Our Investment Stewardship Activities

Year Ended 31 December 2019

BAILLIE GIFFORD | *Investment managers*

Risk Factors

CM13885 Baillie Gifford Investment Activities Report 2019 WP 0720.indd
Ref: 40007 ALL AR 0073

Contents

Introduction

For Baillie Gifford, stewardship is about being thoughtful, active and responsible owners of our clients' investments on their behalf.

While there are many other ways in which we aim to be the best possible stewards of both our clients' capital and our own people and resources, the hands-on active management of our portfolios is of central and ever-growing importance to our work as investment managers. Good stewardship, of course, also starts well before we take a holding in a company. It is about taking the extra time to learn as much as we can about potential holdings, as well as thinking about their impact on society and their approach to environmental, social and governance issues. Once we become an owner on our clients' behalf, we continue our research and monitoring of the business, meet with management regularly where we can and vote thoughtfully at company general meetings. Ideally, we aim to buy in to high-quality businesses and then act as patient holders, but sometimes good stewardship also requires agitating for change. If required, we will use our resources to encourage our holdings to focus harder on creating long-term value and acting responsibly with respect to their stakeholders.

We apply our approach to stewardship across all companies that we invest in on behalf of our clients, including global equities and other relevant asset classes. All investment staff are involved in our stewardship work. When you aim to invest in a company for many years, ongoing oversight of the business is just as important with respect to performance as the initial investment decision.

For the above reasons, we are signatories to five stewardship codes spanning the globe:

UK Stewardship Code	**Japan's Stewardship Code**	**Investor Stewardship Group (ISG) Principles**	**European Fund and Asset Management Association (EFAMA) Stewardship Code**	**International Corporate Governance Network (ICGN) Principles**

These codes allow us to provide evidence of our commitment to active ownership in a manner appropriate to the markets we invest in. Our approach to each of the principles and evidence of how we apply the principles of the five stewardship codes is outlined in the following pages. The structure of the report is aligned with the 2020 UK Stewardship Code which we have committed to be signatories of. And each section starts with a graphic to explain how the UK Stewardship principles map to the other four codes.

Purpose and Governance

Principle	UK	Japan	ISG	EFAMA	ICGN
Purpose, strategy and culture	1	1, 2	A, B	1	1, 6
Governance, resources and incentives	2	1, 5, 7	B	1	1, 2, 7
Conflicts of interest	3	2	C	1, 5	1, 5
Promoting well-functioning markets	4	–	–	–	4, 6
Review and assurance	5	3, 7	–	–	1, 2, 7

Purpose, Strategy and Culture

Successful active investment management is not easy: it requires dedication, independent thought and a long-term perspective. Our whole firm and culture is built around making this happen and we remain resolutely investment-driven in our outlook. We have outlined six 'shared beliefs' to help us articulate what we believe Baillie Gifford's purpose is, and which encapsulate how we seek to conduct our business, and serve our clients and wider society.

We believe that:

— Our active investment management will add material value for clients over the long run.
— We put our clients' interests ahead of our own.
— We should be actively engaged shareholders of the companies in which we invest.
— Our ownership structure is a key strength.
— Our firm must be an engaging and progressive place to work.
— Our actions and behaviours should support society as a whole.

Further details of our shared beliefs can be found on our website.

As long-term investors, our aim is to identify and generate long-term sustainable growth for our clients, regardless of where they are located or which investment strategy they are invested in. Performing an active stewardship role is integral to both our investment beliefs and investment process. Indeed, we believe it underpins and improves investment performance in the long run, which is why it is one of our shared beliefs. Our Governance and Sustainability Principles and Guidelines detail the five core stewardship principles that define our approach and set out how we apply them. These principles outline what our expectations are regarding the companies we invest in.

Our *Governance and Sustainability Principles and Guidelines* are publicly available on our website.

Governance, Resources and Incentives

Evaluating and monitoring environmental, social and governance (ESG) factors is a key component of our long-term, active, patient and growth-focused approach to investment management. We continue to invest in our governance and sustainability capabilities. Our Governance and Sustainability Team consisted of 20 people as at the end of 2019. Working alongside the investment teams, the Governance and Sustainability Team is responsible for: ESG research, highlighting ESG risks and opportunities to investment strategies, coordinating and processing proxy voting, and engaging with and monitoring companies on ESG matters, challenging them where appropriate. The head of Governance and Sustainability reports directly to an investment partner, with oversight of the function falling under the remit of the Investment Management Group – a group of six partners from both the investment and client-facing areas. This reporting line helps to ensure that our research is of value to the investors and integrated into the investment decision-making process.

Our Governance and Sustainability analysts have a range of backgrounds from law and asset management to corporate sustainability and environmental non-governmental organisations (NGOs). This range of experience helps to support our bottom-up investment management approach and provides a diverse range of views and challenge. When joining the team, new analysts undergo a rigorous training plan to immerse them in how Baillie Gifford considers governance and sustainability as part of the investment process. Ongoing training is regularly undertaken in a variety of ways, including attending conferences, internal meetings with research providers and engaging with regulatory and professional bodies.

Our integrated approach to ESG means that our Governance and Sustainability team sits alongside our investment teams and regularly spend part of their week sitting directly within them. Likewise, our investment management graduate scheme also includes a secondment to the Governance and Sustainability Team. As well as gaining a greater exposure to how the Governance and Sustainability Team operates and our way of thinking, it helps the graduates to understand the importance we place on considering governance and sustainability matters as part of their investment research at an early point in their investment career at Baillie Gifford.

At Baillie Gifford, we focus on undertaking in-house ESG research as we believe that this is where we can add value – by bringing a nuanced understanding of the performance of the companies we hold from an ESG perspective, and importantly, how they are aiming to develop over time and the measures they have in place to achieve this. Here, our reputation as thoughtful, long-term investors precedes us, generally giving us an increased level of access to the companies we invest in. Because management teams expect us to hold their company's shares for a long time, they are more inclined to engage with us in the first instance over external ESG research providers who have no such ties. Subsequently, as we continue to build these relationships over years and not days, companies are more prepared to listen to our views and execute a shared vision that benefits both parties.

Our in-house research also incorporates information (from proxy advice to company-specific data and analysis); supplied by trusted external information providers. Utilising multiple sources ensures we have a comprehensive understanding of the companies under review and provides comfort that any inaccuracies will be identified. We have also developed a proprietary governance and sustainability software to assist in managing our voting, engagement and research activity. This system is integrated with the investment managers' research system and allows the Governance and Sustainability Team to manage workflow, execute proxy votes, record and track engagements and ongoing research, and report this activity to our clients.

Conflicts of Interest

Our overarching commitment to always work in the best interests of our clients is particularly relevant in a conflict-of-interest situation. Potential conflicts of interest will arise from time to time in the normal course of business. The following scenarios illustrate where a conflict of interest may arise:

- where we manage assets for a client that has an association with one of the holdings in our portfolio, such as the pension fund of a listed company.
- where a non-executive director of one of the Baillie Gifford managed investment trusts is also a non-executive of an investee company.
- a Baillie Gifford portfolio manager has an association with a listed company. An example could be membership of a nomination committee of a company that we might invest in on behalf of clients.
- where we vote at a meeting which has a shareholder proposal submitted by a client.

We will always aim to act in the best interests of our clients regardless of any potential conflict. Applying our Governance and Sustainability Principles and Guidelines to vote proxies will, in most instances, adequately address any possible conflicts of interest. However, as noted, we do not rigidly apply the guidelines, which allow for flexibility and variation between companies, circumstances and jurisdictions. For proxy votes that involve a conflict of interest and are inconsistent with (or not covered by) our guidelines, the Governance and Sustainability Team report them directly to the Investment Management Group. Its partners review the voting rationale, consider whether business relationships between Baillie Gifford and the company have influenced the proposed vote and decide the course of action to be taken in the best interest of our clients. The Investment Management Group's decision and rationale are documented.

Baillie Gifford maintains a firmwide Conflicts Matrix, which identifies actual and potential conflicts of interest that exist within the firm, and the procedures and controls that have been adopted to manage these conflicts. It is subject to review and approval by our Compliance Committee, which consists of a cross section of senior management. It is the responsibility of each employee, not just partners, to identify potential conflicts as laid out in the firm's Code of Ethics Manual, and each employee must submit an annual declaration to confirm they have adhered to the rules. Training is provided on the terms of the code on employee inductions and annually thereafter.

In 2019, we had 48 potential conflicts of interest. These were managed in line with our policy and therefore no longer deemed a conflict.

Our conflicts of interest policy is available on our website.

We will always aim to act in the best interests of our clients

Promoting Well-Functioning Markets

One of Baillie Gifford's shared beliefs is that our actions and behaviours should support society as a whole. We seek to set a positive example as an investor, as an employer and within our own communities. We aim to uphold and promote the highest standards of service and professional behaviours and to help enhance the reputation of the investment industry. This also encompasses a responsibility to promote well-functioning financial markets. To support this, we are a member of a number of groups and industry bodies.

Examples are provided below and others are detailed in the appendix:

FRC Advisory Group

The Financial Reporting Council's Investor Advisory Group (IAG)[1] advises the Council on a wide range of issues relating to the UK Corporate Governance and Stewardship Codes, audit reporting and company disclosures standards. The IAG comprises of a range of asset owners, asset managers and investment industry specialists.

Financial Stability Board Task Force on Climate-related Financial Disclosures

The Financial Stability Board Task Force on Climate-related Financial Disclosures (TCFD) is a market-driven initiative, set up to develop voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to various stakeholders. Published in 2017, the recommendations cover: Governance, Strategy, Risk Management, and Metrics and Targets. We are actively considering our response to the TCFD voluntary principles-based recommendations and have committed to responding publicly in 2020.

In our bottom-up investment analysis, we consider all relevant risks and opportunities that may impact an investment over the long term, climate change being one such example. In addition to portfolio carbon footprinting and engaging with carbon intensive companies and non-disclosing companies, we are increasingly turning our attention to future risks and opportunities in this area and undertaking climate scenario analysis for a number of our funds. By participating in TCFD, asset managers can encourage greater transparency and information sharing across the entire system, from companies to asset managers to asset owners. This will ultimately drive better measurement, better management, and deliver on the exceptional opportunities that the transition to a low-carbon economy provides.

Mine Tailings Safety Initiative

In 2019, we joined other investors, asset owners, tailings experts and mining companies to become members of the Mine Tailings Safety Initiative (MTSI). The initiative was prompted by the dam collapse at Vale's Brumadinho iron ore mine in Brazil on 25 January 2019. The aims of this investor initiative are to support and encourage the mining industry to develop an international standard for tailings dam safety, to introduce governance frameworks that will mitigate the risk and consequences of disasters, and to build investor understanding.

In its short existence, the MTSI has already had measurable success in influencing company behaviour and galvanising unprecedented interest, with over $13tn in assets under management (AUM) now behind it. In 2019, the MTSI contacted 727 listed extractives companies requesting disclosure on tailings facilities. As of 20 December 2019, 332 companies had responded (representing over 74 per cent of the mining industry by market capitalisation) with 145 confirming responsibility for tailings facilities. Support, acceptance and action for this initiative has been unprecedented but there is still a large amount of work to do to raise industry standards and disclosure.

Membership of such groups and industry bodies enables us to keep abreast of developing market-wide and systemic risks, ensuring that our policies and procedures remain relevant.

1. The FRC is due to be replaced by a new and upgraded *Audit Reporting and Governance Authority* in due course, in recognition of the increasing importance of this agenda for UK business.

Review and Assurance

Our Governance and Sustainability Principles and Guidelines are reviewed annually and approved by the Investment Management Group to ensure they continue to reflect how we incorporate Governance and Sustainability matters into our investment process. In addition, our engagement and voting procedures are independently reviewed annually. This is part of our internal controls review completed by our external auditors, with regard to the UK standard AAF 01/06. Clients may request a copy of our assurance report.

Investment Approach

Principle	UK	Japan	ISG	EFAMA	ICGN
Client and beneficiary needs	6	5, 6	B	6	3, 6, 7
Stewardship, investment and ESG Integration	7	3	B	1	3, 6
Monitoring managers and service providers	8	1, 5	A, B, D	6	1, 2, 5

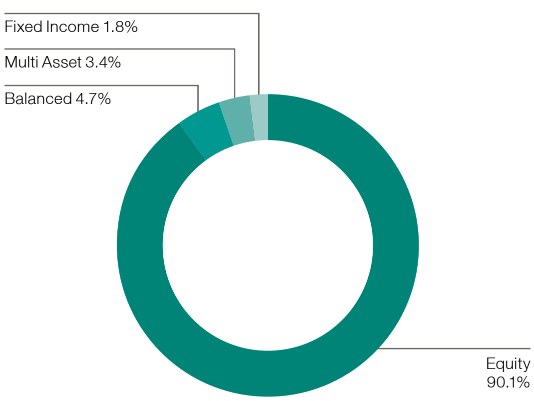
Client and Beneficiary Needs

As stewardship forms such an integral part of the investment process, our approach to corporate governance and broader ESG factors are incorporated into quarterly and ad-hoc client reporting, as well as discussed at regular investment review meetings with clients. We provide all our institutional clients with quarterly reports detailing our engagement and voting activities. We maintain a record of engagement and voting activity and publish high-level details of this publicly on our website each quarter.

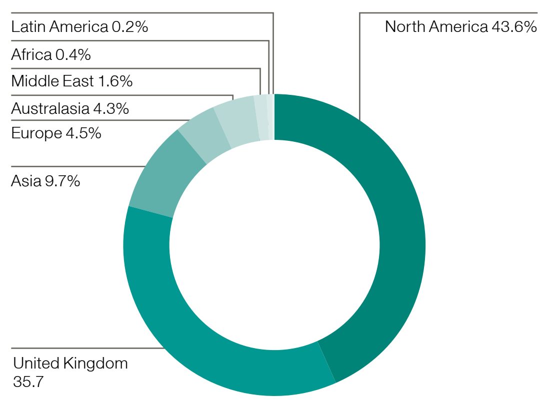
Where clients request us to adhere to their own stewardship policies, these are reviewed and discussed with the client, noting deviations from our own Governance and Sustainability Principles and Guidelines, and can be implemented where appropriate.

Details of our Assets Under Management (as at 31st December 2019) are below:

AUM (£) by Asset Class



AUM (£) by Region



Stewardship, Investment and ESG Integration

We believe that a company cannot be financially sustainable in the long term if its approach to business is fundamentally out of line with society's changing expectations. We define 'sustainability' as a deliberately broad concept which encapsulates a company's purpose, values, business model, culture and operating practices.

With ever increasing scrutiny and disclosure requirements, businesses are having to pay more attention than ever before to their relationship with stakeholders and wider society. In response to mounting evidence of environmental challenges, the United Nations' Brundtland Report of 1987 defined sustainable development as, "the kind of development that meets the needs of the present without compromising the ability of future generations to meet their own needs." For business, this can be reinterpreted as "making profits in a way today that does not undermine the ability of the firm to generate profits in the future."

As expectations and regulations continue to raise the bar, we closely monitor and analyse developments at our holdings and in the wider market in this increasingly important area of business. Our Governance and Sustainability Principles and Guidelines detail how we integrate these factors across asset classes and funds. While these principles are valid for all our investment strategies, we are comfortable with individual investment strategies taking different approaches to reach the same goal of properly assessing and weighing up governance and sustainability matters in the investment process. In this regard, a subset of our investment products integrate governance and sustainability further through negative screening, positive selection or having an impact focus.

Our long-term, active approach to investment is based on identifying and holding high-quality growth businesses that enjoy sustainable competitive advantages in their marketplace. To do this we look beyond current financial performance, undertaking proprietary research to build an in-depth knowledge of an individual company that allows us to form a comprehensive view on their long-term prospects.

Below are examples of companies where sustainability matters have been considered by both the portfolio managers and Governance and Sustainability analysts:

Kingspan

Kingspan manufactures insulation boards and panels, alongside other products designed to increase the energy efficiency of buildings by repelling the elements, which help customers reduce energy consumption. Being a business that offers energy-efficient building solutions, it is important to understand how sustainability is embedded into the organisation. We engaged with the company twice during 2019, firstly meeting with the Chief Executive Officer at our Edinburgh office and subsequently visiting Kingspan's manufacturing facility to meet the divisional building technology director and undertake a tour of the factory. On both occasions, the conversation focused on innovation and measuring environmental impact; with the company having recently revised its 10-year sustainability programme that aims to tackle climate change, environmental protection and circularity. During our engagement, we highlighted that we would like to see the company increase the work undertaken on product life-cycle analysis which would assess the overall environmental impact of a product. Taking these comments on board, the company is moving from its decentralised approach to innovation to one that is more centralised. It will be interesting to see how this evolves.

Amazon

Amazon epitomises the benefits of long-term thinking, but like all high-growth technology companies, it faces new reputational risks and challenges. We have been engaging with the company for over a decade, over which time the company has grown rapidly. Employee matters have been under increasing scrutiny and the company has provided helpful information on employee working conditions and staff sentiment. We have engaged with the company several times during 2019, including a visit to Amazon's fulfilment centre in Dunfermline to learn more about employee pay and working conditions. Our tour escorted us through the fulfilment process, from receiving an order to completion and dispatch. This was followed by a discussion with the general manager. In recent years, the company has raised wages of its warehouse staff in line with living-wage recommendations, as well as implementing other initiatives, such as further education support and subsidised travel. We are supportive of the company's efforts to improve working conditions and encouraged managers to provide health and safety data to allow us to monitor progress in this area. We had a subsequent call with the lead independent director and the head of sustainability. Alongside governance discussions, we discussed Amazon's Climate Pledge and ambition to be a leader in meeting the Paris Agreement goals. Previous engagements have also covered board refreshment plans, sustainability developments and platform integrity (e.g. review scores and product search rankings), which is central to the trust customers will have in Amazon in future.

Stewardship Beyond Equities

In addition to equities, we invest in a range of other assets through our Multi Asset and Fixed Income teams. We believe governance and sustainability factors are applicable and important across all asset classes and therefore take these issues into account in our investment process.

Multi-Asset – Real Assets

Within our real asset class allocations (commodities, infrastructure and property), longer-term governance and sustainability trends and factors can often be clearly identified. For example, environmental considerations can play an important role in the long-term attractiveness of a property investment or infrastructure project.

Fixed Income – Corporate Bonds

Alongside a company's long-term competitive position and capital structure, governance and sustainability factors are considered as a key component in assessing a bond issuer's fundamental financial resilience. As well as providing warning signs of upcoming issues, governance and sustainability factors can also signal improvements in a company's general investment attractiveness.

Fixed Income – Sovereign Bonds

When we consider investing in a country's bonds, we examine key governance and sustainability factors to help consider associated risks, the country's broad direction of travel and if our provision of capital is likely to aid its progression. We believe that if a country is governed effectively, its people respected, and its natural assets are managed responsibly, there is a greater chance it will enjoy sustainable growth and development and be in a better position to repay bond debt.

Multi-Asset – External Managers

Where we invest in externally managed vehicles as a means of accessing desired asset classes, we employ a thorough due diligence process to select and monitor investments, including seeking assurances that management is aligned with our own governance and sustainability beliefs and practices. We engage regularly and pro-actively with the management and boards of these vehicles to monitor and progress relevant governance and performance issues.

Here are examples of where governance and sustainability matters have been considered by both the portfolio managers and Governance and Sustainability analysts:

Pre-IPO Governance – External Managers

In pre-IPO discussions with a proposed new closed-end fund, it came to light that the chairperson of a direct competitor would be on the board. While not illegal, we saw this as a conflict of interest and engaged with both funds to convey this and gauge opinion. Ultimately, we declined to participate in the new fund's IPO, which was subsequently abandoned. We will use the case to prompt further conversations with the existing fund about improving its terms and transparency to be more in line with what the IPO had proposed.

Boussard and Gavaudan – Multi Asset

Boussard and Gavaudan is a listed multi-strategy hedge fund held in our Diversified Growth Strategy. Throughout 2019, the discount of the share price to net asset value increased steadily, raising concerns about the fund's management. The board's initial proposal was to convert all existing shares into an unlisted, open-ended share class which unit-holders would be unable to exit for three years, with subsequent restrictions on withdrawals. We expressed concerns over the lack of shareholder engagement on this issue, and the dominant role of the investment manager over the board in making the proposal. Following engaging extensively with the board chair, manager and other concerned shareholders, we communicated our preference for the fund to be wound up, and capital returned to shareholders. The board eventually proposed giving shareholders the option to convert their shares to a new pooled fund on a like-for-like basis, with similar limited liquidity terms as in the initial proposal. While this is not the outcome we hoped for, we supported the proposal but did not convert our holding to the new vehicle. The original listed fund remains in the portfolio on the expectation that promised governance improvements and a rationalised shareholder base will enable the discount to continue to narrow.

© Intralot.

Intralot – High Yield Bond Fund

Intralot supplies integrated gaming and transaction processing systems, game content, sports betting management, and interactive gaming services to state-licensed gaming organisations worldwide. An important component when researching a company operating in this field must be the social and governance backdrop. Operating in around 50 jurisdictions and 29 countries, including emerging markets, Intralot has a potentially high exposure to regulation, bribery, corruption and money laundering risks, as well as gaming addiction and its social repercussions. Intralot currently faces substantial litigation liabilities. The largest single claim relates to a US contract in which Intralot failed to comply with the terms of the agreement due to technical reasons and is likely to be covered by insurance. However, the number of contractual issues resulting in litigation, along with employee claims of moral damage, indicate a dismissive culture at the top. We had a series of calls with management to discuss issues around litigation, lack of board diversity, its weakening balance sheet and our concerns over the company's competitive position in the gaming market. This series of engagement reinforced our concerns about Intralot's long-term outlook and, despite the high yield on offer to investors, we felt the risks were too high and sold all Intralot bonds.

Johnson & Johnson – Strategic Bond Fund

Johnson & Johnson, together with its subsidiaries, researches and develops, manufactures, and sells various products in the healthcare field worldwide. Johnson & Johnson is a company that we have lent to for several years. Its bonds are AAA-rated and have provided defensive qualities to our portfolios. However, we decided to make a complete sale during 2019 as our confidence in the business was undermined following a number of ongoing controversies related to core products, in addition to issues with governance and oversight at the company. Relative to peers, Johnson & Johnson experiences a disproportionally high number of product recalls. There have also been growing allegations in relation to past opioid and talcum powder sales with the company facing many lawsuits due to alleged negligence. We believe that these controversies bring into question the control and oversight framework around product safety and quality and contributed to our decision to sell all Johnson & Johnson bonds.

Monitoring Managers and Service Providers

We conduct service reviews with our service providers annually or at the contract renewal date, depending on the nature of the relationships. This helps us to ensure consistency across our relationships and that we continue to receive a high-quality service from all our service providers. For our most significant relationships, we work with our Third Party Oversight Team to conduct ongoing due diligence. This covers, among other things, use of technology, staffing numbers and experience, and continuous business improvement initiatives. We hold an annual meeting with each of our proxy adviser firms to review the relationship and ensure the service is still fit for purpose. Utilising multiple sources of data from different service providers provides comfort that inaccuracies will be identified. If inaccuracies are found, we endeavour to highlight these to the service provider to correct and raise this at ongoing service reviews.

Engagement

Principle	UK	Japan	ISG	EFAMA	ICGN
Engagement	9	4	E	1, 2	4
Collaboration	10	4	F	4	4
Escalation	11	4	E	3	4

Engagement

As engaging with and monitoring our investee companies is such an integral element of our investment process, it is only natural we should aim to meet with senior management of our key holdings on a regular basis. All investment managers, investment analysts and members of the Governance and Sustainability Team are involved in this process. In running often concentrated active portfolios, monitoring our investee companies on an ongoing basis is a fundamental part not just of the investment process but also in how we discharge our ownership responsibilities. We meet with management and other executive staff, heads of divisions, and non-executive board members, where appropriate. The importance of these meetings cannot be overstated; they are integral to building relationships with management, to understanding the less tangible aspects of a company, such as corporate culture, and they facilitate two-way dialogue between companies and ourselves.

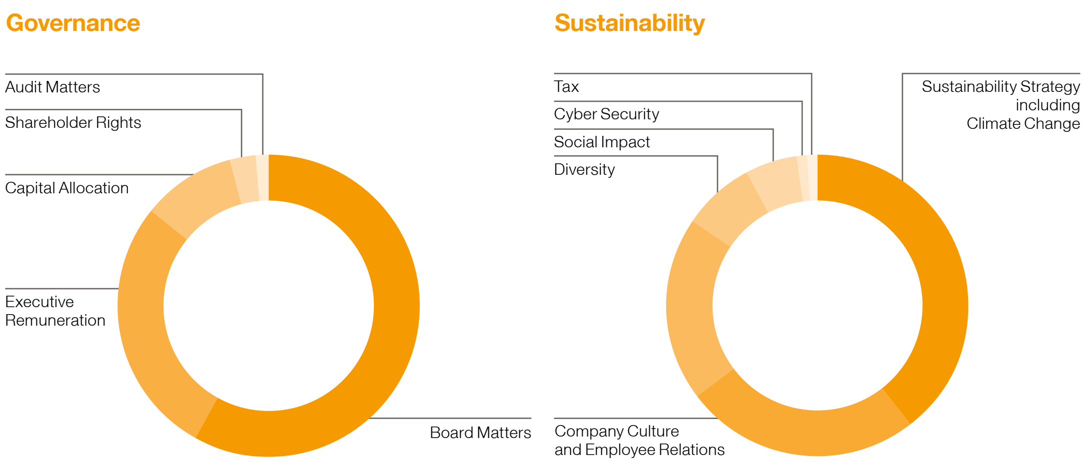
We expect our dialogue with companies to be constructive. All conversations with a company should have a purpose. The focus of the meeting could be broad, covering multiple matters of interest or very specific, but it should always be connected to the investment case.

Meetings can be face-to-face or conference calls, and there are occasions when we collaborate with other interested parties. In addition to this, we subscribe to additional investment and ESG research services that support our ongoing monitoring of our clients' holdings and, from time to time, commission external research on current or potential holdings. The processes around proxy voting mean that every company we hold on our clients' behalf is reviewed by a member of the Governance and Sustainability Team at least once per year. If this monitoring process highlights questions, we speak with the company prior to the relevant shareholder meeting.

We maintain an audit trail of our dialogue with companies by recording engagements and voting activity in our in-house systems. This enables us to monitor the effectiveness of our engagements and set priorities for future engagements. We vote almost all our clients' shares by proxy. However, in exceptional circumstances, we will attend company general meetings where: we have large holdings; where there is a contentious issue; and where attendance in person rather than voting by proxy is in our clients' best interests.

In 2019, our Governance and Sustainability Team engaged with 281 companies across our portfolios, engaging on 383 separate occasions. The team conducts engagements both in conjunction with and independent of our investment managers. Investment managers regularly meet with company management teams.

We have split our engagement activity into two categories – Corporate Governance and Sustainability. These broad categories cover a range of topics detailed in the graphs below. The issues on which we focus will vary between geographic regions, industry sectors and between individual companies, and will be informed by our own research. We often discuss multiple topics in one meeting, but for the purposes of the data below we have categorised by the main meeting topic. As long-term holders, we do not seek to react to one-off events but rather take an informed approach on how an issue will affect a business over the long term. By engaging with companies, we seek to build constructive relationships with them, to better inform our investment activities and, where necessary, effect change within our holdings, ultimately with the goal of achieving better returns for our clients.



As long-term holders, we do not seek to react to one-off events in our engagement but rather take an informed approach on how an issue will affect a business over the long term. We seek to build constructive relationships with companies, to better inform our investment activities and, where necessary, effect change within our holdings, ultimately to achieve better returns for our clients. The two case studies below demonstrate our stewardship approach through constructive, ongoing engagement.

Case Study: Ryanair

Baillie Gifford is a long-term shareholder on our clients' behalf in Ryanair, the low-cost airline. Operational performance has been impressive, underpinned by management's focus on keeping costs low, which has included using its scale and patience to get better rates for aircraft purchases and airport slots. However, perhaps as a side-effect of such a strong focus on low costs, the company has attracted increasing criticism regarding its interaction with customers, employees and sometimes shareholders. In our view, stakeholder relations can impact the sustainability of a company's long-term strategy and therefore the investment case. For this reason, we have engaged extensively with the company on a range of matters over the past few years. While we recognise the company still has more to do, compared with five years ago, we believe our engagement has resulted in improved stakeholder relations.

Shareholders

We have been encouraging the company to enable all shareholders to vote their shares at shareholder meetings. Ryanair has two share classes: ordinary shares which can be purchased by EU shareholders, and American Depositary Receipt (ADR) shares which can be purchased by non-EU shareholders. We felt that the voting process for ADR shareholders was antiquated and unclear, and that it could be preventing ADR shareholders from voting. Given that the ADR programme represents around 43 per cent of issued share capital, we felt it was very important that the company actively solicited votes from shareholders. Following several meetings and conference calls with the company we joined forces with the Investor Forum in August 2018 to collaborate and escalate the engagement. The company did change its policy towards soliciting proxy votes from ADR shareholders following the engagement. The engagement was more difficult than initially expected due to the complexity of the issues, but we are pleased that we managed to get an outcome that enhances shareholder rights (for our clients and other ADR shareholders) and accountability of management.

At the 2018 annual general meeting, the chairman and senior independent director (SID) received only 70 per cent and 66 per cent support from shareholders respectively. We contributed to the large oppose votes against the re-election of both the chairman and the senior independent director at the AGM for two reasons. First, we have been frustrated by the level of access shareholders have been given to the board. Second, we are encouraging further progress to be made on the succession planning of the chairman and SID and more broadly on the level of genuinely independent experience and oversight on the board. In January 2019 we met both the chairman and SID to discuss the result and future board succession. The company has since announced that the chair and SID will step aside in 2020 which we believe will be a positive development.

Customers

Several years ago, the company introduced its 'Always Getting Better' plan, signalling a change in its approach towards customers. This was a result of interactions with shareholders, including us. Management had realised that its typically combative approach with customers, adopted since inception as part of a very effective public relations strategy, was unsustainable in the long term as the business continued to grow. With customer patience waning, a change in narrative was warmly welcomed. The business continues to reference this change, which includes better customer service, as a driver of increased profitability, a point we have returned to when discussing continued change towards other stakeholder groups.

Employees

Arguably the strongest criticisms of Ryanair's business practices have been regarding its treatment of staff. In 2018, the company announced that it would recognise unions. Lack of union recognition was traditionally the key point of contention, and with a change in position now announced, there is greater scrutiny being placed on aspects of pilot and cabin crew employment practices. Disagreement over pilot pay together with a new 'Crew Charter' published by cabin crew outline various points of contention, including pay rates, contracts and rosters. We had an opportunity to put this charter to the SID as part of the collaborative investor forum engagement in August 2018, where progress on union negotiations and pilot pay were also key discussion points. In 2019, a visit to our offices by its chief people office gave us the opportunity to continue this discussion and get an update on progress with employee negotiations.

We will continue engaging but we are encouraged by the recent change in tone from the company, and firmly believe that the changes we have been pushing for are in our clients' long-term interests.

Case Study: Tesla

Tesla is driving the adoption of clean auto technologies. Over the years, through meetings with the CEO, board members, and other executive directors, we offered support for its ambition and vision, and discussed a wide range of topics.

Board

During 2019, we engaged with the new chair Robyn Denholm on two occasions. Invited to share our views, we encouraged a long-term focus and a detachment from the media noise. We discussed her thoughts on the board, as well as the addition of new independent directors Larry Ellison and Kathleen Wilson-Thompson. Wilson-Thompson is an executive at Walgreens, with an extensive career in human resources. She will focus on culture and talent management. Ellison is an accomplished entrepreneur and will help to advise on how Tesla can continue grow its business. Board refreshment is ongoing and additional directors with manufacturing and financial expertise are considered desirable. We were encouraged to learn that Denholm also plans to develop Tesla's governance practices in line with the company's emerging status as a more established business and sector leader. We continue to maintain open and constructive dialogue with the board.

Management

We also met chief financial officer (CFO) Zach Kirkhorn and Sanjay Shah, the senior vice president of Energy Operations during the year. Kirkhorn shared his thoughts on the progress of the Shanghai manufacturing plant and the burgeoning opportunity in autonomous driving, while Shah explained how his previous experience in leading Amazon's fulfilment strategy would be applied to the scaling of Tesla's energy business. These individuals, along with Jerome Guillen (president of Automotive) lead us to believe that Tesla has a markedly more cohesive and impressive management team than is typically perceived by the stock market. Later in the year, we had a follow-up meeting with the CFO. Discussions spanned a number of matters, including the departure of chief technology officer JB Straubel. Credited with much of Tesla's battery prowess to date, Straubel had been a significant figure in the management team since the company's early days. We pay close attention to succession planning, and we were pleased to hear that a 6–12 month transition period was factored in to allow his successor Drew Baglino to prepare for the step up the CTO role from the position of vice president of Technology. We can also take comfort that Baglino, was recruited by Straubel back in 2006.

Employees

Employee health and safety has also been an important, high profile issue at Tesla. In September 2018, we met with the head of Environmental, Health and Safety (EHS), Laurie Shelby, at the company's Fremont factory to develop our understanding of its policies and practices. Shelby was recruited in October 2017 and this was her first meeting with shareholders. Reporting directly to the CEO, Shelby is responsible for Tesla's initiative to become the safest car factory in the world. She explained that the company has over 200 EHS professionals globally. They meet bi-weekly to share ideas and align practices. Shelby has also implemented an EHS centre of excellence, and employee engagement is facilitated through all-in-one reporting tools which record all incidents and enable staff to flag issues and make suggestions. These provisions have led to improved working conditions and lower injury frequency rates. The company maintains a good relationship with the relevant regulator, which has previously completed an in-depth review of its injury reporting framework, concluding that the procedures in place are appropriate and accurate. This meeting provided assurance that the company's policies, practices and aspirations are consistent with our own expectations of a responsible automobile manufacturer.

Collaboration

We recognise the benefits of working alongside like-minded shareholders on both policy and company-specific matters. Doing so can increase the influence that we can bring to bear on our clients' behalf and may be necessary in some instances to achieve our engagement objectives. This includes collective engagement with investee companies and regulators. We generally engage with companies on an individual basis but, subject to analysis around 'concert party' regulatory rules, we participate in collective engagement on critical issues which could have a material impact on shareholder value. Collaborative engagement can be an important part of our engagement escalation, for example.

We were one of the founding members of the Investor Forum, a collective engagement initiative which arose from the Kay Review, 2012. We are also an active member of the International Corporate Governance Network, the Asian Corporate Governance Association and signatory to the United Nations' Principles for Responsible Investment (UNPRI). We engage with other investor groups on a case-by-case basis where this could be of benefit to our clients.

We do not outsource any aspect of our stewardship responsibilities to a third party and during collaborative engagement we will speak for ourselves, not rely on others to take responsibility for articulating our views.

Escalation

Baillie Gifford actively engages with its investee companies. How we engage depends on the circumstances and the issues being discussed. Our experience suggests that constructive dialogue with management and boards is the most likely to result in satisfactory outcomes. From a corporate governance perspective, conference calls and meetings will often be with company secretaries, non-executive board members and, where appropriate, we request meetings with the company chair. For specific issues, we will request a meeting with a committee chair; we frequently speak to Remuneration Committee chairs, for example.

There are different ways in which we can escalate matters. Where appropriate, we can decide to do one or more of the following: oppose management resolutions at company AGMs and EGMs[2]; write letters to the chair; join collaborative initiatives with other asset managers and asset owners; and, in extreme circumstances, make public statements or decide to sell out of our holding. Our preference is to have confidential and private discussions with companies, which enables us to build an effective relationship with boards and management teams.

2. AGM, Annual General Meeting; EGM, Extraordinary General Meeting

Case Study: EssilorLuxottica

The case study below illustrates how we escalate issues, collaborate with other asset managers and take a proactive approach to our proxy voting and stewardship responsibilities.

On our clients' behalf, Baillie Gifford has been a long-term shareholder in EssilorLuxottica (previously Essilor), the ophthalmic lenses and eyewear company. We have a long history of engaging with the company and over the years have pressed it to improve its remuneration policy, remove an anti-takeover device and most recently discussed the composition of the board.

In October 2018, Essilor, the world's largest manufacturer of lenses, merged with Luxottica, the world's leading consumer eyewear group. At the time it was agreed that the boards of the two companies would be merged, resulting in a board comprising of eight directors representing Essilor and eight representing Luxottica, led by the founder of Luxottica, Leonardo Del Vecchio, and head of Essilor, Hubert Sagnières, as chairman and vice-chairman respectively but with equal powers at the group.

Following the merger, there were plans to appoint a group CEO, however disagreements quickly became apparent and Del Vecchio filed a proceeding to the International Court of Arbitration citing a board stalemate for inhibiting progress. Given the board's composition, this situation was understandable, however not in the best interests of shareholders.

To help break the stalemate, we co-filed our first shareholder proposal at the 2019 AGM with six other shareholders to appoint two independent directors to the board of EssilorLuxottica. This decision to co-file was prompted by concerns regarding the successful integration of both groups. We felt that adding independent members was a pragmatic solution and our confidence was bolstered when it was announced the employee shareholding was also nominating an independent member to the board. Employees already have a member representing them in the boardroom and are therefore in a good position to assess what would help make further progress.

While the directors we proposed were not appointed to the board, they received significant support from the minority shareholder base, given management and employees own around 37 per cent of the share capital. Arguably, the most important result of the proposals was seen the week of the AGM, when the company issued a statement renewing all parties' commitment to work together. Del Vecchio announced the arbitration was being withdrawn and the employee representative was given an enhanced role within the integration process. This led to the employee shareholding withdrawing its proposal and its support of ours. The integration of the groups will take time to settle and we will continue to monitor progress and engage with management.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Exercising Rights and Responsibilities

Principle	UK	Japan	ISG	EFAMA	ICGN
Exercising Rights and Responsibilities	12	5, 6	B	1, 5, 6	5, 7

Exercising Rights and Responsibilities

Our Governance and Sustainability Team, in collaboration with the relevant investment teams, is responsible for making voting decisions, while taking account of our voting guidelines. In gathering information and making our final voting decisions, we endeavour to engage with companies and their advisers. Where our clients have delegated voting discretion to Baillie Gifford, we endeavour to vote all shares globally. We will vote against proposals where we feel that these are not in our clients' interests. We routinely advise investee companies where we plan to vote against management.

We believe the ability to vote shares in the best interest of our clients' is a key component of our commitment to stewardship. Stock lending is a common industry practice which can have a material impact on our clients voting rights. Baillie Gifford does not engage directly in stock lending, believing there is very little benefit in doing so. When stock is lent out, voting rights are also transferred. Therefore, where our clients engage in stock lending, we encourage them to recall their stock when the vote looks contentious and/or the outcome of the vote could directly impact corporate strategy or investment returns.

We employ several proxy advisers, including Institutional Shareholder Services and Glass Lewis, to provide us with their proxy voting reports. These assist us in summarising the data provided in the companies' proxy documents prior to companies' general meetings. Although we are cognisant of the proxy advisers' voting recommendations, we do not delegate or outsource our stewardship activities, nor do we follow or rely upon their recommendations when deciding how to vote our clients' shares.

Our Governance and Sustainability Principles and Guidelines are available publicly on our website and include our approach to voting. Our Principles and Guidelines apply globally across all our holdings, considering varying geographic practices where appropriate. Our approach to voting is thoughtful and considered. Our preference is to exercise voting rights in line with our policy on behalf of our clients. However, for clients who have a segregated mandate with us, we are open to discussing a bespoke voting policy. Additionally, segregated clients for whom we have voting rights are able to instruct their votes as they see fit. Our pooled fund clients are not able to instruct their votes on underlying holdings. We vote all the underlying holdings in our pooled funds in line with our Governance and Sustainability Principles and Guidelines.

All our proxy voting activity is disclosed quarterly on our website. However, in response to Shareholders' Rights Directive II, we have created our own significant vote framework. We recognise that some votes can be more significant than others and that not every vote against is necessarily significant. A vote might be deemed significant because of market opinion, media scrutiny or an internal view. While the list below is not exhaustive, we would consider the following to be potentially significant:

— Baillie Gifford's holding had a material impact on the outcome of the meeting
— The resolution received 20 per cent or more opposition and Baillie Gifford opposed
— Egregious remuneration
— Controversial equity issuance
— Shareholder resolutions that Baillie Gifford supported and received 20 per cent or more support from shareholders
— Where there has been a significant audit failing
— Where we have opposed merger and acquisition activity (M&A)
— Where we have opposed the financial statements/annual report
— Where we have opposed the election of directors and executives.

Disclosure of significant votes is available on our website. Additionally, for clients that have delegated their voting discretion to Baillie Gifford, we include a portfolio-specific proxy voting report in their quarterly report.

Supporting Long Term Growth through Voting – Scout24

Scout24 operates digital marketplaces specialising in the real estate and automotive sectors in Germany and other European countries. Since listing in 2015, there has been a period of instability, as the business transitioned from being predominantly owned by private equity toward a more long-term shareholder base. In the past 18 months, Scout24 has welcomed a new chair, CEO and CFO. A bid by the previous private equity owners also fell through in early 2019 because too few shareholders tendered their shares. We did not tender our shares given our optimism in the business and our belief that the business can deliver superior returns over the long term. This sent a strong message to the company that shareholders believe in the fundamentals.

During 2019, we engaged several times with management and the board to discuss how the company is navigating these changes. Three new candidates were proposed to the board to replace directors standing down at the 2019 shareholder meeting, marking an end to links with the previous private equity owners. With a new management team and refreshed board, we felt an end to the instability was in sight. However, prior to the 2019 shareholder meeting the company faced pressure from other shareholders who published a critical public letter and nominated a candidate to the board through a shareholder proposal. While we were sympathetic to some of their arguments, we strongly believe Scout24 needed stability to execute its long-term strategy. We discussed our views with these shareholders and the shareholder candidate in addition to issuing a public statement ahead of the meeting.

We took the decision to support management and oppose the shareholder's candidate to the board. However, we felt there was more we should do. Due to limitations in the proxy voting chain, only shareholders who attend the meeting in person are able to submit votes on shareholder proposals at German companies. As most institutional shareholders vote electronically by proxy, we raised concerns with the shareholders' proposed candidate that this would lead to the disenfranchisement of shareholders. Given the importance of this vote, we attended the meeting to vote in person and reiterated our public statement.

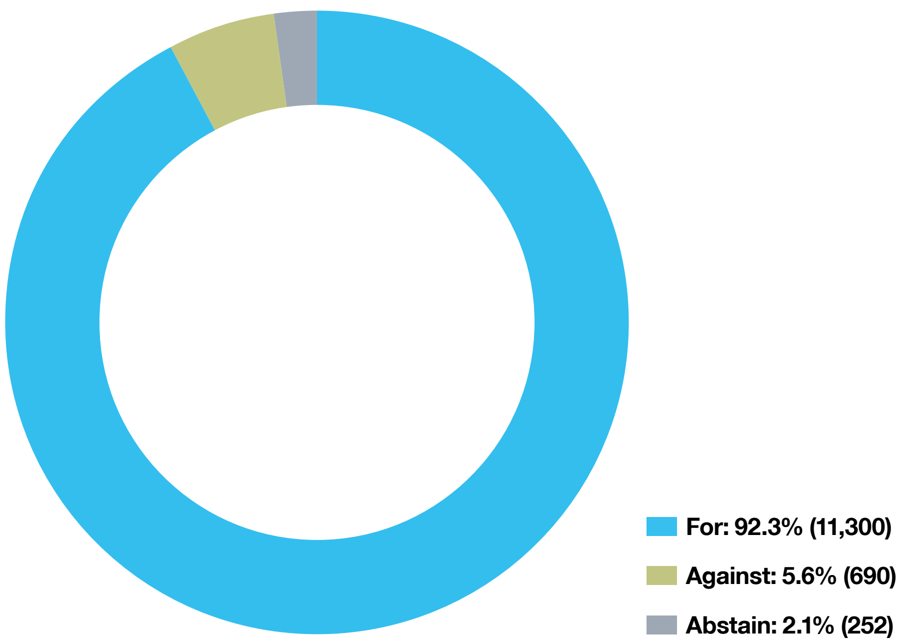
Only 49 per cent of the share capital submitted votes on the shareholder proposal, whereas 79 per cent voted on management proposals, demonstrating that a number of shareholders may have been unable to submit votes. The shareholder candidate was successfully elected to the board with 53 per cent support, meaning one candidate proposed by the board had to stand down. While we are disappointed by the outcome of the meeting, our aim now is to give the new board and management team time and space to execute on long-term strategy.

Baillie Gifford Proxy Voting Activity 2019

The chart below summarises Baillie Gifford's proxy voting activity in 2019. As we have said, we endeavor to vote all our clients' shares, but there will be occasions when we do not. The most common reasons we do not vote at meetings are: adherence to our conflict of interests policy, and due to market restrictions (blocking) that prevent us from trading during the period between the votes being cast and the date of the meeting.

It is no surprise that as long-term owners, seeking to invest in a relatively small number of exceptional companies, that we are generally supportive of management. When opposing a management recommendation, we look to ensure we have received all the relevant information. Whenever there is any question of opposing a management resolution, the portfolio manager will always be involved in the discussions and decisions. Following a voting decision, we will inform the company of that decision, along with our rationale. This can often lead to productive conversations with companies on governance and sustainability matters. We are also regularly consulted by companies on our thoughts, particularly on remuneration, where we seek to provide constructive and thoughtful feedback.

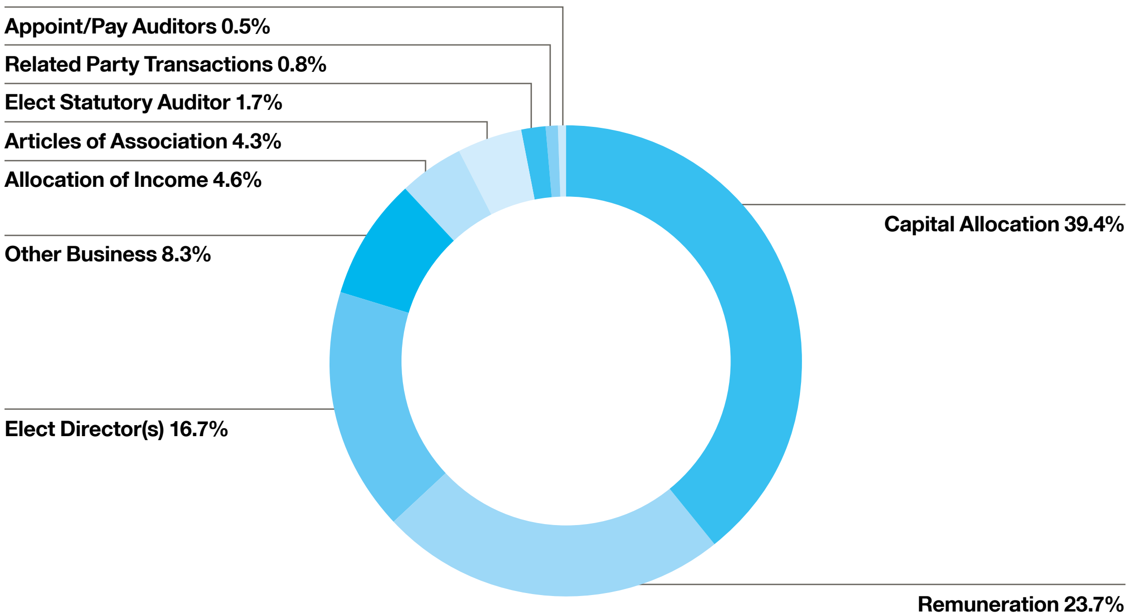
Baillie Gifford Proxy Voting 2019



Votes against Management

As the chart below illustrates, our opposition falls into three main categories: remuneration[3], director elections and capital allocation[4].

Breakdown of Votes Against Management



Remuneration

Effective remuneration policies help to recruit, retain and motivate the best available talent, while also incentivising management to focus on the right long-term priorities for the business. We encourage our investee companies to develop robust and transparent pay practices that clearly align with long-term shareholders, reward outstanding performance and which mitigate against excessive risk taking or unintended consequences arising from a narrow focus on inappropriate targets. In addition to this, companies should also take due account of increasing public scrutiny of executive pay practices and should be cognisant of the reputational and regulatory risks of excessive or inequitable pay practices. We believe that substantive changes to executive remuneration policies should be submitted to a shareholder vote. We also welcome the opportunity to engage with our investee companies on material remuneration matters. We promote the provision of clear and concise information about the design of the scheme, the underlying targets that are used to assess performance awards, and the total quantum of reward that is possible.

Director Elections

When considering the election of directors, we consider a multitude of factors such as: the level of independence of the board and committees, the experience and diversity of the board, as well as the existing commitments and attendance of individual directors. This is framed in the context of market best practice and our expectations for the company. Where we have concerns around the board and/or individual directors, we will oppose the appropriate director(s) election.

Capital Allocation

When considering capital requirements, we do not have rigid guidelines. We will consider factors such as: the company's size, the industry it operates in and the rationale for the request for authority to issue capital. A company can request authority to issue capital should it need it. We would much prefer companies hold an EGM stating clearly how they intend to use the additional capital. We will consider supporting higher levels of capital issuance if we believe it will be of benefit to the company and is in our clients' best interests, for example, an early stage, small capitalisation company may require extra flexibility to issue capital quickly.

3. Includes employee equity plans and directors' remuneration.
4. Includes amendment and increase of share capital, reductions in capital, issuance of debt and equity, share repurchase and share consolidation.

Naspers

Naspers provides internet and entertainment services worldwide. Having abstained on the company's remuneration policy between 2014 and 2017 and continually engaging on this issue over this period, in 2018 we were able to begin supporting the policy due to improvements made. We historically abstained on the remuneration policy due to a lack of disclosure surrounding annual incentive targets and the structure of its long-term incentive plan. However, gradual improvements in disclosure were made year-on-year following our engagement resulting in our support of the resolution in 2018 and 2019. Disclosure is still not perfect; however, we continue to engage with the company to maintain progress.

CRH

CRH is an acquisitive building materials business. The responsible allocation of capital is key to corporate success. Accordingly, the absence of a returns-based metric from its long-term incentive plan has meant we have consistently opposed executive remuneration since 2016. Over this period, we engaged regularly with the chairman and remuneration committee chair advocating for a change to the remuneration policy. While we were pleased to see a return on net assets metric introduced in the 2019 awards, we have continued to oppose as we do not believe the corresponding targets are sufficiently stretching. We will continue to engage with the company to build on progress.

Netflix

Netflix provides internet entertainment services. The company has a bespoke governance structure, maintaining policies and provisions which are not considered best practice. It has also not adopted changes following a number of shareholder proposals that received majority support at previous AGMs. In 2019, we engaged with the company to help us understand its corporate governance better. Netflix recognises that, as the business matures, its governance practices must evolve to remain appropriate. However, the board believes existing practices, such as a classified board and supermajority voting requirements, protect the business from short-term market pressures. Specifically, it firmly believes that it is fulfilling its fiduciary duties by rejecting pressure to conform to a prescriptive list of governance practices that it does not consider supportive of growth. The board has been strengthened in recent years and operates in a manner which ensures knowledgeable and nimble decision making. There is also greater corporate consciousness as to how the business maintains its relationships with stakeholders. Our research and engagement indicate that Netflix's governance is pragmatic and supportive of the long-term strategy. Accordingly, we were happy to take a different view from the market with respect to our voting at the 2019 AGM. We continue to engage with the board and executives to ensure the governance structures remain appropriate, and the opposition to shareholders doesn't become an entrenched position.

Conclusion

We hope that this report has provided a detailed and comprehensive overview of how we have been putting our commitment to good stewardship into practice. As well as aiming to do the very best job for our clients, there are also increasing expectations on businesses and investment managers alike to act responsibly and contribute to sustainable development goals. With systemic risks, such as climate change and inequality, becoming ever more pressing, good stewardship has never been more important and we will continue to invest our resources and energy in this key area of our business.

Appendices

Appendix 1: The Principles of the Codes

The Principles of the UK Stewardship Code for Asset Owners and Asset Managers

Purpose and Governance

Principle 1	**Purpose, strategy and culture**	Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.
Principle 2	**Governance, resources and incentives**	Signatories' governance, resources and incentives support stewardship.
Principle 3	**Conflicts of interest**	Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.
Principle 4	**Promoting well-functioning markets**	Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.
Principle 5	**Review and assurance**	Signatories review their policies, assure their processes and assess the effectiveness of their activities.

Investment Approach

Principle 6	**Client and beneficiary needs**	Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.
Principle 7	**Stewardship, investment and ESG Integration**	Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.
Principle 8	**Monitoring managers and service providers**	Signatories monitor and hold to account managers and/or service providers.

Engagement

Principle 9	**Engagement**	Signatories engage with issuers to maintain or enhance the value of assets.
Principle 10	**Collaboration**	Signatories, where necessary, participate in collaborative engagement to influence issuers.
Principle 11	**Escalation**	Signatories, where necessary, escalate stewardship activities to influence issuers.

Exercising Rights and Responsibilities

Principle 12	**Exercising rights and responsibilities**	Signatories actively exercise their rights and responsibilities.

Japanese Stewardship Code

Principle 1	Institutional investors should have a clear policy on how they fulfil their stewardship responsibilities, and publicly disclose it.
Principle 2	Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.
Principle 3	Institutional investors should monitor investee companies so that they can appropriately fulfil their stewardship responsibilities with an orientation towards the sustainable growth of the companies.
Principle 4	Institutional investors should seek to arrive at an understanding in common with investee companies and work to solve problems through constructive engagement with investee companies.
Principle 5	Institutional investors should have a clear policy on voting and disclosure of voting activity. The policy on voting should not be comprised only of a mechanical checklist; it should be designed to contribute to the sustainable growth of investee companies.
Principle 6	Institutional investors in principle should report periodically on how they fulfil their stewardship responsibilities, including their voting responsibilities, to their clients and beneficiaries.
Principle 7	To contribute positively to the sustainable growth of investee companies, institutional investors should have in-depth knowledge of the investee companies and their business environment and skills and resources needed to appropriately engage with the companies and make proper judgments in fulfilling their stewardship activities.

ISG: Stewardship Framework for Institutional Investors

Principle A	Institutional investors are accountable to those whose money they invest.
Principle B	Institutional investors should demonstrate how they evaluate corporate governance factors with respect to the companies in which they invest.
Principle C	Institutional investors should disclose, in general terms, how they manage potential conflicts of interest that may arise in their proxy voting and engagement activities.
Principle D	Institutional investors are responsible for proxy voting decisions and should monitor the relevant activities and policies of third parties that advise them on those decisions.
Principle E	Institutional investors should address and attempt to resolve differences with companies in a constructive and pragmatic manner.
Principle F	Institutional investors should work together, where appropriate, to encourage the adoption and implementation of the Corporate Governance and Stewardship principles.

EFAMA

Principle 1	Asset managers should have an engagement policy available to the public on whether, and if so how, they exercise their stewardship responsibilities. Where asset managers decide not to develop an engagement policy, they should give a clear and reasoned explanation as to why this is the case.
Principle 2	Asset managers should monitor their investee companies, in accordance with their engagement policy.
Principle 3	Asset managers should establish clear guidelines on when and how they will escalate engagement with investee companies to protect and enhance value of their clients' investments.
Principle 4	Asset managers should consider acting with other investors, where appropriate, having due regard to applicable rules on acting in concert.
Principle 5	Asset managers should exercise their voting rights in a considered way.
Principle 6	Asset managers should disclose the implementation and results of their stewardship and voting activities.

ICGN

Principle 1	Investors should keep under review their own governance practices to ensure consistency with the aims of national requirements and the ICGN Global Stewardship Principles and their ability to serve as fiduciary agents for their beneficiaries or clients.
Principle 2	Investors should commit to developing and implementing stewardship policies which outlines the scope of their responsible investment practices.
Principle 3	Investors should exercise diligence in monitoring companies held in investment portfolios and in assessing new companies for investment.
Principle 4	Investors should engage with investee companies with the aim of preserving or enhancing value on behalf of beneficiaries or clients and should be prepared to collaborate with other investors to communicate areas of concern.
Principle 5	Investors with voting rights should seek to vote shares held and make informed and independent voting decisions, applying due care, diligence and judgement across their entire portfolio in the interests of beneficiaries or clients.
Principle 6	Investors should promote the long-term performance and sustainable success of companies and should integrate material environmental, social and governance (ESG) factors in stewardship activities.
Principle 7	Investors should publicly disclose their stewardship policies and activities and report to beneficiaries or clients on how they have been implemented so as to be fully accountable for the effective delivery of their duties.

Appendix 2: Membership Organisations

To support our Stewardship activities Baillie Gifford is a signatory and active member of relevant organisations, including the following:

FCLTGLOBAL
FOCUSING CAPITAL ON THE LONG TERM

IIGCC
The Institutional Investors Group on Climate Change

CDP
DISCLOSURE INSIGHT ACTION

Carbon Disclosure Project

ACGA

Asian Corporate Governance Association

Signatory of:

PRI Principles for Responsible Investment

ICGN
International Corporate Governance Network

UKSIF
UK Sustainable Investment and Finance Association

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South Korea

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