

This document is issued by Baillie Gifford & Co Limited (the 'Investment Manager') in order to make certain particular information available to investors in the alternative investment fund ('AIF') noted below before they invest, in accordance with the requirements of the Financial Conduct Authority's rules implementing the Alternative Investment Fund Managers Directive in the United Kingdom. It is made available to investors by being available at [schiehallionfund.com](http://schiehallionfund.com). The Manager is authorised and regulated by the Financial Conduct Authority.

# The Schiehallion Fund Limited

## INVESTOR DISCLOSURE DOCUMENT

### IMPORTANT INFORMATION

#### **Regulatory status of the Company**

The Schiehallion Fund Limited (the 'Company') is an AIF for the purposes of the EU Alternative Investment Fund Managers Directive (Directive 2011/61/EU) (as it forms part of UK domestic law pursuant to the European Union (Withdrawal) Act 2018, the Alternative Investment Fund Managers (Amendment) (EU Exit) Regulations 2019 or as otherwise adopted under, or given effect to in, UK legislation or the UK regulatory regime) (the 'AIFM Directive').

The Company's shares are admitted to trading on the Specialist Fund Segment of the London Stock Exchange. The Company is subject to its articles of incorporation, the Listing Rules, the Disclosure Guidance and Transparency Rules, the Code of Corporate Governance issued by the Guernsey Financial Services Commission (the 'Guernsey Code') the Companies (Guernsey) Law, 2008 the Protection of Investors (Bailiwick of Guernsey) Law, 1987 as amended and the Registered Collective Investment Scheme Rules, 2018 issued by the Guernsey Financial Services Commission. The Company is listed on the London Stock Exchange and is not authorised or regulated by the Financial Conduct Authority.

The provisions of the Company's articles of incorporation are binding on the Company and its shareholders ('Shareholders'). The articles of incorporation set out the respective rights and restrictions attaching to the Company's shares. These rights and restrictions apply equally to all Shareholders. All Shareholders are entitled to the benefit of, and are bound by and are deemed to have notice of, the Company's articles of incorporation. The Company's articles of incorporation are governed by Companies (Guernsey) Law 2008.

### **Limited purpose of this document**

This document is not being issued for any purpose other than to make certain, required regulatory disclosures to investors and, to the fullest extent permitted under applicable law and regulations, the Company and its Directors will not be responsible to persons other than the Company's Shareholders for their use of this document, nor will they be responsible to any person (including the Company's Shareholders) for any use which they may make of this document other than to inform a decision to invest in shares in the Company.

This document does not constitute, and may not be used for the purposes of, an offer or solicitation to buy or sell, or otherwise undertake investment activity in relation to, the Company's shares.

**This document is not a prospectus and it is not intended to be an invitation or inducement to any person to engage in any investment activity. This document may not include (and it is not intended to include) all the information which investors and their professional advisers may require for the purpose of making an informed decision in relation to an investment in the Company and its shares.**

### **No advice**

The Company and its Directors are not advising any person in relation to any investment or other transaction involving shares in the Company. Recipients must not treat the contents of this document or any subsequent communications from the Company, or any of its affiliates, officers, directors, employees or agents, as advice relating to financial, investment, taxation, accounting, legal, regulatory or any other matters. Prospective investors must rely on their own professional advisers, including their own legal advisers and accountants, as to legal, tax, accounting, regulatory, investment or any other related matters concerning the Company and an investment in shares.

**Potential investors in the Company's shares should consult their stockbroker, bank manager, solicitor, accountant or other financial adviser before investing in the Company.**

### **Investors' rights**

The Company is reliant on the performance of third party service providers, including the AIFM, the Depositary and the Registrar. Without prejudice to any potential right of action in tort that a Shareholder may have to bring a claim against a service provider, each Shareholder's contractual relationship in respect of its investment in the Company's shares is with the Company only. Accordingly, no Shareholder will have any contractual claim against any service provider with respect to such service provider's default.

In the event that a Shareholder considers that it may have a claim against a third party service provider in connection with such Shareholder's investment in the Company, such Shareholder should consult its own legal advisers.

The above is without prejudice to any right a Shareholder may have to bring a claim against an FCA authorised service provider under section 138D of FSMA (which provides that breach of an FCA rule by such service provider is actionable by a private person who suffers loss as a result), or any tortious cause of action. Shareholders who believe they may have a claim under section 138D of FSMA, or in tort, against any service provider in connection with their investment in the Company, should consult their legal adviser.

### **Overseas investors**

The distribution of this document in certain jurisdictions may be restricted and accordingly persons into whose possession this document comes are required to inform themselves about and to observe such restrictions. The shares have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or under any of the relevant securities laws of any overseas territory. Accordingly, the shares may not (unless an exemption from such Act or such laws is available) be offered, sold or delivered, directly or indirectly, in or into the USA or any overseas territory unless an exemption from registration is available. The Company is not registered under the United States Investment Company Act of 1940 (as amended) and investors are not entitled to the benefits of such Act.

The Company is deemed to be a 'corpus of Foreign Portfolio Investors' under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, and therefore, Indian Institutional Investors are not permitted to invest in the Company.

Prospective investors must inform themselves as to (a) the legal requirements within their own countries for the purchase, holding, transfer or other disposal of shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of shares.

## THE COMPANY

### Investment Objective and Policy

#### Investment objective

The Company's investment objective is to generate capital growth for investors through making long-term minority investments in later stage private businesses that the Company considers to have transformational growth potential and to have the potential to become publicly traded.

#### Investment policy

In making its initial investment in a business, the Company will seek to invest in private businesses which it considers have the potential to become admitted to trading on a public stock exchange. Those investments will typically take the form of equity or equity-related instruments (which may include, without limitation, preference shares, convertible debt instruments, equity-related and equity-linked notes and warrants) issued by Investee Companies.

The Company will only invest in private businesses that are considered to have some or all of the following features:

- the potential to grow revenue and earnings multiple fold over the long term;
  - scalable business models that should enable those businesses to grow into their opportunity;
  - robust competitive advantages;
  - exceptional management teams;
  - an entry price which significantly undervalues the long term opportunity for the business;
- and
- an ambition and ability to become standalone public companies.

Investee Companies may be from any sector and any geography (save as set out below). While there are no specific limits placed on exposure to any one sector, the Company will at all times seek to invest and manage the Portfolio in a manner consistent with spreading investment risk.

With prior approval of the Board, the Company may permit the use of derivatives for the purpose of currency hedging, though it currently does not expect to do so. Save for this and for investments made using equity-related instruments as described above, the Company may not engage in derivative transactions for any purpose.

The Board does not intend to use structural gearing with a view to enhancing equity returns on investments. The Company may employ gearing on a short-term basis for the purpose of bridging investments and general working capital purposes. The Company may in aggregate borrow amounts equalling up to 10 per cent. of NAV, calculated at the time of drawdown.

The Company will be subject to the following investment restrictions:

- an Investee Company must be a Private Investee Company at the time of the Company's initial investment in that Investee Company. The Company may, however, make subsequent investments in the Investee Company, even if the Investee Company has been admitted to trading on a public stock exchange in the period since the Company's initial investment;
- a Private Investee Company must have a value of at least US\$500 million at the time of the Company's initial investment in the Private Investee Company. This restriction will not apply to the Company's subsequent investments in the Investee Company, if any;
- the Company may not make an initial investment in a Private Investee Company which exceeds in value 10 per cent. (calculated at the time of investment) of the most recently published NAV (save to the extent that breach of this 10 per cent. limit is due to a change in the value of the Company's invested assets or currency fluctuations from the time of the Company's firm commitment to make the investment to the time of investment);

- the Company may not make any investment in a Private Investee Company that would cause the value of the Company's holding in that Private Investee Company to exceed 19.9 per cent. (calculated at the time of investment) of the most recently published NAV; and
- the Company may not make any investment in an Investee Company that would cause the Company's holding in that Investee Company to exceed 20 per cent. (calculated at the time of investment) of the total issued share capital of the Investee Company.

A reference to the value of assets of the Company (including Investee Companies) referred to in the restrictions above shall be to value as determined in accordance with the Company's valuation policy from time to time.

The Company does not currently expect the Portfolio to be majority invested in Public Investee Companies at any point in time, but it has not set a limit on the percentage of the Portfolio which can be invested in Public Investee Companies at a given time.

It is intended that the Company will, subsequent to the Initial Investment Period, be substantially invested in normal market conditions. However, the Company may at any time hold overnight or term deposits or, pending investment in Investee Companies, invest in a range of cash equivalent instruments such as US Treasury Bills or money market funds. There is no restriction on the amount of cash or cash equivalent instruments that the Company may hold.

### **Leverage**

The Company may utilise borrowings on a short-term basis for the purposes of bridging investments and general working capital purposes. Pursuant to its investment policy, the Company may borrow an aggregate amount equivalent to 10 per cent. of the then current unaudited Net Asset Value, calculated at the time of drawdown. The Company will pay interest on any borrowing it incurs. As such, the Company may be exposed to interest rate risk due to fluctuations in the prevailing market rates.

Such leverage can have the effect of increasing losses. This could have an adverse effect on the Portfolio and on the Company's financial condition, results of operations and prospects, with a consequential adverse effect on the market value of the Ordinary Shares.

The maximum level of leverage which the Manager is entitled to employ on behalf of the Company is 120 per cent. of NAV (which is the equivalent of a ratio of 1.2:1) under the gross method and 110 per cent. of NAV (which is the equivalent of 1.1:1) under the commitment method.

The amount of leverage employed by the Company will be disclosed in the Company's Annual Report and Financial Statements.

### **Investment Strategy and Techniques**

Please see the sections entitled "Investment Objective and Policy" and "Leverage" above.

### **Changes to Objective, Investment Policy, Investment Strategy or Maximum Leverage**

As a closed-ended investment fund whose shares are admitted to the Official List under Chapter 15 of the Listing Rules, the Company is required to obtain the prior approval of its shareholders to any material change to its published objective and investment policy (as set out above). Accordingly, the Company will not make any material change to its published objective and investment policy without the approval of its Shareholders by ordinary resolution. The Company will announce any such change via the London Stock Exchange.

Any change in investment strategy or investment policy which does not amount to a material change to its published investment policy may be made by the Company without shareholder approval.

Any changes to the maximum level of leverage which may be employed by the Company will be communicated to shareholders.

Baillie Gifford & Co Limited will update this document, as soon as reasonably practicable, to take account of material changes. Such changes will also be disclosed to existing shareholders in the following Annual Report and Financial Statements.

Any changes in information shall be deemed material if there is a substantial likelihood that a reasonable investor, becoming aware of such information, would reconsider its investment in the Company, including because such information could impact an investor's ability to exercise its rights in relation to its investment, or otherwise prejudice the interests of one or more investors in the Company.

## ADMINISTRATION AND MANAGEMENT OF THE COMPANY

### The AIFM

The Investment Manager, Baillie Gifford & Co Limited, is the Company's AIFM.

The Company has consented to the Investment Manager delegating its portfolio management responsibilities to the Portfolio Manager, Baillie Gifford Overseas Limited. Baillie Gifford & Co Overseas Limited has also consented to sub-delegation of dealing activities and transaction reporting to Baillie Gifford Asia (Hong Kong) Limited. The AIFM believes that any such delegation would not give rise to any conflicts of interest between the AIFM and Baillie Gifford & Co Overseas Limited.

Baillie Gifford & Co Limited has delegated certain portfolio and risk management services to Baillie Gifford & Co and Baillie Gifford Overseas Limited. Baillie Gifford & Co Limited is a wholly-owned subsidiary of Baillie Gifford & Co. Baillie Gifford & Co Limited has consented to the sub-delegation by Baillie Gifford & Co of some of its duties in relation to investment management to Baillie Gifford Overseas Limited in the United States of America. Baillie Gifford Overseas Limited is authorised and regulated by the FCA. Baillie Gifford Overseas Limited is also registered with the Securities & Exchange Commission in the United States of America and is licensed with the Financial Sector Conduct Authority in South Africa as a Financial Services Provider. It is intended that Baillie Gifford Overseas Limited will produce investment research and will take part in the investment decision-making together with Baillie Gifford & Co. Baillie Gifford & Co Limited has also consented to sub-delegation by Baillie Gifford & Co of dealing activities and transaction reporting to Baillie Gifford Overseas Limited, and to the further delegation of the same to Baillie Gifford Asia (Hong Kong) Limited. The principal activities of Baillie Gifford Asia (Hong Kong) Limited are to provide marketing and distribution services to professional investors in Hong Kong on behalf of Baillie Gifford Overseas Limited. In addition Baillie Gifford Overseas Limited has appointed Baillie Gifford Asia (Singapore) Private Limited to provide them with investment advice, with analysts based in Singapore providing inputs into portfolio construction and exercising influence over the Company, where appropriate, in relation to ESG matters, but will not make individual decisions in relation to the Company. The AIFM believes that any such delegation would not give rise to any conflicts of interest.

The Investment Manager is entitled to an annual fee of 0.9% on the net asset value excluding cash or cash equivalent assets up to and including US\$650 million; 0.8% on the net asset value excluding cash and cash equivalent assets exceeding US\$650 million up to and including US\$1.3 billion; and 0.7% on the net asset value excluding cash and cash equivalent assets exceeding US\$1.3 billion.

Baillie Gifford & Co Limited, Baillie Gifford Overseas Limited and Baillie Gifford Asia (Hong Kong) Limited have the necessary regulatory permissions in place to perform the activities delegated to them.

## **The Depositary**

The Bank of New York Mellon (International) Limited has been appointed as the Company's Depositary. The Depositary is responsible for the safe-keeping of the Company's assets, cash monitoring and oversight. The Bank of New York Mellon (International) Limited is also responsible for the safekeeping of the assets of the Company (the "Global Sub-Custodian"). The Global Sub-Custodian may sub-delegate safekeeping of assets in certain markets in which the Company may invest to various sub-delegates.

The Depositary has not entered into any arrangement contractually to discharge itself of liability in accordance with Article 21(13) of the AIFM Directive. We will notify Shareholders of any changes with respect to the discharge by the Depositary of its liability in accordance with Article 21(13) through a Regulatory Information Service. The Depositary must not re-use any: (i) financial instruments of the Company; or (ii) assets, other than financial instruments or cash, which are held in custody by the Depositary (or a delegate thereof) for the Company, in either case except with the prior consent of the Company or the AIFM on its behalf and provided all applicable English laws, rules and regulations (other than the AIFM Directive and the UK Alternative Investment Fund Managers Regulations 2013) are complied with.

The annual fee payable to the Depositary in respect of UK depositary services is 0.009 per cent. on the first £7.5bn of the Company's total assets, 0.0075 per cent. on assets between

£7.5bn and £15bn, 0.006 per cent. on assets between £15bn and £30bn and 0.0045 per cent. on assets between £30bn and £40bn, subject to a minimum annual fee of £10,000 (exclusive of VAT). A custody fee in respect of global custodian services is also payable, the level of which will depend upon the assets held and the country or countries in which those assets are held. The Depositary is also entitled to reimbursement of expenses incurred in the performance of its duties.

#### **The Administrator**

Alter Domus (Guernsey) Limited has been appointed as administrator, secretary and designated manager of the Company. The Administrator is responsible for certain aspects of the day to day administration and general secretarial functions of the Company in conjunction with the Investment Manager (including but not limited to the maintenance of the Company's statutory records).

#### **The Auditor**

KPMG Channel Islands Limited provides audit services to the Company. The fixed fees charged by the auditor are based on anticipated time required and are agreed in advance with the Audit Committee.

#### **The Registrar**

Computershare Investor Services (Guernsey) Limited has been appointed as the Company's Registrar. The Registrar's duties include the maintenance of the Company's registers of shareholders and the processing of any transfer of shares.

The Registrar is entitled to receive an annual Global Fee payable monthly in arrears in connection with the provision of its services. The Registrar is also entitled to levy legal fees and dividend postage charges in addition to the agreed Global Fee.

#### **Ongoing Expenses**

Ongoing expenses can be found in the Key Information Document on the Company's website. Investors should note that some expenses are inherently unpredictable and, depending on circumstances, ongoing expenses will fluctuate.

#### **Conflicts of interest may arise as a result of the delegation of functions by the AIFM and/or the Depositary**

The AIFM, the Depositary and their respective delegates have undertaken to take all reasonable steps to avoid conflicts of interest in relation to the Company and its investors. If such conflicts of interest cannot be avoided, the AIFM, the Depositary and their respective delegates shall take all reasonable steps to identify, manage, monitor and (where applicable) disclose those conflicts of interest in order to prevent them from adversely affecting the interests of the Company and its investors, and to ensure that the Company is fairly treated.

## SHAREHOLDER INFORMATION

### Annual Report and Financial Statements

Copies of the Company's annual and interim reports may be accessed at [schiehallionfund.com](http://schiehallionfund.com)

### Publication of net asset values

The latest net asset value of the Company may be accessed at [schiehallionfund.com](http://schiehallionfund.com)

### Valuation Policy

The Company's investments are classified, recognised and measured at fair value.

Unlisted investments are valued at fair value by the Directors following a detailed review and appropriate challenge of the valuations proposed by the Managers. The Managers' unlisted investment policy applies techniques consistent with the International Private Equity and Venture Capital Valuation Guidelines 2018 ('IPEV'). The techniques applied are predominantly market-based approaches. The market-based approaches available under IPEV are set out below and are followed by an explanation of how they are applied to the Company's unlisted portfolio:

- Multiples;
- Industry Valuation Benchmarks; and
- Available Market Prices.

The nature of the unlisted portfolio currently will influence the valuation technique applied. The valuation approach recognises that, as stated in the IPEV Guidelines, the price of a recent investment, if resulting from an orderly transaction, generally represents fair value as at the transaction date and may be an appropriate starting point for estimating fair value at subsequent measurement dates. However, consideration is given to the facts and circumstances as at the subsequent measurement date, including changes in the market or performance of the investee company. Milestone analysis is used where appropriate to incorporate the operational progress of the investee company into the valuation. Additionally, the background to the transaction must be considered. As a result, various multiples-based techniques are employed to assess the valuations particularly in those companies with established revenues. Discounted cashflows are used where appropriate. An absence of relevant industry peers may preclude the application of the Industry Valuation Benchmarks technique and an absence of observable prices may preclude the Available Market Prices approach. All valuations are cross-checked for reasonableness by employing relevant alternative techniques.

The unlisted investments are valued according to a three-monthly cycle of measurement dates. The fair value of the unlisted investments will be reviewed before the next scheduled three-monthly measurement date on the following occasions:

- at the year end and half year end of the Company; and
- where there is an indication of a change in fair value as defined in the IPEV guidelines (commonly referred to as 'trigger' events).

The fair value of such investments is bid value or, in the case of holdings on certain recognised overseas exchanges, at last traded prices.

Listed investments. The fair value of listed security investments is the last traded price on recognised overseas exchanges, or, in the case of UK holdings, at bid value.

US Treasury Bills. Assets that are held in order to collect contractual cash flows that are solely

payments of principal and interest are measured at amortised cost. These assets are subsequently measured at amortised cost using the effective interest rate method.

### **Historical performance of the Company**

Details of the Company's historical financial performance is provided in the Company's Annual Report and Financial Statements which is available at [schiehallionfund.com](http://schiehallionfund.com)

Investors should note that past performance of the Company is not indicative of future performance. Investors may not get back the amount invested.

### **Purchases and sales of shares by investors**

The Company's shares are admitted to trading on the Specialist Fund Segment of the London Stock Exchange. Accordingly, the Company's shares may be purchased and sold on the main market of the London Stock Exchange.

The Company has authority to issue new shares or sell shares from treasury at a premium to net asset value.

The Company's shares are not redeemable. While the Company has Shareholder authority to buy back shares, Shareholders do not have the right to have their shares purchased by the Company.

### **Fair treatment of investors**

The legal and regulatory regime to which the Company and the Directors are subject ensures the fair treatment of investors. The Listing Rules require that the Company treats all Shareholders of the same class of shares equally.

In particular, as directors of a company incorporated in Guernsey, the Directors have certain statutory duties under the Companies (Guernsey) Law, 2008 with which they must comply.

These include a duty upon each Director to act in the way she or he considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole.

No investor has a right to obtain preferential treatment in relation to their investment in the Company and the Company does not give preferential treatment to any investors.

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### **Share Capital**

The ISIN number for the Company's shares is GG00BJ0CDD21 and the SEDOL is BJ0CDD2.

Legal ownership of the Company's shares is evidenced by entry on the register of shareholders, and each registered shareholder is entitled to the rights set out in the Company's articles of association. These include the right to attend meetings and to vote on resolutions, to receive any dividends and to receive a pro rata share of the net assets of the Company in the event of winding up.

## **RISK FACTORS**

The Company is a non-cellular investment company limited by shares, registered and incorporated in Guernsey under the Companies (Guernsey) Law, 2008 (the 'Companies Law'). The value of its shares and any income from those shares can fall as well as rise and investors may not get back the amount invested.

The Company is exposed to market risks, principally in the form of investee companies' price risk.

The Company invests predominantly in private investee companies. The Company's investments in private investee companies will not be liquid and there may be restrictions on the transfer of those investments. This may limit the Company's ability to realise investments at short notice, at a fair value or at all.

The Company can make use of derivatives which may impact on its performance. Currently the Company does not make use of derivatives.

The Company may employ gearing on a short-term basis for the purpose of bridging investments and general working capital purposes.

## RISK MANAGEMENT

### Risk profile

The Company will periodically disclose the current risk profile of the Company to investors. The Company will make this disclosure at [schiehallionfund.com](http://schiehallionfund.com) at the same time as it makes its Annual Report and Financial Statements available to investors, or more frequently at its discretion.

The Company's assets consist predominantly of private investee companies. The Company's risk profile therefore incorporates market risk (comprising interest rate risk and other price risk), liquidity risk, credit risk and operational risk factors.

Further detail in relation to the nature and extent of the principal risks of the Company are described in the Company's Annual Report and Financial Statements.

No risk limits set by the AIFM have been exceeded in the period since 27 March 2019 or are likely to be exceeded.

### Risk management systems

The Company will periodically disclose to investors the risk management systems which it employs to manage the risks which are most relevant to it. The Company will make this disclosure at [schiehallionfund.com](http://schiehallionfund.com) at the same time as it makes its Annual Report and Financial Statements available to investors or more frequently at its discretion.

The AIFM has established a permanent risk management function to ensure that effective risk management policies and procedures are in place and to monitor compliance with risk limits. The AIFM has a risk policy which covers the risks associated with the Company, and the adequacy and effectiveness of this policy is reviewed and approved at least annually. This review includes the risk management processes and systems and limits for each risk area.

For the principal relevant risk areas, risk limits are set by the AIFM which take into account the objectives, strategy and risk profile of the Company. These limits are monitored daily, and the sensitivity of the Company's portfolio to key risks is undertaken periodically as appropriate to ascertain the impact of changes in key variables to the Company. Exceptions from limits monitoring and stress testing are escalated to the AIFM along with remedial measures being taken.

### Liquidity risk management

The AIFM has a liquidity management policy in relation to the Company which is intended to ensure that the Company's portfolio maintains a level of liquidity which is appropriate to the Company's obligations. This policy involves an assessment by the AIFM of the prices or values at which it expects to be able to liquidate the Company's assets over varying hypothetical periods in varying market conditions, taking into account the sensitivity of particular assets to particular market risks and other relevant factors.

Shares in the Company are not redeemable and Shareholders do not have the right to require their shares to be purchased by the Company. The timing, price and volume of any buyback of ordinary shares will be at the absolute discretion of the Directors and are subject to the Company having sufficient working capital for its requirements and surplus cash resources

available.

The liquidity management policy requires the AIFM to identify and monitor its investment in asset classes which are considered to be relatively illiquid.

The liquidity management policy is reviewed and updated, as required, on at least an annual basis.

Investors will be notified, by way of a disclosure at [schiehallionfund.com](http://schiehallionfund.com) in the event of any material changes being made to the liquidity management systems and procedures or where any new arrangements for managing the Company's liquidity are introduced.

The Company will periodically disclose to investors the percentage of the Company's assets which are subject to special arrangements arising from their illiquid nature. The Company will make this disclosure at [schiehallionfund.com](http://schiehallionfund.com) at the same time as it makes its Annual Report and Financial Statements and accounts available to investors or more frequently at its discretion.

#### **Professional negligence liability risks**

The requirement to cover potential liability risks arising from professional negligence is covered by the AIFM's own funds. Sufficient capital above the regulatory limit is held which is monitored by the board of Baillie Gifford & Co Limited.

## **Brokerage Practices and Use of Dealing Commission**

Baillie Gifford & Co Limited appoints its affiliate Baillie Gifford & Co Overseas Limited to conduct portfolio management services on behalf of the Company. Baillie Gifford & Co Limited delegates the investment dealing aspects of those services and transmits orders to its affiliates Baillie Gifford Overseas Limited and Baillie Gifford Asia (Hong Kong) Limited for execution. An important element of Baillie Gifford Overseas Limited's investment dealing services includes the selection of brokers with whom orders can be placed to execute investment decisions on behalf of the Company.

Baillie Gifford Overseas Limited and Baillie Gifford Asia (Hong Kong) Limited trade with brokers using execution-only commission rates. The execution-only commission includes the costs of access to each global market, the broker's ability to source liquidity, the use of alternative trading venues, the provision of risk capital, the capabilities of individual sales traders and the provision of proprietary technology for trading programmes and algorithms.

Where Baillie Gifford & Co Limited supports its portfolio management activities by procuring external research services, it pays directly for such services under separate agreements.

## **Sustainability Risks**

The AIFM has adopted Baillie Gifford & Co's Stewardship Approach – ESG Principles and Guidelines as its policy on integration of sustainability risks in investment decisions.

Baillie Gifford & Co believes that a company cannot be financially sustainable in the long run if its approach to business is fundamentally out of line with changing societal expectations. It defines 'sustainability' as a deliberately broad concept which encapsulates a company's purpose, values, business model, culture, and operating practices.

Baillie Gifford & Co's approach to investment is based on identifying and holding high quality growth businesses that enjoy sustainable competitive advantages in their marketplace. To do this it looks beyond current financial performance, undertaking proprietary research to build up an in-depth knowledge of an individual company and a view on its long-term prospects. This includes the consideration of sustainability factors (environmental, social and/or governance matters) which it believes will positively or negatively influence the financial returns of an investment. The likely impact on the return of the portfolio from a potential or actual material decline in the value of investment due to the occurrence of an environmental, social or governance event or condition will vary and will depend on several factors including but not limited to the type, extent, complexity and duration of an event or condition, prevailing market conditions and existence of any mitigating factors.

Whilst consideration is given to sustainability matters, there are no restrictions on the investment universe of the Company, unless otherwise stated within in its Objective & Policy. Baillie Gifford & Co can invest in any companies it believes could create beneficial long-term returns for investors. However, this might result in investments being made in companies that ultimately cause a negative outcome for the environment or society.

More detail on Baillie Gifford's approach to sustainability can be found in its Stewardship Approach – ESG Principles and Guidelines document, available publicly at [bailliegifford.com/en/uk/about-us/esg/](http://bailliegifford.com/en/uk/about-us/esg/).

The underlying investments do not take into account the EU criteria for environmentally sustainable economic activities.

**Key Information Document**

A Key Information Document is available by contacting us on 0800 917 2112 or by visiting [bailliegifford.com](http://bailliegifford.com)

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