SUSTAINABILITY RISKS AND REMUNERATION

BACKGROUND

The EU Sustainable Finance Disclosure Regulation (2019/2088) ("SFDR") requires financial market participants and financial advisers to include in its remuneration policies information on how the remuneration policy is consistent with the integration of sustainability risks. Sustainability risk is defined in SFDR as "an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of the investment".

This document sets out how Baillie Gifford's remuneration process and policy are consistent with the integration of sustainability risks as required under SFDR. The following entities are covered by this document:

- Baillie Gifford & Co
- Baillie Gifford Overseas Limited
- Baillie Gifford Investment Management (Europe) Limited
- Baillie Gifford & Co Limited
- Mitsubishi UFJ Baillie Gifford Asset Management Limited

Baillie Gifford Investment Management (Europe) Limited, as a MiFID investment and advisory firm, is a financial market participant and financial adviser under SFDR. The rest of the entities above are not in scope of SFDR as it does not directly apply in the United Kingdom. However, these entities have voluntarily chosen to implement the requirement on remuneration as recognition that transparency is vital in ensuring that financial market participants and financial advisers' remuneration structures do not encourage excessive risk-taking with respect to sustainability risks.

OUR APPROACH

As long-term investors, sustainability risks are an important consideration in our investment management process.

Our Governance & Sustainability team works closely with the Investment Risk function and the Investment teams, providing guidance on sustainability issues, highlighting areas for review and providing considered input on the appropriateness of investments.

The team also provides guidance to the Equity Leadership Group and the Multi Asset and Income Leadership Group on investment strategy. As such they are able to comment on the setting of targets and objectives for Investment teams. Any concerns that arise regarding sustainability risk are discussed in detail with the Investment teams and the Leadership Groups, ensuring that the approach taken is in keeping with the firm's position on the management of sustainability risks.

In order to ensure that the link between investment performance and sustainability risk is reflected in our reward structures, the Head of Governance & Sustainability provides annual input to the post-risk adjustment discussions, with awards potentially being adjusted. Their reporting will highlight any decisions or behaviour evident in the investment process that contradict the firm's parameters on sustainability risk. This report, and any recommendations to implement post-risk adjustments, will be considered annually by the Remuneration Committee.

BAILLIE GIFFORD