

OUR SHARED BELIEFS

BAILLIE GIFFORD





OUR SHARED BELIEFS

WE BELIEVE THAT:

Our active investment management style will add material value for clients over the long run.

Successful active investment management is not easy: it requires dedication, independent thought and a long-term perspective. Our whole firm should be built around this and we must remain resolutely investment-driven in our outlook. We call our approach ‘Actual investing’.

We must put our clients’ interests ahead of our own.

Our actions must be honourable and beneficial for our clients. We aim for excellence in all levels of client service and wish to be seen as a trusted long-term partner and adviser. As they are important to our clients’ returns, we aim to keep costs low and transparent, including our own fees.

We should be actively engaged investors.

Our investment process is founded on the long-term ownership of and support for growing businesses. We want to help these companies fulfil their potential by encouraging them to invest in growth opportunities and to ignore short-term pressures. We take these responsibilities seriously and will be active stewards of our clients’ capital.

Our ownership structure is a key strength.

Being independent, private and wholly owned by working partners allows us to focus on our clients and their investments. It helps our stability, motivation and culture and enables us to take a long-term view in all that we do, including investing, client relationships and staff development.

Our firm must be an engaging and progressive place to work.

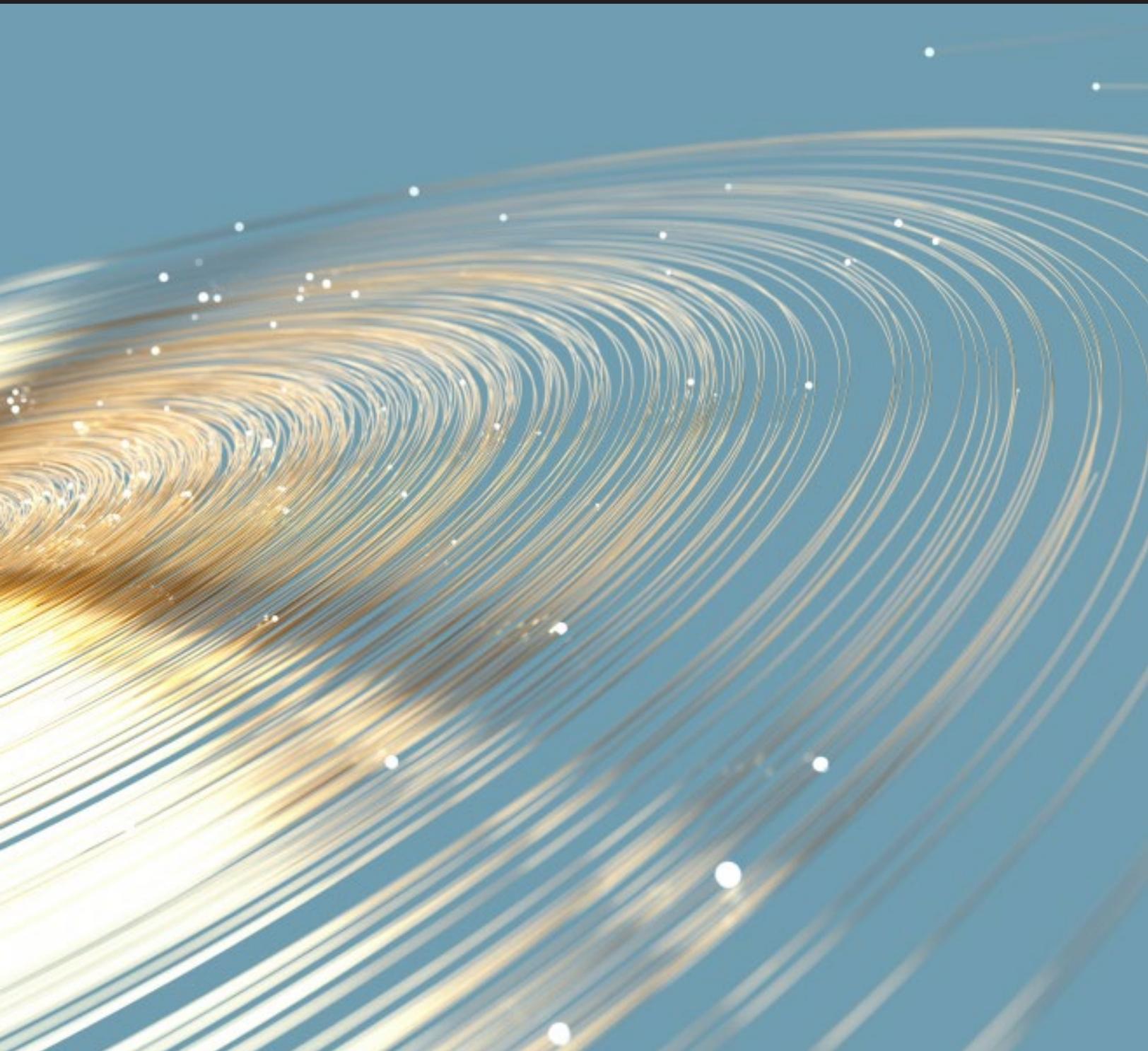
We strive to attract and retain a diverse group of talented individuals. To do so, we need to create opportunity and challenge while providing support through internal and external groups and networks. We are committed to getting better at everything we do and remaining relevant to the evolving needs of our clients.

Our actions and behaviours should support society as a whole.

Our active investment management style allows us to act in a manner which is supportive for society through the allocation of capital to companies driving positive change. Moreover, we are in a position to influence the behaviour of decision makers to take action to combat important issues such as climate change and its impacts.

We also 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. We strive to support good causes while remaining humble and respectful.



*WE BELIEVE OUR ACTIVE INVESTMENT
MANAGEMENT STYLE WILL ADD MATERIAL
VALUE FOR CLIENTS OVER THE LONG RUN.*

Successful active investment management is not easy: it requires dedication, independent thought and a long-term perspective. Our whole firm should be built around this and we must remain resolutely investment driven in our outlook.

When active management is done well it can add material value over the long term. Successful active management is not easy, and many in our industry fail their investors, particularly after paying what can sometimes be high fees. However, we are confident in and dedicated to our differentiated approach. The keys to success, we believe, are independence of thought, ambition and a long-term perspective focusing not on stock markets but on real-world progress. We call this not just active, but Actual investing.

This is not just the case for our equity teams, but also for our fixed income teams who focus on the long-term resilience of the companies in their portfolios, not just on maximising the short-term yield.

In a world of short-termism, such an approach can at times be stressful and lonely. Successful active management requires a willingness to take a differentiated view and to tolerate volatility. There will be inevitable periods of underperformance relative to other investors and benchmark indices, and this is when our culture is a huge source of value. We must have the courage to back our process, our individual investors and our teams. Our entire firm is designed to be supportive and understanding, helped greatly by our structure as a private partnership with no outside shareholders or reporting requirements.

We value the ability of our teams to operate with intellectual freedom, to innovate and to be spared of suffocating bureaucracy which ultimately reduces our ability to deliver outperformance for clients. We are committed to an environment where this autonomy is married with a deep sense of purpose and alignment, allowing ideas to be shared and expertise to be leveraged. These strengths are underpinned by relationships of trust across the firm.

While we believe Baillie Gifford has a number of structural and cultural advantages which we are determined to retain and strengthen, we cannot relax. Continued success is far from certain. In particular, we need to ensure that the broader firm continues to support our investment efforts by minimising distractions. We must all continue to improve in everything that we do and we can never stop learning; this includes the search for new and different sources of investment insight as well as ongoing personal development. We must also work hard to ensure we remain relevant to our clients' requirements, through maintaining close relationships which should help us to anticipate their future needs. Our investment capabilities will undoubtedly need to evolve over time, as they have in the past, but should always play to our core beliefs and skills as Actual investors.

WE MUST PUT OUR CLIENTS' INTERESTS AHEAD OF OUR OWN.

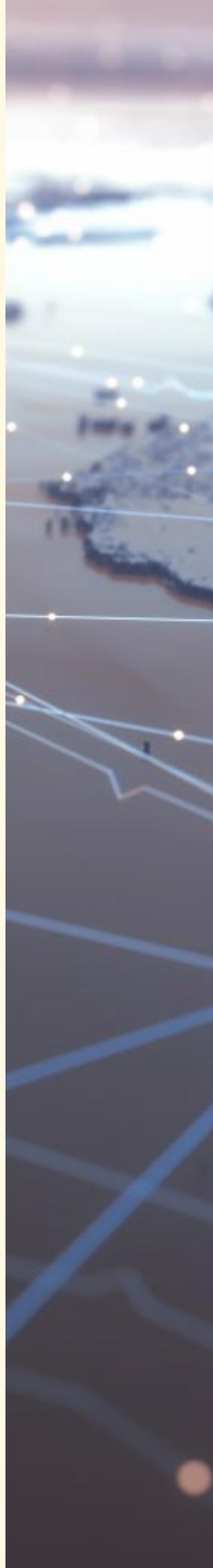
Our actions must be honourable and beneficial for our clients, for the companies we invest in and for society. We aim for excellence in all levels of client service and wish to be seen as a trusted long-term partner and adviser. As they are important to our clients' returns, we aim to keep costs low and transparent, including our fees.

We have long held as our core principle that we should always put our clients' interests ahead of our own, but recent years have produced far too many examples of financial companies, in particular banks, doing the opposite. As a result, regulators have increased scrutiny of us all, adding regulations to our processes and demanding increased transparency around all possible conflicts of interest. This focus gives us an opportunity to clearly demonstrate our own high standards in this area and to help lead our industry back towards the position of trust it formerly enjoyed.

For example, we have repeatedly demonstrated a willingness to close successful strategies to new investments in order to ensure that existing investors are not disadvantaged by rapid inflows or excessive funds under management. For more than 20 years we have avoided paying any third-party soft commissions and we were among the very first firms to absorb the full costs of external research. More recently, we have been taking a lead in helping to establish new industry guidelines for transparency of costs and in pre-emptively sharing economies of scale

with larger clients by lowering fee scales. This is not a kneejerk reaction to recent pressures as we have been consistently reviewing fees for a wide variety of client types over several years. Nor is it wholly altruistic: we believe that lower fees enhance returns for clients and help strengthen the case for Baillie Gifford specifically and for active management in general.

Behaving honourably supports the trust-based relationships we wish to establish with our clients. We aspire to be seen as more than merely the 'hired help', but rather as a trusted long-term partner, who can be relied on to give honest and objective advice at all times. This is as true for the companies in which we invest as for our clients themselves, and we believe we can provide valuable perspective and insights across a wide range of issues. All of our Support and Client Service functions can help our internal efforts while contributing towards delivery of a first-class service to external clients. The more value we can add in different ways for our clients, including through excellence in all elements of service, the more secure our own prospects should be.





WE SHOULD BE ACTIVELY ENGAGED INVESTORS.

Our investment process is founded on the long-term ownership of and support for growing businesses. We want to help these companies fulfil their potential by encouraging them to invest in growth opportunities and to ignore short-term pressures. We take the responsibilities seriously and will be active stewards of our clients' capital.

Over recent years, as our funds have grown, we have become increasingly aware of both the responsibilities and the opportunities that our ownership affords. This is an integral part of active management; the careful selection of investments, chosen for their long-term potential, as well as our desire to support growth and promote good decision making. Our equity teams run concentrated portfolios and often own substantial stakes in companies for several years; this gives us a position of significant influence with their management teams which we should use for our clients' and society's broader good. We are also in the position to support ambitious private and publicly listed companies through the provision of primary capital. This is a great privilege.

When engaging with companies, our influence is most often exercised quietly, in private discussion between our investors and senior management (or their advisors). Our experience

of engaging with companies on sensitive governance issues is that commenting publicly when the engagement is ongoing destroys trust and consequently weakens our ability to influence. Baillie Gifford's Governance and Sustainability Team regularly liaises with management on specific issues and votes all of our clients' holdings at public ballots, wherever we have the authority to do so. Occasionally we are required to vote on major strategic issues such as takeovers or mergers, and here we will always try to take the longer-term view; in the past, we have helped defend companies from unwanted takeover attempts and used our influence to secure higher offers, sometimes voting against the advice of the incumbent management team in the process. Voting is an important and integral part of our equity investment process and we would like to remove any obstacles to the thoughtful exercise of our clients' votes, including client specific voting policies and stock lending.

Increasingly, we believe that our long-term perspective and growth focus are unusual among investors, and make us attractive and helpful shareholders and suppliers of capital for many companies, particularly when investors with shorter-term priorities are applying pressure. We see our role as helping companies to realise their full potential, often through supporting high levels of investment for the future and by encouraging them to avoid shorter-term targets and distractions (such as detailed quarterly guidance and reporting). We have recently seen examples of a positive feedback loop emerging, with successful long-term growth companies introducing us to other similar companies where we are not investors. This is true of both public and private companies, and is another benefit of constructive and sensible stewardship. Our reputation is strong and is becoming more widely appreciated.

OUR OWNERSHIP STRUCTURE IS A KEY STRENGTH.

Being independent, private and wholly owned by working partners allows us to focus on our clients and their investments. It helps our stability, motivation and culture and enables us to take a long-term view in all that we do, including investing, client relationships and staff development.

Baillie Gifford's ownership structure has long been seen as a key strength and differentiator. Partnership is often the ideal structure for asset-light people businesses such as ours, even if it is increasingly uncommon these days. Many professions including law, accounting, advertising, estate agency and even merchant banking were once dominated by partnerships but sadly this is no longer the case, often as a result of inter-generational issues when the founders retired or sought to capitalise their ownership by selling or listing the business on the stock market. We have a well-established process for transferring ownership between generations, and all the current partners recognise the importance of our structure to our past and future success: we would be loath to see any material change.

Partnership and our Edinburgh head office location are helpful because we are answerable to no-one except our clients and we are located 'far from the madding crowd' of markets. Both of these factors contribute to a culture of staff loyalty and continuity. This, in turn, allows us to take a thoughtful approach, to do things in our own way, to ignore fads, markets and benchmarks and to take a

long-term attitude in everything we do, from staff and business development through to investment research and performance measurement. All of our growth has been organic and we have shunned takeover activity which we believe would most likely be damaging to our culture.

The lack of any short-term financial targets makes it easier to put the interests of our clients first, and always to take a longer-term view when thinking about recruitment, internal investment or the development of new capabilities: consistent investment over time is better than stop-start. We intentionally do not analyse divisional or departmental profitability or financial contribution, with all partners and staff being rewarded from the same profit pool. This one-firm attitude reduces unhelpful internal rivalries and haggling over resources, and encourages partners and senior staff to put narrow self-interest aside, for example, when it comes to moving into new roles or in taking decisions for the longer-term best interests of the business as a whole.

It is interesting that most hedge funds and recent fund management start-ups have established themselves as

partnerships. However, for most of the larger and long-established fund management companies this is impossible, though some tried unsuccessfully to replicate the structure. Collective internal ownership and control of our own destiny are clearly strong differentiators relative to most of our main competitors. We believe the privacy provided by our structure is a great positive and avoids many potential distractions.

Although we believe that our partnership structure is a key strength, we must also be aware that it can have downsides. For example, unlimited liability could make us excessively cautious and risk averse, while a partnership of over 40 can be vulnerable to slow and consensual decision making as well as a lack of accountability, particularly for unpopular decisions. We believe that the lack of external scrutiny and pressure is an advantage, but realise that it could lead to complacency or a lack of energy. It is essential that we guard against such weaknesses and continually challenge ourselves and each other.



*OUR FIRM MUST BE AN ENGAGING
AND PROGRESSIVE PLACE TO WORK.*

It is imperative that we attract and retain a diverse group of talented individuals. We need to create opportunity and challenge, while providing support. We are committed to getting better at everything we do and remaining relevant to our clients' needs as they evolve.

Our ability to attract and, especially, to retain high quality staff is vital to our future success. The possibility of becoming a partner is clearly a motivating factor for some, but we need to create opportunity and challenge for all, so that ambitions can be achieved without the need to move elsewhere. This is why it is important that the firm continues to develop and to grow over time, creating new opportunities and more positions of responsibility, though growth is not an end in itself.

We believe in fostering a culture of learning across the firm, that our review processes for colleagues should be focused on development, and that individuals must take responsibility for setting high personal standards. We want all employees to feel valued and for their work to count.

We must treat all staff with dignity and respect, and this means we should always be objective and fair. We see ourselves as

a true meritocracy, rewarding and promoting people solely on their contribution, without bias or prejudice of any sort. In this, as in everything we do, we can of course improve; our ongoing efforts to increase diversity and flexibility should be seen in this light. We are also strong advocates of teamwork and our remuneration schemes are designed to align individual rewards with client satisfaction and with the long-term success of the firm as a whole.

While focusing on excellence and high service levels across the firm, we must also ensure that we continue to evolve, both as individuals and in the capabilities we possess. To do so, we need to be forward-looking and always open to change, while encouraging enterprise and innovation across all our activities. New skills, new capabilities and new routes to market will all require forethought and development. We cannot afford any complacency.

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.

For many years Baillie Gifford consciously shunned the limelight and kept a low profile concentrating on looking after our clients to the best of our abilities. We have always tried to adhere to the highest possible standards of professionalism, integrity and courtesy, and we believe that positive client and staff feedback backed up by excellent retention rates of both suggest that we have succeeded. But we need to recognise that not all in the financial services industry have behaved so professionally or honourably, as became clear during and after the financial crisis of 2008. This damaged public and regulatory perceptions of our industry and those who work in it, and prompted allegations of being self-interested, uncaring and unhelpful. The assault on active management and increasingly intrusive regulations are the direct result. Trust has been damaged and will take a long time to be restored.

We have now become a significant firm, managing large sums of money for well-known clients around the world, and whilst our footprint has been growing internationally, we have also become one of Edinburgh's largest employers. We have influence and increased responsibilities: to

promote the highest professional and personal behaviours; to strive to do the very best for our clients and to put their interests ahead of our own at all times; to be a fair and progressive employer. Within our day-to-day activities we should invest wisely, for the benefit of society as a whole, as well as for our own clients. We believe we can be useful and can contribute to economic advancement.

In all of this, our scale brings a profile and visibility which can be used for positive purposes. We can set a positive example and try to help enhance the reputation of our industry, as well as our firm through media engagement, industry forums and discussions with trusted peers. Crucially, we can also influence the decision making of business leaders, for example by holding them to account for their actions relating to the environment and climate commitments. Elsewhere, increasing our sponsorship and charitable activities can help support the communities around us.

Ultimately, we must recognise the greatest impact that we can have is by adding significant value to the funds of our underlying investors, be they pension funds, foundations or individual savers. We can do this

by ensuring transparency, improving client service and passing on the benefits of economies of scale in the form of lower fees. It would be wrong to deny future generations the clear benefits arising from superior returns. At a broader level, active management fulfils an essential economic role by allocating capital to those companies with the best prospects of adding most to long-term prosperity. This is too important and complex a task to be left to passive investment flows and index providers. That is why fundamental forward-looking research and active engagement are so important: directing capital towards productive and responsible investments is good for all of society, as well as for individual investors.

Being clearer internally about our beliefs and core purpose should be helpful in binding us together around a common cause. But it is vital that we then work together to live up to them. We must avoid any suggestions of hypocrisy, and if we want respect, we will need to earn it. If our work really matters and has significance then it will bring its own rewards, beyond the merely financial. It will be something we can be proud of.



Courtesy Scottish Ballet.

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CURIOUS ABOUT THE WORLD

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