to a largely working-from-home model during 2020 and 2021, during which period the Company and the Group implemented enhanced monitoring and oversight controls. A conservative and measured approach continues to be adopted whilst the Company's employees return to office as the COVID-19 pandemic subsides.

Additionally, the US, the UK and the EU have imposed sanctions and threatened to expand them significantly against Russia in response to an increasing risk with its conflict with Ukraine which, together with any military conflict, could impact global markets as well as the Company and its customers. Management continues to monitor developments and seek to manage the associated impacts on customers, service delivery and business operations.

# Walter Scott & Partners Limited

## Directors' report - continued

### Going concern

Management has performed an assessment to determine whether there are any material uncertainties that could cast significant doubt on the ability of the Company to continue as a going concern. No significant issues have been noted. In reaching this conclusion, management has considered:

- The financial impact of the uncertainty on the Company's balance sheet;
- Stress test scenarios such as a significant reduction in revenue over time. This incorporates a reduced level of management and performance related fees charged on assets under management and maintaining these reduced levels for at least a year;
- An extreme stress scenario with no revenue for at least a year after the date of the accounts are signed;
- Liquidity position based on current and projected cash resources. The Company's current cash and liquidity position is able to sustain its current operational costs for at least a year even with no revenue scenario;
- The Company's operational resilience including the impact of the pandemic and other potential disruptions to business continuity, on existing processes and key stakeholders such as suppliers, employees, customers and its existing IT systems and infrastructure.
- Operational reliance on the parent company. Walter Scott does not have any material operational reliance on BNY Mellon. Although there is a reliance on BNY Mellon for IT servers and IT security, the Company's hosting environment could be transitioned to cloud based providers, hosted by Walter Scott vendors. Other operational activities currently performed by BNY Mellon resource could also be brought back in house in a relatively easy manner given the existing in house teams responsible for legal, human resource, client invoicing, IT and finance activities.
- BNY Mellon is a material distribution partner for the business. However, the extreme stress scenario removes all revenue and, therefore, demonstrates that the Company is not financially reliant on BNY Mellon distribution revenue in the context of going concern. There are no other material financial dependencies on BNY Mellon.

The Company continues to carefully monitor and mitigate the risk on an ongoing basis in order to minimise exposure while maintaining a robust balance sheet and sufficient headroom above regulatory capital requirements.

### Climate change risk

The Company believes 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, the Company has published a separate document "Our Response to Climate Change" that outlines its response to climate change; from the embedding of climate-risk considerations within the governance and strategy of the business, through their integration into the risk management and investment processes, to the role of climate-related metrics and targets in the clients' investments and business operations. This report is available from the Walter Scott website.

### Governance

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 fully integrated into its decision-making and business processes.

The Board delegates responsibility for the development and implementation of its climate change strategy to the Managing

# Walter Scott & Partners Limited

## Directors' report - continued

### Governance continued

Director in their role as chair of the Executive Management Committee. In turn, the Managing Director reports on all climate risks and opportunities concerning the clients' assets and its own business operations to the Board on a quarterly basis. The climate change strategy is also subject to ongoing scrutiny and detailed periodic review and challenge by the Board of Directors.

At present there are four management level processes designed to assess and manage climate related issues.

- 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 its own 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 its portfolios, it is the responsibility of every member of the Research Team to understand the impact of climate change on the 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 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.

# Walter Scott & Partners Limited

## Directors' report - continued

### Strategy

The Company recognises that success in addressing the financial risks resulting from climate change must take into account impacts on its clients, vendors, existing and future employees, financial position and performance, and must also reflect its outsourced business model and status as a subsidiary of a global organisation.

The long-term strategy is to protect and grow clients' assets over time by acting as responsible stewards of capital. To deliver this strategy effectively, the firm must seek to understand as fully as possible the risks and opportunities faced by the companies in which it invests and the impact these could have on the performance of clients' investments. To this end, the firm is committed to integrating analysis of material physical and transition risks of climate change into the 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). It is important to ensure that every company in which the firm invests, and by extension the portfolios it manages, are 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 the firm to further assess a company's approach to its climate-related responsibilities. Not only do these interactions afford a greater understanding of the climate risks and opportunities faced by a business, but they enable the firm to support companies as they seek to reduce or limit their contribution to climate change. The firm encourages all its investee companies to report according to TCFD recommendations.

In relation to its operations, the Company wants to ensure that it makes a contribution to mitigating climate change. To do this, the Company must adhere to high standards of reporting and disclosure, and continually explore more efficient ways of working and using resources.

### Climate Change Risk Management

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

The same analytical framework is applied when any company is researched, regardless of geography or sector. 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 the analysis of integrity, sustainability, and governance factors. Using a systematic template, the firm aims 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.

The primary means of managing climate risks to clients' investments is through fundamental company analysis. Through diligent research, the firm looks to avoid those companies most likely to be negatively impacted by climate change. Where there are concerns about a company's approach to climate risks, the firm seeks on-going dialogue to facilitate greater understanding of its strategy and the challenges it faces.

# Walter Scott & Partners Limited

## Directors' report - continued

### Strategy continued

As part of managing the impact of climate change on its own operations, the Climate Impact Group considers climate change impact as a cross-functional business risk and provides relevant quarterly analysis to the Executive Management Committee. The firm's Business Continuity team, works with BNY Mellon to manage business continuity risks, including climate change impact, with responsibility over crisis management, business resumption and technology recovery. These processes help ensure resilience of the business to the impact of climate change on its physical assets and the way they work.

### Metrics and Targets

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, the firm believes it is important to distinguish between a company's direct emissions and system-wide emissions, and it does 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 1.5°C when compared to pre-industrial levels. 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 the portfolio companies today.

It is the firm's belief that detailed company level analysis remains the best way to address climate-related risk. In its 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.

In relation to its operations, in 2021 the Company achieved net zero in relation to its direct scope 1 and 2 emissions and also its direct emissions relating to business travel and office waste disposal. It aims to achieve at least net zero going forward.

### Streamline energy and carbon reporting ("SECR")

The Walter Scott SECR table is disclosed below. Whilst the table represents the firm's best efforts in capturing the data, it is worth highlighting that methodologies may change or there may be different ways of capturing and presenting the data in the future.

In accordance with the Companies Regulations 2018, the Company reports its energy use and associated greenhouse ("GHG") emissions resulting from energy use in its buildings and employees' business travel. The methodology used to calculate GHG is the Greenhouse Gas Protocol, A Corporate Accounting and Reporting Standard Revised Edition, defined by the World Resource Institute/World Business Council for Sustainable Development ("ERI/WBCSD"). Per the GHG Protocol Scope 2 Guidance, Scope 2 emissions using both the location-based and market-based methods have been reported. The market-based method reflects emissions from electricity arising from a renewable energy supply contractual arrangement whereas the location-based method does not. The conversion factors applied have been published by the UK Government: Department for Business, Energy & Industrial Strategy for both 2020 and 2021.

# Walter Scott & Partners Limited

## Directors' report - continued

### Strategy continued

Breakdown of emission sources:	Units	2021		2020		Notes
		Usage	Emissions (tCO <sub>2</sub> e)	Usage	Emissions (tCO <sub>2</sub> e)	
Scope 1 Gas	kWh	344,627	70	348,278	71	1
Scope 2 Purchased electricity (location-based)	kWh	241,353	51	238,357	56	2
Scope 2 Purchased electricity (market-based)	kWh	241,353	0	238,357	0	3
<b>Gross Scope 1 and 2 emissions (market-based)</b>			<b>70</b>		<b>71</b>	
Scope 3 Business travel	km	260,797	44	510,234	111	4
Scope 3 Waste generated in operations	metric tonnes	15.37	0.3	11.34	0.2	5
Scope 1, 2 and 3 Offsets	-		(232)		(215)	6
<b>Annual Emissions (inc. within Net Zero Commitment)</b>			<b>(118)</b>		<b>(33)</b>	
Scope 3 Purchased Goods and Services	-		160			7
Scope 3 Fuel and energy related activities not included Scope 1 and 2	kWh	910,507	188			8
Scope 3 Employee commuting	km	190,845	17			9
Scope 3 Investments	-		n/a		2,559,659	10
<b>Annual Emissions (exc. from Net Zero Commitment)</b>			<b>365</b>		<b>2,559,659</b>	

### Carbon Dioxide equivalent emissions in tonnes per Person Employed (PE):

Scope 1 Gas [1]
Scope 2 Purchased electricity (market-based) [1]
Scope 3 Business travel [2]
Scope 3 Purchased Goods and Services [3]

2021		2020	
Persons Employed (PE)	Emissions per PE (tCO <sub>2</sub> e)	Persons Employed (PE)	Emissions per PE (tCO <sub>2</sub> e)
38	1.84	n/a	n/a
19	2.32	34	3.27
170	0.94		

[1] 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.

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

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



# Walter Scott & Partners Limited

## Directors' report - continued

### Strategy continued

#### Methodology Notes

1. Walter Scott's Scope 1 emissions includes 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. 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 CO<sub>2</sub>e.
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 emissions are mostly clear, accurately capturing investment emissions is complex and for this reason emissions reported should be considered as an estimate. Due to a lack of available Scope 1 and 2 investee company data for 2021, emissions have not been reported.

# Walter Scott & Partners Limited

## Directors' report - continued

### Employees

The Company is committed to a best practice approach to consult with employees on matters that are likely to affect their interests. Information of general interest to employees is provided through the intranet, newsletters and notices and general dialogue between line managers and employees, all of which seeks to achieve a common awareness of the financial and economic factors which impact on the Company's performance. In addition, the Company participates in the Group's Employee Information & Consultation Forum. The Forum builds on existing communication channels and provides more formal opportunities for dialogue between management and employees.

The Company adopts a total rewards and pay for performance remuneration philosophy. Any variable remuneration incentives are discretionary, based on individual and business unit performance together with other factors as determined from time to time in the context of the Company's operating plans and results and may be subject to deferral. All employees have the opportunity to purchase stock through the Group's Employee Stock Purchase Plan and the key employees are eligible to participate in a long-term incentive scheme which links their compensation to objectives including client retention and the growth in value and financial performance of the Company.

The Company is also committed to providing relevant training and development opportunities, including achievement of professional qualifications, to enable each employee to successfully fulfil their job responsibilities, and in addition, meet regulatory requirements. The Company adheres to the principles of Equal Employment Opportunity and is committed to facilitating employment opportunities for people with disabilities.

### Directors

The Directors who served during the year and up to the date of the report were as follows:

	Appointed	Resigned
R A Hammond-Chambers* (Chair of the Board)	-	-
J E Henderson	-	-
R M Leckie	-	-
C E Macquaker	-	-
S N Potter*	-	-
H Smits**	-	-
J D Smith	-	-

\* R A Hammond-Chambers and S N Potter are Independent Non-Executive Directors.

\*\* H Smits is the Chief Executive Officer of Investment Management for BNY Mellon and whilst she is a member of the Board, she is not employed or remunerated by Walter Scott & Partners Limited.

### Directors' indemnity provision

The articles of association of the Company provide that in certain circumstances the Directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the Companies Act 2006. Indemnity provisions of this nature have been in place during the year but have not been utilised by the Directors (2020: none).

### Disclosure of information to auditor

The Directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

# Walter Scott & Partners Limited

## Directors' report - continued

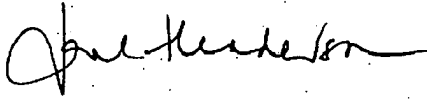
### Post balance sheet events

There were no material post balance sheet events.

### Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board



J E Henderson  
Director

Walter Scott & Partners Limited  
One Charlotte Square  
Edinburgh  
EH2 4DR

24 March 2022

Registered number: SC093685

# Walter Scott & Partners Limited

## Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

The Directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 101: *Reduced Disclosure Framework* ("FRS 101").

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK accounting standards in conformity with the requirements of the Companies Act 2006;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

# **Independent auditor's report to the members of Walter Scott & Partners Limited**

## **Our opinion is unmodified**

We have audited the financial statements of Walter Scott & Partners Limited ("the Company") for the year ended 31 December 2021 which comprise of the Statement of profit and loss and other comprehensive income, Balance sheet, Statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101: *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

## **Independent auditor's report to the members of Walter Scott & Partners Limited - continued**

### **Fraud and breaches of laws and regulations - ability to detect**

#### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and management, and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes and Risk and Compliance Committee minutes.
- Considering remuneration incentive schemes.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into account our overall knowledge of the control environment we perform procedures to address the risk of management override of controls - in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the calculation of the revenue is non-judgemental and straightforward, with limited opportunity for manipulation.

We did not identify any additional fraud risks.

We also performed procedures including identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included all material post year end closing journals.

#### *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

## **Independent auditor's report to the members of Walter Scott & Partners Limited - continued**

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's authority to operate. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, data protection, anti-money laundering, market abuse regulations and financial services regulations including Client Assets, and specific areas of regulatory capital and liquidity and certain aspects of company legislation recognising the financial and regulated nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

### *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

### **Other information**

The directors are responsible for the other information, which comprises the Strategic report and Directors' report. Our opinion on the financial statements does not cover the other information and accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the Strategic report and Directors' report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

## **Independent auditor's report to the members of Walter Scott & Partners Limited - continued**

### **Respective responsibilities**

#### **Directors' responsibilities**

As explained more fully in their statement set out on page 26, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities)

#### **The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



**Philip Merchant (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*  
Saltire Court  
20 Castle Terrace  
Edinburgh, EH1 2EG

24 March 2022



# Walter Scott & Partners Limited

## Statement of profit and loss and other comprehensive income for the year ended 31 December 2021

	Note	2021 £000	2020 £000
<b>Turnover</b>	2	308,886	295,793
Administrative expenses	3	(98,452)	(96,272)
<b>Operating profit</b>		210,434	199,521
Interest receivable and similar income	6	102	702
Interest payable and similar expenses	7	(43)	(4,196)
<b>Profit before taxation</b>		210,493	196,027
Taxation on profit	8	(37,333)	(36,628)
<b>Total comprehensive income for the financial year</b>		173,160	159,399

Notes 1 to 23 are integral to these financial statements.

All items dealt with in arriving at the Company's results for the financial year and prior year relate to continuing operations.

The Company has not prepared a separate statement of other comprehensive income as all the income and losses are reflected in the statement of profit and loss above.

# Walter Scott & Partners Limited

## Balance sheet

at 31 December 2021

	Note	2021 £000	2020 £000
<b>Fixed assets</b>			
Tangible assets	9	12,831	8,702
Intangible fixed assets	10	1,042	370
		<u>13,873</u>	<u>9,072</u>
<b>Current assets</b>			
Debtors	11	98,335	89,858
Investments	12	46,113	37,274
Cash at bank and in hand	13	251,456	240,089
		<u>395,904</u>	<u>367,221</u>
Creditors: amounts falling due within one year	14	(77,677)	(70,202)
Net current assets		<u>318,227</u>	<u>297,019</u>
 Total assets less current liabilities		 332,100	 306,091
 Creditors: amounts falling due after more than one year	15	 (25,217)	 (16,288)
<b>Net assets</b>		<u><u>306,883</u></u>	<u><u>289,803</u></u>
 <b>Capital and reserves</b>			
Called up share capital	19	25	25
Other reserves		18,803	16,883
Profit and loss account		<u>288,055</u>	<u>272,895</u>
<b>Shareholders' funds</b>		<u><u>306,883</u></u>	<u><u>289,803</u></u>

Notes 1 to 23 are integral to these financial statements.

These financial statements were approved by the Board of Directors and were signed on its behalf by:



J E Henderson  
Director

24 March 2022

Company registered number: SC093685

# Walter Scott & Partners Limited

## Statement of changes in equity

31 December 2021

	Called up share capital £000	Other reserves £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2020	25	15,339	263,496	278,860
Total comprehensive income for the financial year	-	-	159,399	159,399
Equity-settled share-based payment transactions	-	1,544	-	1,544
Dividends	-	-	(150,000)	(150,000)
Total contributions by and distributions to owners	-	1,544	(150,000)	(148,456)
Balance at 31 December 2020	25	16,883	272,895	289,803

	Called up share capital £000	Other reserves £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2021	25	16,883	272,895	289,803
Total comprehensive income for the financial year	-	-	173,160	173,160
Equity-settled share-based payment transactions	-	1,920	-	1,920
Dividends	-	-	(158,000)	(158,000)
Total contributions by and distributions to owners	-	1,920	(158,000)	(156,080)
Balance at 31 December 2021	25	18,803	288,055	306,883

# Walter Scott & Partners Limited

## Notes to the financial statements

for the year ended 31 December 2021

### 1 Accounting policies

#### 1.1 Basis of preparation and statement of compliance with FRS 101

The Company is a private company limited by shares incorporated and domiciled in the UK and registered in Scotland. The registered address is given on page 1.

These financial statements were prepared in accordance with FRS 101.

The Company's ultimate parent undertaking, The Bank of New York Mellon Corporation includes the Company and all its subsidiary undertakings in its consolidated financial statements. The consolidated financial statements of The Bank of New York Mellon Corporation are prepared in accordance with U.S. Generally Accepted Accounting Principles, which is considered equivalent under the requirements of Section 401 of the Companies Act 2006. The Bank of New York Mellon Corporation's consolidated financial statements are available at

<https://www.bnymellon.com/us/en/investor-relations/overview.html>. Accordingly the Company is a *qualifying entity* for the purpose of FRS 101 disclosure exemptions.

Therefore, in preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of UK-adopted international accounting standards, but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Statement of cash flows and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of compensation of key management personnel.
- Disclosures in respect of financial instruments.

As the consolidated financial statements of The Bank of New York Mellon Corporation include equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share-Based Payments* in respect of Group settled share-based payments.
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*; and

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1.19.

The financial statements are presented as rounded to the nearest thousand pounds.

# Walter Scott & Partners Limited

## Notes to the financial statements - continued for the year ended 31 December 2021

### 1 Accounting policies continued

#### 1.2 Measurement convention

These financial statements are prepared on the historical cost basis except financial instruments classified as fair value through Statement of profit and loss.

#### 1.3 Change in accounting policy

##### New and amended accounting standards and interpretations

New standards, interpretations and amendments effective from 1 January 2021

##### Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

The amendment has had no material impact on the Company's accounting policies.

#### 1.4 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report on pages 2 - 13. In addition, the Directors' report on pages 14 to 25 includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives and its exposures to credit and liquidity risk.

The Company currently holds capital above regulatory capital requirements at year end. The Directors perform an annual going concern review that considers, under a stress test scenario, the Company's ability to meet its financial obligations as they fall due, for a period of at least twelve months after the date that the financial statements are signed. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Directors have had regard to management's assessment to determine whether there are any material uncertainties arising that could cast significant doubt on the ability of the Company to continue as a going concern. No significant issues have been noted. In reaching this conclusion, management considered:

- Liquidity position based on current and projected cash resources and regulatory requirements. The Company currently has sufficient liquidity above regulatory requirement which is designed to test short term resilience to liquidity disruptions;
- Capital and liquidity stress tests on reasonably plausible scenarios;
- Stress tests on reasonable plausible scenarios in addition to an extreme scenario assuming zero management and

# Walter Scott & Partners Limited

## Notes to the financial statements - continued

*for the year ended 31 December 2021*

### 1 Accounting policies continued

#### 1.4 Going concern continued

performance related fees charged on assets under management and maintaining these levels for at least a year from the date of signing the financial statements; and

- The Company's operational resilience on existing processes and key stakeholders such as its people, clients, suppliers, and existing information technology systems and infrastructure.

Based on the above assessment of the Company's financial position, liquidity and capital, the Directors have concluded that the Company has adequate resources to continue in operational existence for a period of at least twelve months after the date that the financial statements are signed. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### 1.5 Related party transactions

As the Company is a wholly owned indirect subsidiary of the ultimate parent company, The Bank of New York Mellon Corporation, it has taken advantage of the exemption contained in IAS 24 and has therefore not disclosed transactions with entities which form part of the Group.

#### 1.6 Revenue from contracts with customers

Revenue, which is stated net of value added tax, comprises management fees, performance fees, net management fees receivable from Group undertakings and other income and is accrued over the period for which these services are provided.

Management fees are fees paid for the management of investment portfolios. These are recognised as services are provided and are calculated on various formulae linked to the value of portfolios at pre-determined valuation dates. Performance fees are fees paid on the investment performance in current and previous periods. Revenue is recognised for the element of management fees linked to performance, which is usually billed on a four-year rolling basis, when such fees in respect of each calendar year are receivable in accordance with management agreements.

Income and expenses are presented on a net basis only when permitted under FRS 101, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

Revenue is based on terms specified in a contract with a customer, and excludes any amounts collected on behalf of third parties. Revenue is recognised when, or as, a performance obligation is satisfied by transferring control of a good or service to a customer.

A performance obligation may be satisfied over time or at a point in time. Revenue from a performance obligation satisfied over time is recognised by measuring the Company's progress in satisfying the performance obligation in a manner that reflects the transfer of goods and services to the customer. Revenue from a performance obligation satisfied at a point in time is recognised at the point in time the customer obtains control of the promised good or service.

The amount of revenue recognised reflects the consideration the Company expects to be entitled to in exchange for the promised goods and services. Taxes assessed by a governmental authority that are both imposed on, and concurrent with, a specific revenue producing transaction, are collected from a customer and are excluded from revenue.

# Walter Scott & Partners Limited

## Notes to the financial statements - continued for the year ended 31 December 2021

### 1 Accounting policies continued

#### 1.7 Interest receivable and interest payable

Interest receivable/payable and similar income/expenses include foreign exchange gains/losses that are recognised in the Statement of profit and loss and other comprehensive income (see note 1.11).

Interest receivable and payable is recognised in the Statement of profit and loss and other comprehensive income, using the effective interest rate method.

#### 1.8 Long-term incentive plan

The Company has in place a long term incentive plan for its employees. Long term incentive awards are delivered in the form of BNY Mellon Corporation Restricted Stock and units in the BNY Mellon Long Term Global Equity Fund. Employees are generally prevented from selling or transferring restricted stock for a four year period (the vesting period) and generally the shares and units are forfeited if employment is terminated. The units held in the BNY Mellon Long Term Global Equity Fund are treated as deferred cash. Generally, the amounts payable to employees under the plan are required under IAS 19 to be deferred and recognised over the vesting period of four years from the award date onwards. However, for the employees who meet the qualifying conditions for good leavers as set out in the plan document, the recognition of cost is immediate or spread over the period when they become unconditionally entitled to the awards. The long-term incentive liability and the assets held to hedge against variability in that plan are both designated as fair value through the Statement of profit and loss and other comprehensive income reflecting the fair value as at balance sheet date. The difference between the book cost and the fair value of both the liability and the asset is marked to market through the Statement of profit and loss and other comprehensive income and is included within the total long-term incentive costs (see note 4 staff numbers and costs).

Under IAS 1.69 the element of the awards that is due within 12 months of the balance sheet date will be presented as a current liability.

#### 1.9 Share-based payment transactions

Restricted Stock Units ("RSUs") and options in The Bank of New York Mellon Corporation (the Company's ultimate parent) shares issued under long-term incentive plans are equity settled. When the Company's parent grants rights to its equity instruments to the Company's employees and recharges the Company, such recharges are recognised as a liability with a corresponding debit to equity.

The grant date fair value of the majority of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards.

Most RSUs issued are measured based on grant date fair value of the shares of The Bank of New York Mellon Corporation. Options are measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted.

Vesting conditions are not factored into the initial estimate of the fair value at the grant date. They are taken into account by adjusting the number of equity instruments included in the measurement of the transaction, so that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. On a cumulative basis, no expense is recognised for equity instruments that do not vest because of a failure to satisfy non-market performance or service conditions.

# Walter Scott & Partners Limited

## Notes to the financial statements - continued

for the year ended 31 December 2021

### 1 Accounting policies continued

#### 1.9 Share-based payment transactions continued

The fair value of equity instruments that are made available immediately, with no vesting period attached to the award, are expensed immediately. Certain of the Company's share-based payment awards vest when the employee retires. For grants of share-based payments with this feature, the award is fully expensed by the first date that the employee is eligible to retire. If an employee voluntarily leaves the Company before the awards are fully vested, then the shares in relation to the employee are forfeited, with a credit to the Statement of profit and loss and other comprehensive income and a debit to equity.

#### 1.10 Taxation

Taxation on profit or loss for the year comprises current and deferred tax. Tax is recognised in the Statement of profit and loss and other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable or receivable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

#### 1.11 Foreign currency

The Company's functional and presentational currency is GBP. Transactions in foreign currencies are recorded in the functional currency at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the balance sheet date. Any resulting exchange differences are reported net in the Statement of profit and loss and other comprehensive income within interest receivable or payable as appropriate.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Any resulting exchange differences are reported net in the Statement of profit and loss and other comprehensive income within interest receivable or payable as appropriate.

#### 1.12 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

#### 1.13 Offsetting

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.



# Walter Scott & Partners Limited

## Notes to the financial statements - continued for the year ended 31 December 2021

### 1 Accounting policies continued

#### 1.13 Offsetting continued

Income and expenses are presented on a net basis only when permitted under FRS 101, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

#### 1.14 Non-derivative financial instruments - classification and measurement

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings and trade and other creditors.

Financial assets are measured at amortised cost if they meet both of the following conditions and are not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets include trade and other debtors.

Financial assets are measured at FVOCI only if they meet both of the following conditions:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is classified into one of these categories on initial recognition. However, for financial assets held at initial application, the business model assessment is based on facts and circumstances at that date. Also, IFRS 9 permits new elective designations at FVTPL or FVOCI to be made on the date of initial application depending on the facts and circumstances at that date.

A financial liability is initially recognised at fair value and in the case of loans and borrowings and trade and other creditors, net of directly attributable transaction costs. After initial recognition, financial liabilities are measured at amortised cost or FVTPL. Loans and borrowings and trade and other creditors are measured at amortised cost using the effective interest rate method.

#### Business model assessment

Certain financial assets, for example, deposits with central banks and financial institutions, always will be held for collection of contractual cash flows as the nature of the asset means that it cannot be sold. For other financial assets, the Company makes an assessment of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. Information that is considered includes:

- the stated policies and objectives for the portfolio;

# Walter Scott & Partners Limited

## Notes to the financial statements - continued

for the year ended 31 December 2021

### 1 Accounting policies continued

#### 1.14 Non-derivative financial instruments - classification and measurement continued

- how the performance of the portfolio is evaluated and reported to management;
- how managers of the business are compensated; and
- the frequency and volume of historical and expected sales.

The Company generally does not hold assets for trading.

#### Assessment of whether cash flows are solely payments of principal and interest

'Principal' for these purposes is defined as the fair value of the financial asset at initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains contractual terms that would change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets; and
- features that modify consideration for the time value of money – e.g. periodic reset of interest rates.

#### 1.15 Impairment of financial assets (including trade and other debtors)

Under IFRS 9, credit losses are recognised earlier than under IAS 39. The Company generally recognises loss allowances at an amount equal to 12 month Expected Credit Losses ("ECL") (Stage 1, the portion of ECL that results from default events that are possible within 12 months after the reporting date) unless there has been significant increase in credit risk since origination of the instrument, in which case ECLs are recognised on a lifetime loss basis (Stage 2). Exposures that are in default are regarded as credit impaired (Stage 3) and are also measured on a lifetime expected credit loss basis.

#### Measurement of ECL

ECLs are a probability-weighted estimate of credit losses and are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive);
- Financial assets that are credit-impaired at the reporting date – the difference between the gross carrying amount and the present value of estimated future cash flows; and

# Walter Scott & Partners Limited

## Notes to the financial statements - continued for the year ended 31 December 2021

### 1 Accounting policies continued

#### 1.15 Impairment of financial assets (including trade and other debtors) continued

- Financial guarantee contracts – the expected payments to reimburse the holder less any amounts that the Company expects to recover.

#### Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

#### 1.16 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

When parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the Statement of profit and loss and other comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

• Freehold land and buildings	40 years
• Fixtures and fittings and refurbishment	4-10 years
• Computer equipment	2-4 years
• Works of art	Indefinite life

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

#### 1.17 Leases

##### Lessee

The Company recognises a right-of-use asset ("ROU") asset and a lease liability with respect to all lease agreements in which it is a lessee at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The estimated useful lives of ROU assets are determined on the same basis as those of property and equipment. In addition, the ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date and discounted using the Company's incremental borrowing rate.

# Walter Scott & Partners Limited

## Notes to the financial statements - continued for the year ended 31 December 2021

### 1 Accounting policies continued

#### 1.17 Leases continued

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero.

#### Lease modifications

Lease modifications arise from changes to the underlying contract agreed between the lessee and the lessor subsequent to commencement of the lease. The accounting for the modification depends on whether the modified terms increase or decrease the scope of the lease, and whether increases in scope require consideration to be paid that is commensurate with a 'standalone price' for the new scope of the lease.

#### Separate lease

A lease modification is accounted for as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the standalone price for the increase in scope.

If both criteria are met, a lessee would account for the lease on the initial recognition and measurement of lease liabilities and ROU assets.

#### Not a separate lease

If a lease modification results in the lessee obtaining additional rights to use one or more underlying assets, but not at an amount that is commensurate with the standalone price for the increase in scope, the liability is remeasured by discounting all of the future lease payments as revised in the modified contract at the lessee's prevailing incremental borrowing rate. The remeasurement of the lease liability is adjusted against the carrying value of the ROU asset such that no gain or loss arises as a result of the modification. The same accounting is applied if the term of the original lease is extended without adding any additional rights to use any more underlying assets.

# Walter Scott & Partners Limited

## Notes to the financial statements - continued *for the year ended 31 December 2021*

### 1 Accounting policies continued

#### 1.18 Intangible assets

Intangible assets that are internally generated or acquired by the Company are stated at cost less accumulated amortisation and accumulated impairment losses.

##### **Amortisation**

Amortisation is charged to the Statement of profit and loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Computer software, internally generated 5 years

#### 1.19 Accounting estimates and judgements

In preparing these financial statements, management has made judgements, estimates and assumptions about future conditions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Management believes that the Company's critical accounting policies for which judgement is necessarily applied are those which relate to the valuation of financial instruments, deferred tax assets, provisions and impairment of intangible assets. Further information about key assumptions concerning the future, and other key sources of estimation uncertainty, are set out in the notes in the financial statements.

# Walter Scott & Partners Limited

## Notes to the financial statements - continued

for the year ended 31 December 2021

### 2 Revenue from contracts with customers

#### *Nature of services and revenue recognition*

Fee revenue is primarily variable, based on levels of assets under management ("AUM") and the level of client-driven transactions, as specified in fee schedules.

Investment management fees are dependent on the overall level and mix of AUM. The management fees, expressed in basis points, are charged for managing those assets. Management fees are typically subject to fee schedules based on the overall level of assets managed and products in which those assets are invested.

Investment management fee revenue also includes transactional and account-based fees. These fees are recognised when the services have been complete. Clients are generally billed for services performed on a monthly or quarterly basis.

Performance fees are generally calculated as a percentage of the applicable portfolio's performance in excess of a benchmark index or peer group's performance. Performance fees are only recognised to the extent it is highly probable there will not be a significant reversal in the amount recognised.

The Directors have taken advantage of the provisions of Schedule 1 paragraph 68 (5) of the Companies Act 2006 SI 2008 No.410, as in their opinion it would be prejudicial to the interests of the Company to disclose a geographical analysis of turnover.

#### **Contract balances**

The Company's customers are billed based on fee schedules that are agreed upon in each customer contract. The receivables from customers were £60.3m at 1 January 2021 and £64.3m at 31 December 2021. Receivables from customers are included in debtors on the balance sheet.

#### **Contract costs**

Contract costs represent either costs which are capitalised relating to incremental costs for obtaining contracts, or costs incurred for fulfilling contract obligations when they relate directly to an existing contract or specified anticipated contract, generate or enhance resources that will be used to fulfil performance obligations and are recoverable. The Company had £nil contract costs as at 31 December 2021 (2020: £nil).

#### **Unsatisfied performance obligations**

The Company does not have any unsatisfied performance obligations other than those subject to a practical expedient election under IFRS 15. The practical expedient applies to (i) contracts with an original expected length of one year or less, and (ii) contracts for which the Company recognises revenue at the amount to which the Company has the right to invoice for services performed.

#### **Revenue by activity**

	2021	2020
	£000	£000
Management fees	302,893	252,665
Performance	5,993	43,128
Total turnover	308,886	295,793

# Walter Scott & Partners Limited

## Notes to the financial statements - continued for the year ended 31 December 2021

### 3 Expenses and auditor's remuneration

Profit before taxation is stated after charging:

	2021	2020
	£000	£000
Depreciation of tangible fixed assets	592	612
Amortisation	167	150
Depreciation of right of use assets	498	500

Auditor's remuneration:

	2021	2020
	£000	£000
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of these financial statements pursuant to legislation	71	69
Other services pursuant to legislation	194	171
	<u>265</u>	<u>240</u>

### 4 Staff numbers and costs

The average number of persons employed by the Company (including Directors) during the year was 164 (2020: 162), of which 4 were Directors (2020: 4).

The aggregate payroll costs of these persons were as follows:

	2021	2020
	£000	£000
Salaries and wages	58,483	65,008
Long term incentive costs (see note 21)	14,283	9,783
Share based payments (see note 22)	1,783	1,544
Social security costs	8,174	7,663
Contributions to defined contribution plan	1,045	1,039
Other staff costs	(855)	(784)
	<u>82,913</u>	<u>84,253</u>

# Walter Scott & Partners Limited

## Notes to the financial statements - continued for the year ended 31 December 2021

### 5 Directors' remuneration

	2021	2020
	£000	£000
Directors' emoluments	19,379	21,094
Amounts receivable under long term incentive schemes	4,671	2,369
Company contributions to money purchase pension plans	16	25
	<u>24,066</u>	<u>23,488</u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £10,174,516 (2020: £10,188,460), and Company pension contributions of £4,000 (2020: £10,000) were made to a money purchase scheme on their behalf. During the year, the highest paid director received shares under a long-term incentive scheme.

The Independent directors are paid a fee for their services. They receive no other form of compensation. During 2021, fees paid and payable to Mr Hammond-Chambers were £56,667 (2020: £46,181) and £40,000 (2020: £23,333) for Mr Potter.

The Non-Independent Directors, being employees of BNY Mellon, receive no fees from the Company.

	Number of Directors	
	2021	2020
Retirement benefits are accruing to the following number of directors under:		
Defined contribution schemes	4	4
The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was	<u>4</u>	<u>4</u>

### 6 Other interest receivable and similar income

	2021	2020
	£000	£000
Net foreign exchange gain	70	-
Interest receivable from short term deposits	32	702
Total interest receivable and similar income	<u>102</u>	<u>702</u>

### 7 Interest payable and similar expenses

	2021	2020
	£000	£000
Net foreign exchange loss	-	3,928
Interest payable on short term overdrafts	43	268
Total other interest payable and similar charges	<u>43</u>	<u>4,196</u>



# Walter Scott & Partners Limited

## Notes to the financial statements - continued for the year ended 31 December 2021

### 8 Taxation

#### *Recognised in the profit and loss account and other comprehensive income*

	2021		2020	
	£000	£000	£000	£000
<i>UK corporation tax</i>				
Current tax on income for the period	40,300		37,040	
Adjustments in respect of prior periods	(10)		429	
Total current tax		40,290		37,469
<i>Deferred tax (see note 17)</i>				
Origination and reversal of temporary differences	(1,708)		(144)	
Movement in tax rate	(1,282)		(591)	
Adjustment in respect of prior period	33		(106)	
Total deferred tax		(2,957)		(841)
Tax on profit on ordinary activities		37,333		36,628

#### *Reconciliation of effective tax rate*

	2021	2020
	£000	£000
Total comprehensive income for the financial year	173,160	159,399
Total tax expense	37,333	36,628
Profit excluding taxation	210,493	196,027
Tax using the UK corporation tax rate of 19.00% (2020: 19.00%)	39,994	37,245
Share based payments	(45)	(220)
Non-deductible expenses	74	33
Impact of changes in tax rate	(1,282)	(591)
Other - items not subject to tax	(1,431)	(162)
Adjustments in respect of prior years	23	323
Total tax expense	37,333	36,628

#### *Factors that may affect current and total tax charge*

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantially enacted on 10 June 2021. This will increase the company's future tax charge accordingly. The deferred tax position as at 31 December 2021 has been calculated based on these rates:

# Walter Scott & Partners Limited

## Notes to the financial statements - continued for the year ended 31 December 2021

### 9 Tangible fixed assets

	Building* £000	Right of Use: Leasehold building £000	Fixtures, fittings and art-work £000	Computer equipment £000	Total £000
<b>Cost</b>					
At 1 January 2021	4,770	4,431	2,844	893	12,938
Additions	153	4,918	-	148	5,219
At 31 December 2021	4,923	9,349	2,844	1,041	18,157
<b>Depreciation and impairment</b>					
At 1 January 2021	1,390	982	1,097	767	4,236
Depreciation	358	498	162	72	1,090
At 31 December 2021	1,748	1,480	1,259	839	5,326
<b>Net book value</b>					
At 31 December 2021	3,175	7,869	1,585	202	12,831
At 31 December 2020	3,380	3,449	1,747	126	8,702

\*This includes capitalised refurbishment costs.

#### Right-of-use assets

The company leases an office building in Edinburgh. The non-cancellable period of the lease is for 16 years to 2037. The lease payments are mostly static, with incremental increases at stated years within the terms of the lease.

### 10 Intangible assets

	Computer software, internally generated £000	Total £000
<b>Cost or valuation</b>		
At 1 January 2021	3,473	3,473
Additions	839	839
At 31 December 2021	4,312	4,312
<b>Amortisation and impairment</b>		
At 1 January 2021	3,103	3,103
Amortisation	167	167
At 31 December 2021	3,270	3,270
<b>Net book value</b>		
At 31 December 2021	1,042	1,042
At 31 December 2020	370	370

# Walter Scott & Partners Limited

## Notes to the financial statements - continued for the year ended 31 December 2021

### 11 Debtors

	2021	2020
	£000	£000
Trade debtors	4,095	4,088
Amounts owed by group companies	23,352	21,620
Other debtors	471	404
Prepayments and accrued income	60,831	57,239
Deferred tax asset (see note 17)	8,933	5,758
Corporate tax	653	749
	<u>98,335</u>	<u>89,858</u>
Due within one year	<u>98,335</u>	<u>89,858</u>

Debtors include prepayments and accrued income of £nil (2020: £nil) due after more than one year.

### 12 Current asset investment and other financial assets

	2021	2020
	£000	£000
Current asset investments		
Financial assets designated as fair value through profit or loss	<u>46,113</u>	<u>37,274</u>

Financial assets designated as fair value through statement of profit and loss and other comprehensive income represent investments backing the LTIP liability.

### 13 Cash and cash equivalents

	2021	2020
	£000	£000
Cash at bank and in hand	<u>251,456</u>	<u>240,089</u>

### 14 Creditors: amounts falling due within one year

	2021	2020
	£000	£000
Obligations under finance leases (see note 16)	460	479
Amounts due to Group undertakings	4,774	4,319
Accruals and deferred income	65,473	58,907
Taxation and social security	6,891	6,439
Other creditors	79	58
	<u>77,677</u>	<u>70,202</u>

# Walter Scott & Partners Limited

## Notes to the financial statements - continued for the year ended 31 December 2021

### 15 Creditors: amounts falling due after more than one year

	2021	2020
	£000	£000
Obligations under finance leases (see note 16)	7,506	3,040
Accruals and deferred income	17,711	13,248
	<u>25,217</u>	<u>16,288</u>

Accruals and deferred income falling due after more than one year represent amounts payable to employees under the deferred cash plan. Refer to Note 21 for further detail.

### 16 Lease liabilities

#### Maturity analysis - contractual undiscounted cash flows

	2021	2020
	£000	£000
Expiring within one year	460	479
Expiring between one and five years	1,894	2,019
Expiring in more than five years	5,612	1,021
<b>Total undiscounted lease liabilities at 31 December</b>	<u>7,966</u>	<u>3,519</u>

The Company leases its offices in Edinburgh over a term of 16 years to 2037. During 2021, the leases were extended by 10 years.

#### Amounts recognised in Statement of profit or loss and other comprehensive income

	2021	2020
	£000	£000
Interest on lease liabilities	73	77

# Walter Scott & Partners Limited

## Notes to the financial statements - continued for the year ended 31 December 2021

### 17 Deferred tax assets and liabilities

#### *Recognised deferred tax assets and liabilities*

#### *Movement in deferred tax*

	1 January 2021 £000	Recognised in income £000	Recognised in equity £000	31 December 2021 £000
Tangible fixed assets	64	50	-	114
Share-based payments	637	224	217	1,078
Long-term incentive compensation in profit and loss account	5,057	2,684	-	7,741
	<u>5,758</u>	<u>2,958</u>	<u>217</u>	<u>8,933</u>
	1 January 2020 £000	Recognised in income £000	31 December 2020 £000	
Tangible fixed assets	55	9		64
Share-based payments	754	(117)		637
Long-term incentive compensation in profit and loss account	4,107	950		5,057
	<u>4,916</u>	<u>842</u>		<u>5,758</u>

### 18 Employee benefits

#### *Defined contribution plans*

Employees of the Company are eligible to join The Bank of New York Mellon Group Personal Pension scheme. The group personal pension scheme is funded by a monthly payment to a third-party insurer and is a defined contribution scheme.

The total pension cost for the Company in respect of the year to 31 December 2021 was £1.1m (2020: £1.0m). At the year-end, contributions of £nil were payable to the scheme and are included in creditors (2020: £nil).

# Walter Scott & Partners Limited

## Notes to the financial statements - continued for the year ended 31 December 2021

### 19 Called up share capital

	2021 £000	2020 £000
<i>Authorised, allotted, called up and fully paid</i>		
25,126 (2020: 25,126) Ordinary shares of £1 each	25	25

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

#### Dividends

The following dividends were recognised during the period:

	2021 £000	2020 £000
£6,288 (2020: £5,970) per qualifying ordinary share	158,000	150,000

### 20 Financial instruments

For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months) it is assumed that the carrying amounts are approximate to their fair value. This assumption is also applied to variable rate financial instruments. Short term debtors and creditors are excluded from financial assets and financial liabilities.

### 21 Long-term incentive plan

Long term incentive awards are delivered in the form of BNY Mellon Corporation Restricted Stock (see Note 1 Accounting Policies) and units in a BNY Mellon Long Term Global Equity Fund managed by Walter Scott & Partners Limited. The units held in the BNY Mellon Global Equity Fund are treated as deferred cash. The amounts payable to employees under the plan are required under IAS19 to be deferred and recognised over the vesting period. Assets held against variability in that plan are designated as fair value through profit or loss.

	2021		2020	
	Number of units	2021 £000	Number of units	2020 £000
Balance outstanding at 1 January	8,721	37,274	7,329	27,434
Additions	3,612	14,889	4,503	17,238
Disposals	(3,296)	(13,619)	(3,111)	(11,085)
Included in profit and loss	-	7,569	-	3,687
Balance outstanding at 31 December	9,037	46,113	8,721	37,274

# Walter Scott & Partners Limited

## Notes to the financial statements - continued for the year ended 31 December 2021

### 22 Share based payments

#### Restricted share awards

	2021	2020
	Number of shares	Number of shares
Balance outstanding at 1 January	122,215	117,664
Awarded during the year	53,966	59,183
Vested in the year	(43,435)	(54,632)
Balance outstanding at 31 December	132,746	122,215

The price of restricted share outstanding at 31 December 2021 was \$58.08 (2020: \$42.44).

During 2021, £1,783,371 excluding National Insurance was charged to the Statement of profit and loss and other comprehensive income in respect of restricted share awards settled in equity (2020: £1,543,714).

As at 31 December 2021, £395,594 (2020: £531,853) of total unrecognised compensation costs related to non-vested restricted stock is expected to be recognised over the weighted average period of approximately 23 months (2020: 23 months). In 2021, 53,966 shares with a combined value of £1,671,619 were awarded in respect of the 2020 incentive plan.

### 23 Ultimate parent company and parent company of larger group

The immediate parent undertaking of the Company is BNY Mellon International Asset Management Holdings No.1 Limited, a company registered in England and Wales. BNY Mellon International Asset Management Holdings No.1 Limited's registered address is 160 Queen Victoria Street, London, EC4V 4LA. Copies of the accounts for BNY Mellon International Asset Management Holdings No.1 Limited can be obtained from 160 Queen Victoria Street, London, EC4V 4LA.

The largest and smallest Group in which the results of the Company are consolidated is that headed by The Bank of New York Mellon Corporation, incorporated in the United States of America.

The ultimate parent company as at 31 December 2021 was The Bank of New York Mellon Corporation, incorporated in the United States of America. The consolidated accounts of the ultimate parent company may be obtained from its registered address.

The Secretary  
The Bank of New York Mellon Corporation  
240 Greenwich Street  
New York, NY  
10286  
USA