Responsible Global Equity Income

Stewardship Report

For the Year Ended March 2022

BAILLIE GIFFORD | Investment managers

Risk Factors

The views expressed should not be considered as advice or a recommendation to buy, sell or hold a particular investment. They reflect opinion and should not be taken as statements of fact nor should any reliance be placed on them when making investment decisions.

This communication was produced and approved in October 2022 and has not been updated subsequently. It represents views held at the time of writing and may not reflect current thinking.

Potential for Profit and Loss

All investment strategies have the potential for profit and loss, your or your clients' capital may be at risk. Past performance is not a guide to future returns.

This communication contains information on investments which does not constitute independent research. Accordingly, it is not subject to the protections afforded to independent research, but is classified as advertising under Art 68 of the Financial Services Act ('FinSA') and Baillie Gifford and its staff may have dealt in the investments concerned.

All information is sourced from Baillie Gifford & Co and is current unless otherwise stated.

The images used in this communication are for illustrative purposes only.

Highlights of the year

Investment decisions:
we took new holdings in three companies we believe have strong earnings and dividend growth prospects and strong ESG credentials: Valmet, TCI and Starbucks.
Page 3

Constructive engagement:
over the course of the year, we engaged with 25 of our holdings to encourage management to accelerate change and improve sustainability performance.
Page 5

A new climate commitment:
we set a goal that by 2030, more than 90 per cent of our climate-material holdings will be aligned with a 1.5°c scenario.
Page 14

Partnering with experts:
this year, we initiated a partnership with the Smart Freight Centre, an international non-profit organisation focused on reducing greenhouse gas (GHG) emissions from freight transportation.
Page 20

Supply chain oversight:
we engaged with non-profit organisations and other third-parties to inform our engagements with holdings on their supply chain sustainability.
Page 21

Resolutions and voting:
we voted on 874 resolutions across our portfolio holdings. On 47 occasions, we voted in opposition to management's recommendation where we felt the company's position fell short of our expectations.
Page 25

Introduction

The past year has seen the continued move of environmental, social and governance (ESG) investing from the periphery to the mainstream. It was also a year where ESG-related matters, notably climate change, ascended to ever greater prominence in public discourse. This all took place against the backdrop of an increasingly volatile and uncertain economic climate, with inflation rising substantially for the first time in many years.

Many investors are looking for a dependable income stream and growth in income and capital that exceeds inflation. Many also want a portfolio that considers each investment's impact on the environment, society and wider stakeholders and considers its contributions to a sustainable future. Some clients have additional requirements, like ethical 'red lines'.

Baillie Gifford's Responsible Global Equity Income Strategy aims to meet these clients' needs. To do this, we focus our time on identifying the companies we believe can provide real growth in income and capital and are working to embed sustainability considerations into their strategies, particularly in areas of material importance to their long-term prospects.

We are confident that we can meet the needs of these clients for three reasons:

— **Finding long-term real growth.** We have a long and successful track record in identifying companies that can deliver both long-term real growth and dependable dividends, reflected in the long and successful track record of our Global Income Growth Strategy. Sustainability considerations are fully embedded into our stock-picking process and draw on the input of our dedicated ESG Analyst. This portfolio of growth businesses is the key building block of Responsible Global Equity Income.

— **Ensuring high standards.** Our proprietary, forward-looking sustainability assessment of ESG considerations is core to our investment process. The purpose of this assessment, which we call our Impact, Ambition, Trust (IAT) framework, is to judge: the impact, positive or negative, of a company's products and operations on wider stakeholders; the company's ambition to either further or address that impact; and the level of trust we have in the management team and the board to deliver. To provide additional comfort for clients that ethical red-lines are not being breached, we apply two types of exclusion to the portfolio: we exclude companies which sell certain harmful products, such as tobacco and fossil fuels; and we consider whether a company's operations are consistent with the 10 principles of the United Nations Global Compact. We seek to calibrate our own views through consultation with external, subject-matter experts. Every investment idea, prior to the decision to purchase, has an IAT report written, with its findings discussed by the whole team, to ensure these considerations are fully integrated into our debate about whether an idea is appropriate for the strategy.

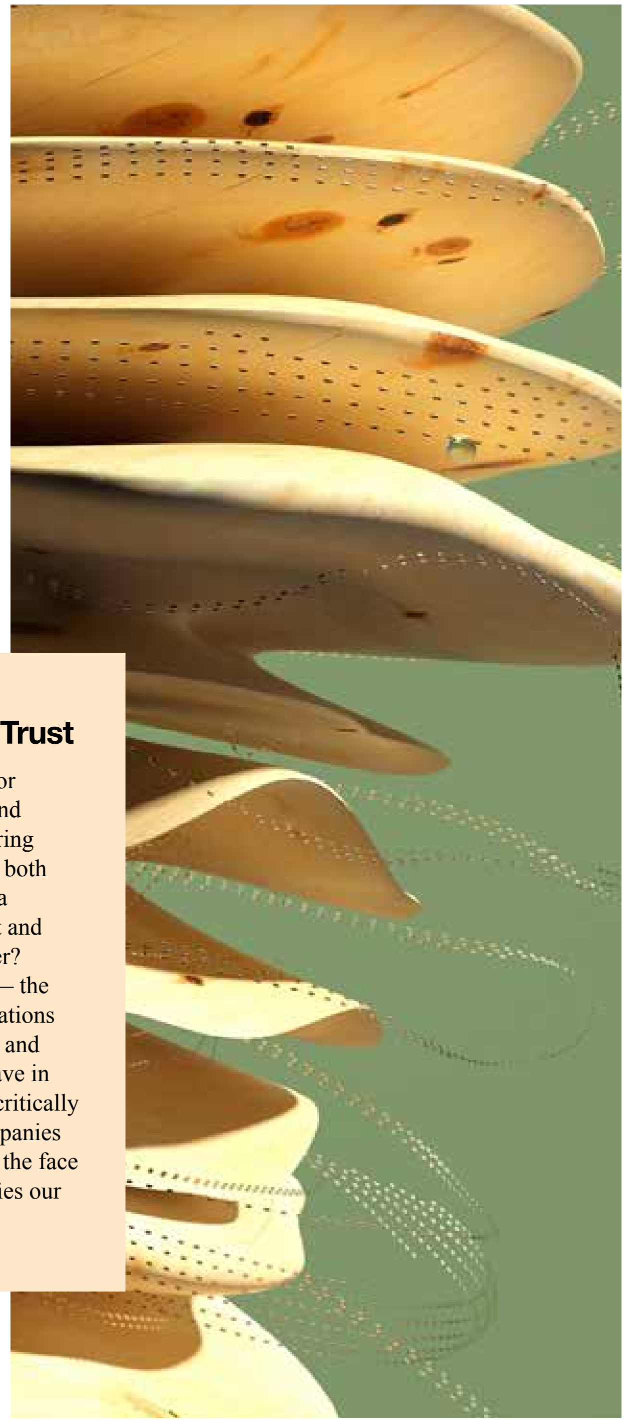
— **Responsible ownership.** We recognise that many sustainability matters are complex and multi-dimensional, as well as challenging for individual companies to overcome alone. We therefore engage with our holdings in a constructive, targeted way to help them address material sustainability challenges by supporting them on their journey. Our engagement agenda is comprehensive and is aided by the excellent corporate access that Baillie Gifford enjoys as a shareholder with a track record of thoughtful, long-term support for the companies we invest in. Our goal is to ensure our holdings thrive over the long term, rewarding our clients financially as well as meeting their standards for ESG.

In this year's Stewardship Report, we begin with some highlights of our responsible investment activities over the past year. We then provide a review of our engagement activities, as well as a case study of our longer-term stewardship. This is followed by an update on climate and a deeper dive into some of our work on ethical supply chains. The report concludes with a summary of our voting activities.

Our approach to investment: allocating capital responsibly

This year, we took new holdings in an additional three companies that we believe have strong ESG credentials, as well as strong prospects for long-term growth in their earnings and dividends: Valmet, TCI and Starbucks.

Valmet is a leading engineering company that makes machinery for the pulp, paper and energy industries. We believe that, as one of the sector leaders, Valmet has an important role to play in decarbonising those industries, which are currently significant emitters, by upgrading its machinery to more efficient alternatives. We also foresee it playing an important role in facilitating the transition away from oil-based plastic products, as customers shift to paper and pulp-based products. These attributes, together with Valmet's strong management team, and its track record of returning surplus cash to shareholders in the form of dividends, make us enthusiastic about its potential to generate long-term and sustainable earnings and dividend growth. We also note its long-standing, Scandinavian shareholder base with a strong ESG focus, which reinforces our trust in Valmet's long-term, responsibility-focused strategy.



Our ESG Framework: Impact – Ambition – Trust

Over the last few years we have implemented our framework for understanding the ESG risks and opportunities with potential and existing holdings. While there is no shortage of third-party scoring methodologies available, we have found that many of them are both backwards-looking and static – whereas our focus is on where a company is going. How ambitious is a company's management and board to address a sustainability challenge, and will they deliver? The purpose of our assessment is to look forwards and judge: — the impact, positive or negative, of a company's products and operations on society; its ambition to either address or further that impact, and whether this is best-in-class, and the level of trust we should have in the management team and the board. We believe that thinking critically about these issues allows us to differentiate between those companies that are leading their industries and those dragging their feet in the face of major challenges. This sustainability assessment also identifies our key engagement priorities for each company.

TCI Bio Ltd is a Taiwanese company that formulates and manufactures nutritional and skincare products. Its portfolio of science-led, non-petroleum-based products pushes the frontier of sustainable design, often repurposing ‘waste’ materials such as banana peels from the food industry, and all its products are organic and cruelty-free. In addition to demonstrable leadership in ESG, CEO Vincent Lin’s vision to expand internationally and pay a resilient and rising dividend leads us to believe that its growth in earnings and dividends has a long way yet to go.

We also took a new holding in Starbucks, the coffee retailer, with the belief that its strong culture, relentless focus on customer experience and continued opportunities for growth in the US and China could enable the company to deliver strong growth over the next decade. The dividend has grown every year since it was introduced in 2011, and we believe this trend is similarly sustainable. While well-known as a global coffee brand, Starbucks is less well-known for its supply chain sustainability; yet this is an ongoing strength of the company. Starbucks pioneered supply chain oversight and farmer support programmes that have been instrumental in transforming coffee into perhaps the most traceable and socially responsible commodity crop today. We believe the investments Starbucks continues to make in its supply chain not only demonstrate a strong sense of corporate responsibility but are necessary for climate change resilience and helping Starbucks achieve its long-term growth ambitions. No company is perfect, and we are conscious of challenges recently raised by some of its staff, but the company’s longstanding and sincere efforts to be a good employer give us confidence that it will resolve these issues positively.

We reduced our holding in ANTA Sports to partially fund these new responsible investment opportunities. Although encouraged by the improvements to supply chain oversight that were the focus of our engagement with ANTA (see pages 21 to 23 for more detail), our reduction reflected the uncertainty over whether ANTA’s current levels of supply chain oversight are robust enough for a responsibly-minded investor.

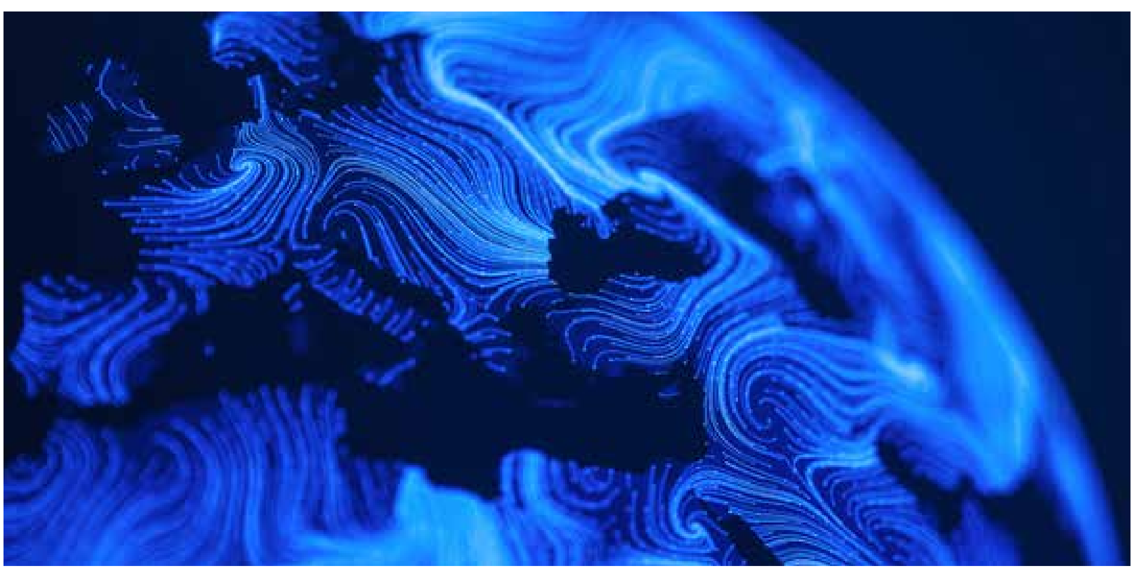
We believe these investment decisions are consistent with a responsible investment philosophy and have improved the sustainability of earnings and dividend growth within our portfolio.

Constructive engagement: building lasting, positive relationships to strengthen sustainability

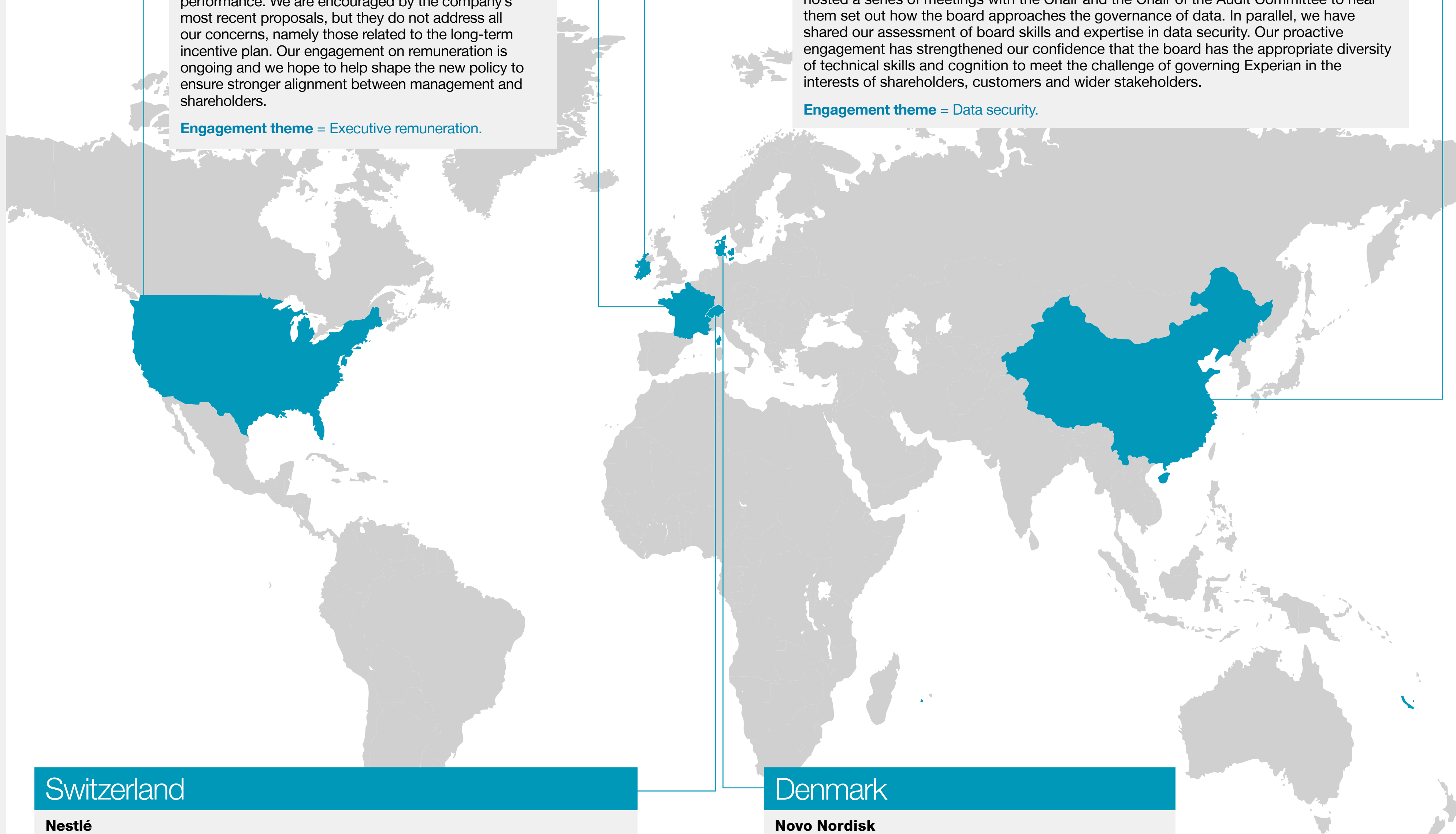
As long-term investors, we have an opportunity to engage constructively with the companies we invest in and be active stewards of our clients' capital. All our team is involved, not just in deciding which stocks to own, but also in our stewardship activities. We do this because we believe that engaging with companies in a supportive manner on the issues that matter, as well as voting thoughtfully, is one of the most effective means to support management in delivering sustainable investment performance. We encourage company management and their boards to be ambitious and focus their investments on long-term value creation.

We seek to inform and calibrate our assessment of a company's material impacts, as well as the relative ambition in managing and mitigating these, through forging relationships with subject matter experts. An example is our conversations with a leading non-governmental organisation (NGO), Conservation International, relating to best-in-class coffee sourcing during our recent research into Starbucks. Where we feel there is a particular material opportunity or issue facing a business, we also seek to speak with individuals who are at the vanguard of driving that opportunity or tackling that challenge. An example of this from the past year has been our conversations with packaging sustainability managers at many of our consumer staples holdings, including Nestlé, Pepsico and Procter & Gamble.

We believe we can best support our holdings in addressing their most material sustainability risks and capitalising on opportunities if we build on and foster trusting and enduring relationships with management and the sustainability leads of the companies we invest in. Our long-term approach enables us to build these relationships and, we hope, lead to enhanced long-term outcomes for clients and wider society.



Scope 1 emissions are those deriving directly from company activities (i.e. stack emissions and fuel use). Scope 2 emissions arise indirectly as a result of electricity use. Emissions within scopes 1 and 2 are reasonably under the control of the company and can be expected to be calculated by all companies. Scope 3 emissions are those that result from activities of assets not owned or controlled by the reporting organisation, but that the organisation indirectly impacts in its value chain.



United States

United Parcel Service (UPS)

As one of the portfolio's largest direct emitters (scopes 1 and 2), we sought to understand how it is reducing its direct emissions, planning to meet its carbon neutrality goal by 2050 and the level of ambition at the company. Recognising UPS's aviation emissions are some of the more challenging for the company to reduce, we were encouraged to hear of its collaboration with Boeing. However, we would like to see evidence of greater ambition to lead the logistics industry and will continue to engage with the company on the topic.

Engagement theme = Climate change.

Starbucks Corporation

We engaged with Starbucks to better understand the verification and auditing process for its coffee supply chain. We also wanted to understand what Starbucks feels it is, and should be, doing to improve the livelihoods of smallholder farmers. Finally, we wanted to get a sense of how Starbucks as a corporation regards its sustainability team internally. Engagement left us with the sense that there is a real urgency and responsibility at Starbucks and a passion to use their industry leadership to improve the coffee supply chain. Corroborating this feeling with other stakeholders, we believe Starbucks is a company with an impressive track record of leadership in supply chain sustainability and doing what's right by its suppliers and coffee farming communities. While there remain areas for improvement, our engagement has led to increased confidence that Starbucks is addressing these in a responsible way. See pages 21 to 23 for further detail.

Engagement theme = Ethical supply chains.

Albemarle Corporation

Over the course of the year, we have had numerous engagements with the chemicals company Albemarle to support the continued development of their sustainability strategy. While there are numerous areas Albemarle could act and report on, we have encouraged Albemarle to focus on its material issue areas, where the company has the greatest potential to show leadership. Our belief is that those areas are likely to be sustainable water usage; minimising scope 1, 2 and 3 carbon emissions, and responsible interactions with local communities. We have been encouraged by the progress made and are pleased to hear of plans for third-party auditing of its sustainability initiatives, as well as its efforts to better understand the full scope of its climate impact. We look forward to future conversations with the company. Read more on pages 10 and 11.

Engagement theme = Climate change.

France

Edenred

Edenred provides transactional solutions for companies, employees, and merchants worldwide. Over the course of the year, we have engaged with the company regarding its remuneration policy and how it could be improved, as we do not believe there is currently sufficient alignment between management's pay and performance. We are encouraged by the company's most recent proposals, but they do not address all our concerns, namely those related to the long-term incentive plan. Our engagement on remuneration is ongoing and we hope to help shape the new policy to ensure stronger alignment between management and shareholders.

Engagement theme = Executive remuneration.

Ireland

Experian

Experian holds and manages the credit history and repayment data of approximately 1.3 billion people and 166 million businesses. There can be very few companies with the commercial opportunities such an extraordinary dataset brings. However, the secure management of data and its responsible use is a vital task for Experian's management. It is also a key duty of the board to instil a corporate culture that balances data security and privacy with commercial opportunities. Over the course of the last year, we have hosted a series of meetings with the Chair and the Chair of the Audit Committee to hear them set out how the board approaches the governance of data. In parallel, we have shared our assessment of board skills and expertise in data security. Our proactive engagement has strengthened our confidence that the board has the appropriate diversity of technical skills and cognition to meet the challenge of governing Experian in the interests of shareholders, customers and wider stakeholders.

Engagement theme = Data security.

China

ANTA Sports

ANTA Sports is a Chinese sports equipment manufacturer. Its complex supply chain increases the possibility of less-regulated labour practices. Over the course of the year, we engaged with ANTA to deepen our understanding of its sports apparel manufacturing processes and supply chain management procedures. The purpose of our engagement is to monitor the process by which ANTA implements its supplier audit framework. Over the course of the year, we have been impressed by the company's drive in developing and implementing its approach to ESG matters. In our most recent engagement with the company, we were pleased to hear of its progress towards becoming a member of the Sustainable Apparel Coalition, as well as a detailed timeline and strategy for implementing the Coalition's Higg Index framework – an industry-leading value chain measurement methodology. We look forward to furthering engagements with the company as it continues to demonstrate ambition in improving the robustness of its supply chain oversight. See pages 21 to 23 for further detail.

Engagement theme = Ethical supply chains.

Midea Group

We approached Midea to better understand the company's approach to climate and its net zero ambitions. Midea shared its Green Strategy. The strategy shows that Midea plans to have internal carbon peaking before 2030 (around 2028 for scope 1 and 2) and to move towards carbon neutrality before 2060. The company will gather information, establish standards, review and improve, implement strict appraisals, and make sure to achieve the carbon objectives. The vision will be carried out around six green pillars: design, purchase, manufacturing, logistics, recycling and services. We could see that the green initiatives were carefully designed, and we appreciated the company's endeavour to manage this issue. This was our first meeting with Midea on climate change and we look forward to monitoring the company's progress.

Engagement theme = Climate change.

Switzerland

Nestlé

We engaged with the food and drink company Nestlé on several occasions this year, primarily on packaging waste. As a major producer of plastic packaging, we were encouraged to hear of concerted research and development in the area, as well as its commitment to provide CHF1bn in annual funding for its efforts. In a further conversation on packaging and Nestlé's opportunity to have an outsized impact on circularity, we raised whether Nestlé was seeking to support the improvement of local collection infrastructure. From our conversations with industry experts, NGOs and our own holdings we had identified this as an area where companies could demonstrate leading ambition while contributing to positive outcomes for their stakeholders. We want to see greater ambition from Nestlé here, through a partnership with other FMCGs to work with local authorities to enhance collection and recycling systems, for instance. We will continue to encourage greater ambition in this area over the coming year.

Engagement theme = Responsible packaging.

Denmark

Novo Nordisk

We continued our engagement with Novo Nordisk this year on fair access to medicines, namely its insulin programmes. Informed by conversations with experts, our engagements with the company have further confirmed our belief that Novo Nordisk's tiered pricing programmes, cost-reduction initiatives and commitment to keep human insulin on the market are part of an authentic desire to improve global health outcomes. We consider the company's purpose to be sincere. It is clear to us that this is a source of strength for Novo Nordisk that – we believe – improves the odds that it will deliver on its ambitions to introduce new and improved medicines for patients worldwide.

Engagement theme = Access to medicine.

On Russia's Invasion of Ukraine

Russia's invasion of Ukraine is a tragedy, and the human cost is devastating. At the onset of the conflict, our portfolio exposure to Russia was indirect and minimal. Over its course, many of our holdings have ceased operations in Russia or limited them to essential services for the vulnerable and dependent. Beyond complying with international sanctions, we have engaged and been monitoring the actions of all our holdings to ensure they are behaving honourably. We believe that every company is different, and as such have considered each on a case-by-case basis. For example, we believe it is appropriate that Nestlé has stopped selling non-essential products in Russia, and we believe it is appropriate that Novo Nordisk has continued supplying insulin to Russian diabetics until alternative suppliers can be found. As the conflict sadly continues, we will continue to monitor the situation as it relates to our holdings and engage with them if suitable.

Further engagements undertaken throughout the year

Throughout the year we engaged with management at 25 companies to encourage an accelerated rate of progress on an issue related to either the long-term sustainability of the business or its governance. Some of these are listed below:

Company	Engagement theme/s
Kering SA	AGM or EGM Proposals; Environmental/Social; Corporate Governance
National Instruments Corporations	AGM or EGM Proposals
T. Rowe Price Group, Inc.	AGM or EGM Proposals
Hargreaves Lansdown	Environmental/Social; Executive Remuneration; Corporate Governance
Amadeus IT Group S.A.	AGM or EGM Proposals; Executive Remunerations
Midea Group Co., Ltd.	AGM or EGM Proposals
Cullen/Frost Bankers	AGM or EGM Proposals
United Overseas Bank	AGM or EGM Proposals; Environmental/Social
TSMC	Corporate Governance
Deutsche Börse AG	Corporate Governance
Dolby Laboratories	AGM or EGM Proposals
Apple Inc.	AGM or EGM Proposals
Kuehne + Nagel	Environmental/Social
PepsiCo, Inc.	Environmental/Social
Proctor & Gamble Company	Environmental/Social
Atlas Copco AB	Environmental/Social
Greencoat UK Wind PLC	Environmental/Social

Albemarle: stewardship in practice

An example of our long-term stewardship can be seen in our engagements with Albemarle, the world's largest producer of lithium and a holding within the Responsible Global Equity Income portfolio. We are pleased to have developed a close relationship with management and sustainability leaders within the company and look forward to continuing engagement with them on the issues we believe are most material to the business and wider stakeholders.

2020

Oct – We engaged with Albemarle about its sustainability ambitions in October 2020. Based on our analysis, we made recommendations to the company to aim for best-in-class ESG practices, including the adoption of third-party oversight and auditing of its sustainability performance; communication of sustainability performance to executive leadership on a quarterly basis; making sustainability an explicit operational priority, and setting stretching targets around its main areas of impact – namely GHG emissions and freshwater use.

Oct – Albemarle commits to the Initiative for Responsible Mining Assurance Alliance (IRMA), considered the most rigorous certification standard for the assurance of responsible mining. The certification includes the requirement of third-party audits.

Nov – Albemarle joins the new US-based Zero Emission Transportation Association as a founding member.

2021

Apr – Albemarle signs up to the UN Global Compact principles.

Jun – Albemarle sets targets for achieving net zero by 2050; decreasing carbon intensity of catalysts and bromine by 35 per cent by 2030; growing lithium in a carbon-intensity-neutral manner through 2030, and decreasing the intensity of fresh water use by 25 per cent by 2030 in Chile and Jordan (areas of high and extremely high water risk).

2021

Jun – We had a call with the CEO, where the company expanded on its new ambitions following the above announcement. We were encouraged to hear the management's commitment to addressing its physical and operational impacts and to see 'Advancing Sustainability' becoming one of the company's four strategic pillars.
We encouraged the company to continue its efforts by exploring linking ESG metrics to remuneration and building out its roadmap to achieve its new targets.

Sep – Albemarle begins IRMA third-party auditing of its lithium brine extraction site, becoming the first lithium producer to begin the independent assessment.

Oct – Albemarle is awarded a gold rating for its commitment to sustainability by Ecovadis, a leading provider of business sustainability ratings.

2022

Jan – We commissioned an external, expert consultancy to assess Albemarle's sustainability performance and ambitions to test our own views and hypotheses.

This review confirmed our views on the opportunity for Albemarle to further develop its strategy to achieve its goals, and to disclose its scope 3 climate emissions.

Mar – We shared this third-party assessment with the company and were encouraged to hear of work ongoing in both areas.

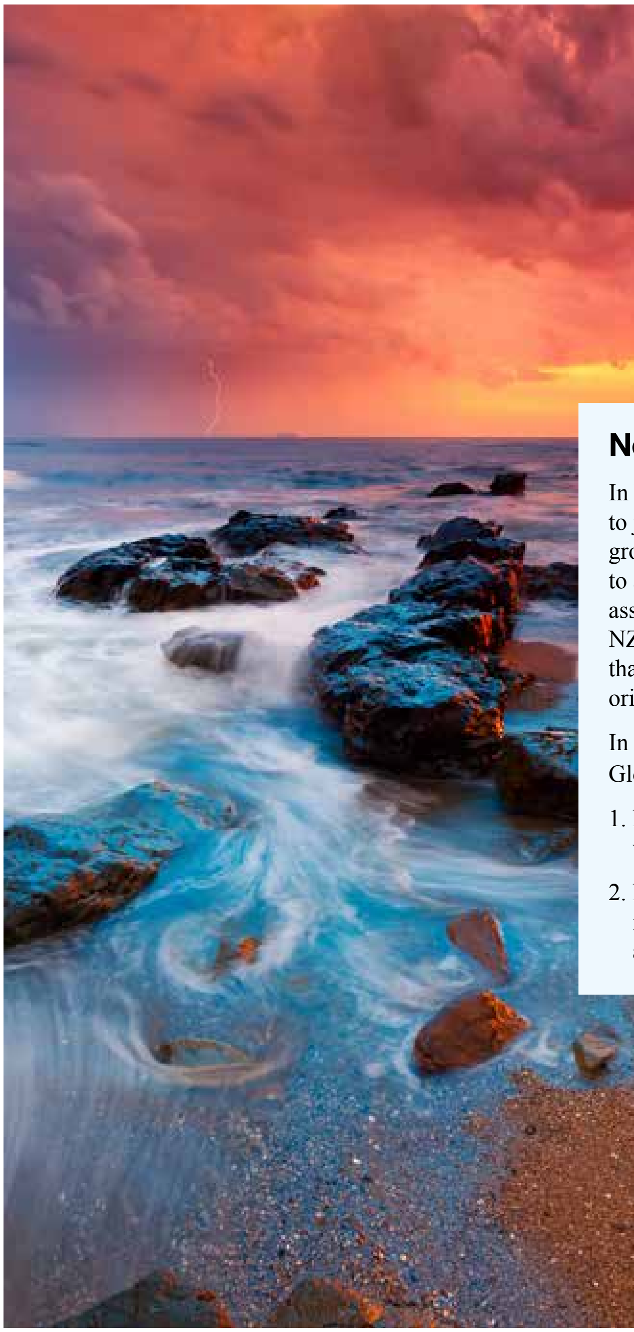
May – We had an in-person meeting with the CEO, CFO, VP Sustainability, and Investor Relations. We were pleased to hear that the company's 2022 Sustainability Report would contain the company's first ever review of its scope 3 emissions. We were also encouraged to hear the company now considers good sustainability performance as a source of competitive differentiation. We encouraged the company to continue striving for best-in-class performance on environmental impact, given the importance placed on this by carmakers and car buyers.

Key:
Grey = Our engagement
Blue = Action by Albemarle

Responsible Global Equity Income: in the field

This year the team organised a volunteering day at the Royal Society for the Protection of Birds (RSPB) wetlands near Edinburgh. The RSPB is the UK's largest nature conservation charity, inspiring people to give nature a home. Baillie Gifford has an ongoing sponsorship relationship with the RSPB and donates to assist in the creation and management of a range of habitats on the reserve. On the day, the team's activities included the construction of a sand martin bank, vegetation control and tree planting. This work is vital for the wildlife on the reserve and will benefit the biodiversity of the wider area.

Climate change: our new commitment



2021 was a year where climate change was rarely out of the headlines. From the US re-joining the Paris Agreement on the first day of the Biden presidency, to the publication of the Intergovernmental Panel on Climate Change's (IPCC) first report of its Sixth Assessment, described as 'code red for humanity', to the COP26 UN Climate Conference in Glasgow in November. It was also a year where the financial sector increasingly found its voice, with COP26 featuring a dedicated 'Finance Day' and the conference catalysing a raft of announcements and commitments from financial institutions – including Baillie Gifford joining the Net Zero Asset Managers initiative (NZAM).

Net Zero Asset Managers Initiative

In November 2021, Baillie Gifford announced its commitment to join the NZAM. The initiative is supported by an international group of asset managers and joining demonstrates a commitment to achieve net zero greenhouse gas (GHG) emissions across asset portfolios by 2050 or sooner. Participating strategies joined NZAM after months of internal analysis that sought to ensure that commitments made reinforced our investment style and were orientated towards the potential for real world impact.

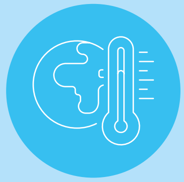
In support of Baillie Gifford's firm-wide commitment, Responsible Global Equity Income commit that:

1. By 2030, more than 90 per cent of our climate-material holdings will be aligned with a 1.5°c scenario.
2. Between now and 2030, we will report annually on i) the progress of our holdings in aligning with a 1.5°c scenario and ii) our engagement with these companies.

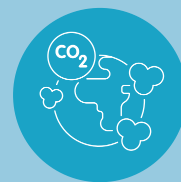
Climate change has been an issue considered in Responsible Global Equity Income's investment process since the strategy's inception, as part of our fundamental, bottom-up analysis. We recognise climate change as an increasingly tangible risk and seek to invest our clients' capital in a way that supports the Paris Agreement's goals. Consequently, understanding the risks and opportunities posed by climate change has always featured prominently in our research and in our engagements with holdings. This year proved to be no different.

This year's highlights include:

A firm-wide climate audit of holdings, including those within Responsible Global Equity Income's portfolio



Working to identify climate solution providers and low-carbon transition enablers within the portfolio



Engaging with the portfolio's largest contributors to our overall carbon footprint to encourage greater ambition

Partnering with a leading NGO that is working to support the decarbonisation of the freight and logistics industry

Climate audit: where do we think our climate-material holdings are on net zero alignments today?

Before joining NZAM, Baillie Gifford undertook a detailed, firm-wide climate audit. This included all holdings within Responsible Global Equity Income's portfolio. While our main lens for assessing ESG impact and performance is our Impact, Ambition and Trust framework, the Baillie Gifford audit took an even deeper dive into the climate impact and performance of our investments. It sought to help us distinguish those companies that are demonstrating leading ambition (meaning they are aiming for better than net zero by 2050), from those companies that are only just making the grade and those companies that are laggards. In short, it records our assessment of company alignment with the goal of limiting global warming to less than 1.5°c this century.

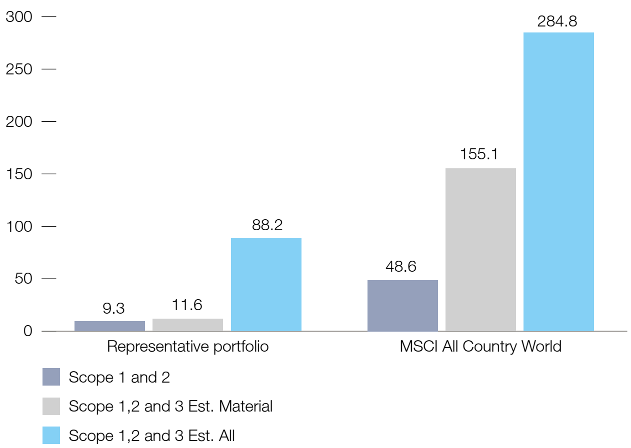
Findings from the audit showed that 40 per cent of Responsible Global Equity Income's portfolio, by capital weight, has already stated commitments to reach net zero by 2050 and demonstrated 2050-aligned targets for their material scope 3 targets. We were also pleased to find that four companies – Microsoft, Kering, SAP and Schneider Electric – were judged to meet the criteria for our highest category of alignment, demonstrating pre-2050 climate targets for scope 1, 2 and 3 emissions, alongside what we perceive to be material efforts to enact wider systemic change.

Across the portfolio, the climate audit has helped us distil our climate-related engagement priorities with our holdings. For example, we're able to identify those holdings lacking sufficiently stretching emissions reduction targets, those not disclosing certain scopes of emissions or those that are misaligned with the goals of the Paris Agreement. In the year ahead we will build these findings into our engagements with holdings for which we consider the low-carbon transition to be a material risk or opportunity, as we continue to work to invest our clients' capital in support of the Paris Agreement's goals.

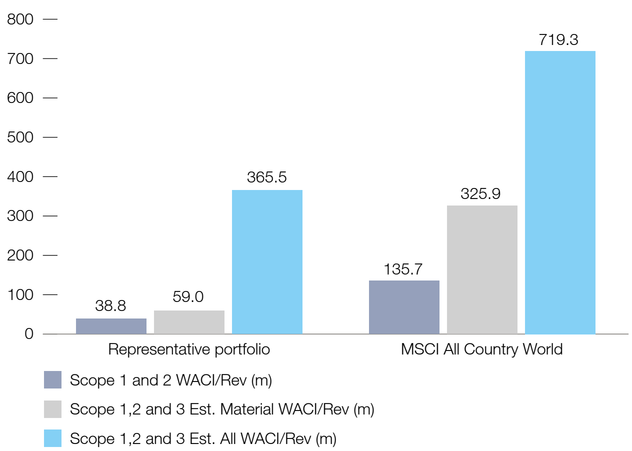
Emissions at the portfolio level

While we recognise that carbon footprinting and emissions intensity analysis is imperfect – indeed, it only telling us where the portfolio is, not where it is going – it was one of the reasons behind our climate audit. Below we disclose a carbon footprint analysis of the portfolio. Financed emissions data compares the total carbon emissions of the portfolio with its benchmark, the MSCI All Countries World Index (ACWI), per $1 million invested. The Weighted Average Carbon Intensity (WACI) is the sum product of the portfolio constituent weights and intensities. These intensity measures allow comparison of emissions across companies of different sizes and in different industries.

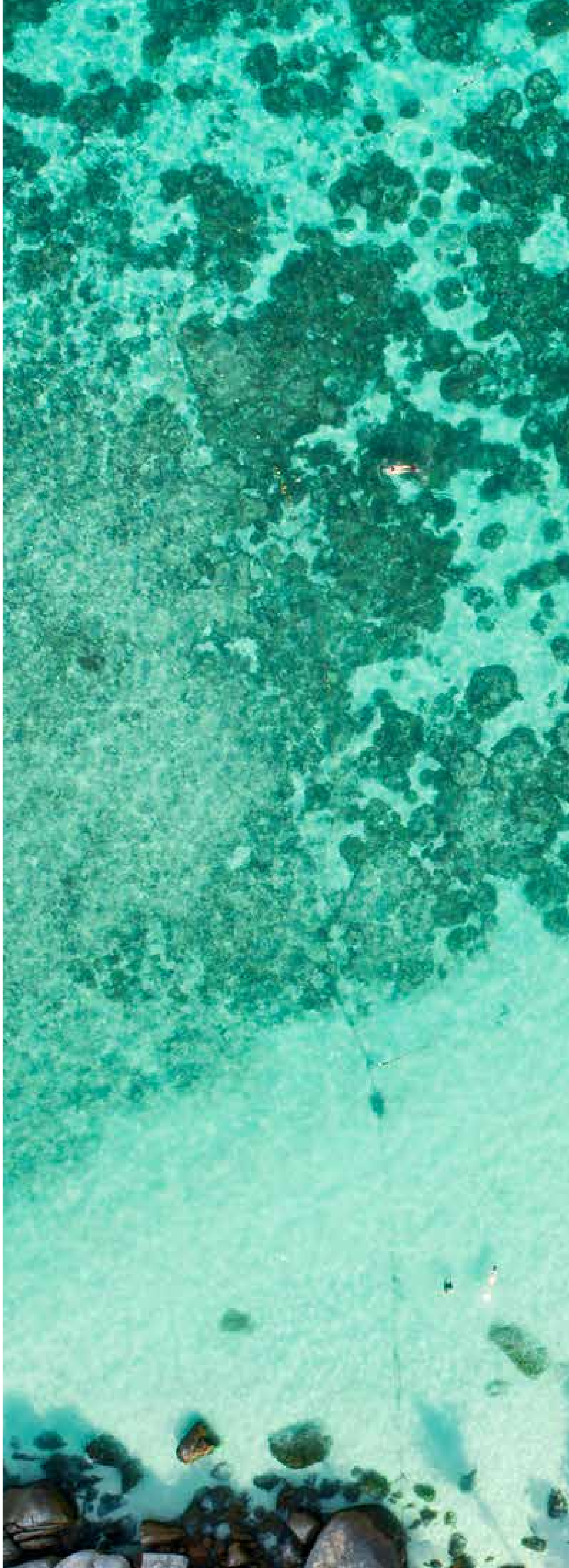
Portfolio Carbon Footprint (Financed Emissions tCO_2e per $m)

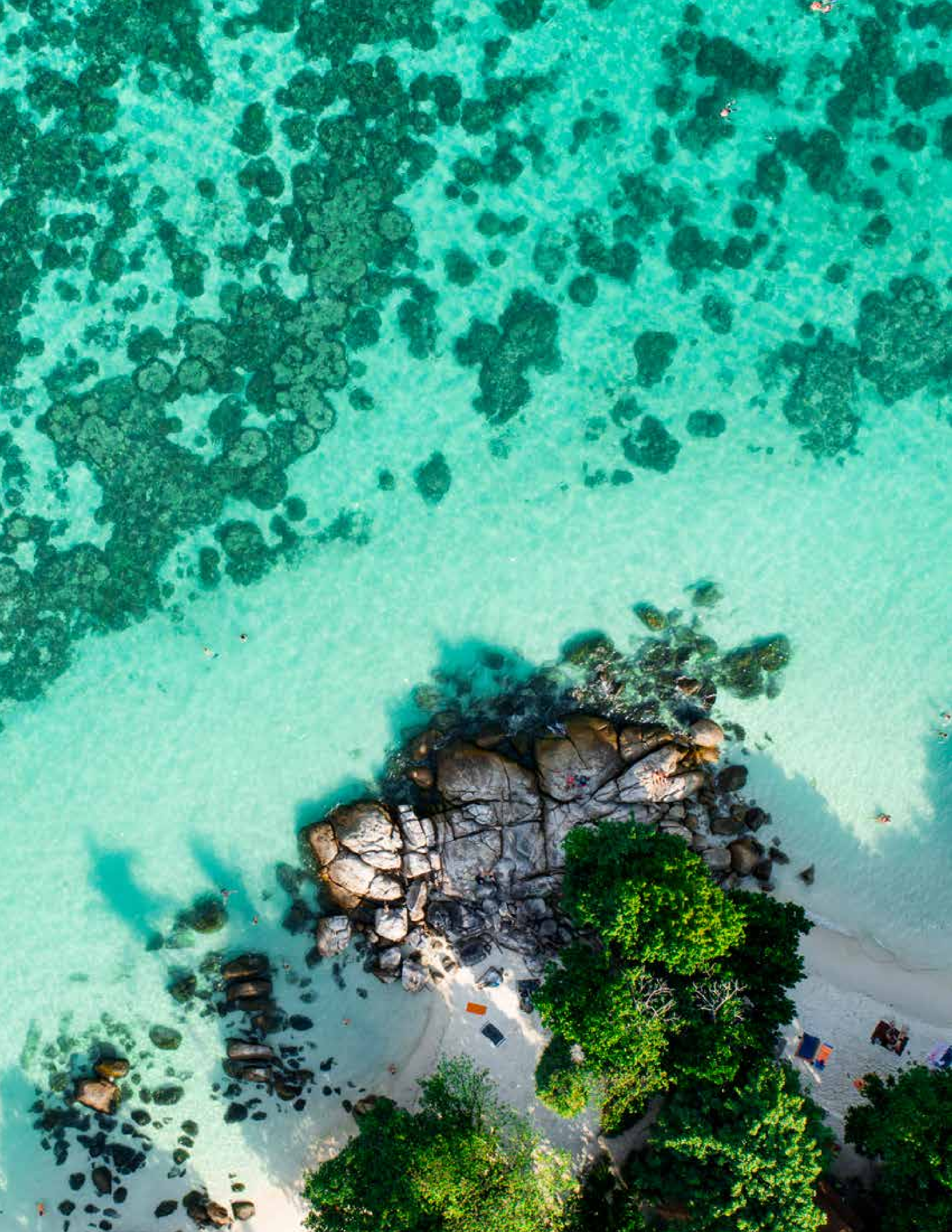


Portfolio Emissions Intensities (WACI/Revenue ($m))



Based on a representative portfolio. As at March 2022. All data is pulled from MSCI, Sustainalytics, ISS and BoardEx, via the FactSet platform. It is fact checked by our ESG analysts and is considered correct at the time of publishing.





Climate solutions providers: the other half of the story

The climate audit was useful for comparing company carbon emission targets and strategy alignment with a 1.5°c future. These are important and relevant inputs to a responsible investment strategy but we believe it is only half the story. In addition to those companies leading the way in their operational carbon neutrality, we recognise that the low-carbon transition presents a real opportunity for other companies to provide climate change solutions. As long-term investors, we are excited about the potential for climate solution providers to accelerate the energy transition as they scale – creating a ripple effect that companies focused on their operational emission reductions are less likely to do. Of seven holdings we've identified as climate solution providers today, and following last year's review of Albemarle, we've picked Analog Devices and Schneider Electric as two other examples to share with you this year.

Analog Devices

Analog Devices (ADI) is facilitating the green energy transition with its range of battery management, power conversion and energy inverter integrated circuits. ADI's innovation with semiconductors continues to improve energy efficiency, battery storage and power conversion, enabling the electrification of transport and improving the viability of renewable energy as a dependable source. As an example, ADI's battery management solutions, used in electric vehicles, are improving the range per charge and longevity of batteries. As a critical supplier to the automotive industry, ADI estimates it saves over 60 million tonnes of CO_2 from entering the atmosphere each year by facilitating other companies' transition away from combustion engines.

Schneider Electric

Schneider Electric makes medium and low-voltage electrification products that are central to a world where more energy is generated from renewables and delivered electrically. The business opportunities arising from its customers' need to transition to a low-carbon marketplace are significant. By 2025, the company is aiming to help its customers save and avoid 800 million tonnes of CO_2 emissions, with its products and services helping to decarbonise homes, buildings, grids, data centres and more. These range from software applications to physical products used in electric car charging stations, solar and energy storage, and efficient building design for heating, cooling, ventilation and energy usage. Schneider is well positioned to be an integral, global solutions provider in the low-carbon transition and the rotation from fossil to renewable energy.

Engagement with climate material holdings over the year

A bottom-up assessment of material carbon emission risks across our holdings identified UPS and Albemarle as two companies with significant challenges to decarbonising their operations and supply chains. This assessment was corroborated by the climate audit, which concluded that these companies are the most significant contributors to the strategy's overall scope 1, 2 and material 3 emissions. Considering this impact, we've been engaging with both holdings to understand their decarbonisation strategies and, where appropriate, encourage greater ambition.

UPS

At UPS's 2021 annual general meeting, we supported a shareholder resolution proposing the company report its plans to reduce its total contribution to climate change and align its operations with the Paris Agreement. We considered this in the best interests of shareholders, as the company's GHG emissions are a material issue and, as such, are a sustainability matter that we would hope to see leading ambition on. Following UPS's commitment to carbon neutrality by 2050 later in the year, which we viewed as a positive step forward, we engaged with the company to request further detail on its strategic plans to achieve this new ambition. We were pleased to hear of its commitment and investments in clean vehicles, as well as its partnership with Boeing to support its efforts in dealing with aviation emissions. This year, we hope to see further development of the company's strategy to achieve its goals; for example, by having its targets independently verified as being science-based. As Responsible Global Equity Income's largest direct emitter (scopes 1 and 2), we consider UPS's climate impact to pose significant risks over the long term and will continue to engage with the company on the topic.

Albemarle Corporation

As outlined on pages 10 and 11, over the course of the last couple of years we have enjoyed several engagements with Albemarle, with much of our discussions focusing on its sustainability and climate change ambitions. We are encouraged by the company's developments, both in setting a course for net zero and in building out strategic plans for achieving this goal. We will continue to engage with the company in the coming year on this issue.

Partnering with experts

Baillie Gifford has a long history of partnering with academics and other experts. As a firm, we believe doing so better informs our investment decisions, enhances investment outcomes for our clients, and may accelerate the possible societal benefits of the experts' work.

It is in this spirit that we initiated a partnership with the Smart Freight Centre this year. The Smart Freight Centre is an Amsterdam-based NGO dedicated to tackling the 8–11 per cent of global GHG emissions from freight transportation and logistics – with this percentage forecast to grow significantly in the coming decades. Simply put, meeting society's climate and sustainability goals will be all but impossible without significant efforts to reduce the freight and logistics sector's operational emissions.

The Smart Freight Centre's efforts are already paying dividends: it has developed what it calls the Global Logistics Emission Council framework, which is a methodology to improve the reporting of freight-related emissions. Already used by several of our holdings, we consider this to be one of the preeminent frameworks in managing multi-modal freight emissions. Recognising some of our holdings either directly operate within the logistics industry or rely on it for their continued function, we are excited to learn more about the framework's application over the coming year and to work with SFC to encourage greater ambition among our portfolio holdings.

Summary

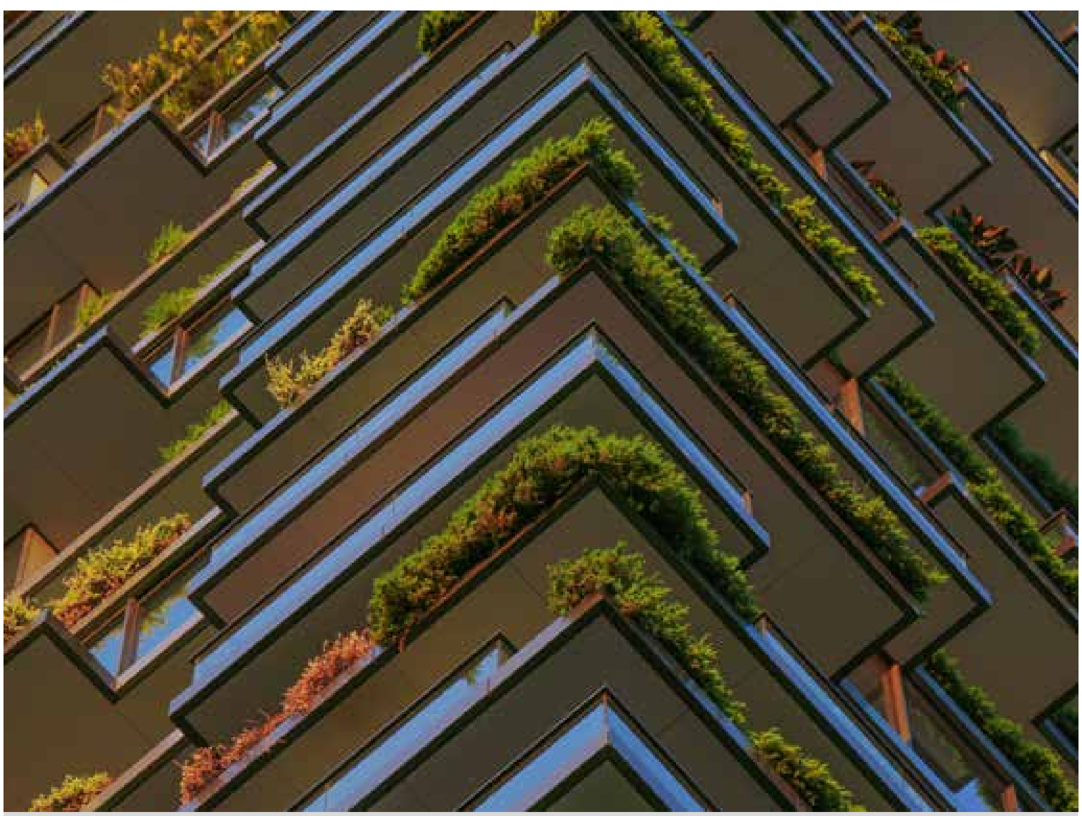
In early 2022, a report from the IPCC outlined the need for "rapid and deep" emissions cuts across every sector of the economy. It is clear there is still much to do to combat climate change. While some ESG critics have become increasingly vocal in their denouncement and dismissal of the concept's ability to deliver real-world impact, it is clear to us that over a long-term investment horizon such as ours, many ESG issues present systemic, material risk – not least climate change. We believe there are few arguments against the need for rapid, near-term climate action. We also recognise that as long-term, responsible investors, we have an obligation to use all the levers available to us to encourage our holdings to increase their ambition in support of the net zero transition. We will continue to play our part.

Supply chain oversight

From slave labour across the Roman Empire to child labour throughout the Industrial Revolution, human history has been fraught with the exploitation of those who have not by those who have and want more. Across society, we've come a long way in defining and employing more responsible labour practices over the last 2,000 years. But cases of misjudgement, negligence and outright abuse continue to come to light across industries and supply chains, revealing that the pursuit of fair labour and responsible sourcing practices is far from over.

For much of the progress in labour rights made to date, we can and should praise the many government regulations, intergovernmental principles and vocal citizens who have spoken out against injustices. And while it's tempting to blame the greed and mismanagement of companies abiding by cold-hearted principles of capitalism for holding such progress back, it's worth remembering that for all the companies that have allowed abuses, there have been more that have recognised the long-term benefits of a better-treated labour force and pioneered labour reforms, often well before any government has stepped in to legislate them.

In late 19th century England, for instance, the confectionary company Cadbury was one of the first employers to establish employee pensions and healthcare benefits. As a family-run company it even went so far as to build a suburban village to enable employees to escape the slums of overpopulated cities. Another example is Ford Motors in America which, in the early 20th century, set five-day, 40-hour working weeks for its factory workers – a full 12 years before the US government passed the Fair Labor Standards Act legislating 44-hour working weeks for all. Whether the primary impetus for such progressive corporate policies was moral or mercurial, the lesson we can take from these examples remains the same – that long-term business success and responsible labour practices have repeatedly proven to be well-aligned.



The power of companies to foster social change is worth recognising and celebrating. When we investigated the labour standards in the coffee supply chain used by Starbucks (a follow-up to the research we performed prior to taking a holding this past year), we were impressed by its innovative and forward-thinking efforts to bring rigour in oversight, transparency and farmer support to the global coffee trade. A senior director at Conservation International told us: "Transparency and traceability [of coffee] is far greater than for the likes of palm or soy. This has been spearheaded by the leading coffee companies over the last 15 to 20 years, which started with farm-level verification mandating no child or forced labour and now includes reinvestment programmes to address systemic issues like pricing volatility and climate change." Starbucks has repeatedly demonstrated leadership in sustainable coffee sourcing over the last 20 years, from its development of one of the first ethical sourcing standards for commodities to its innovative 'Emergency Relief Fund' which enables farmers to cover the costs of production in times of pricing stress; and its broad definition of responsibility, extending support for farmers and ecosystems beyond its direct suppliers.

We are optimistic that Starbucks can continue to demonstrate its leadership in sustainable coffee sourcing. Pairing statements from third-party experts such as Conservation International with those from the sustainability team at Starbucks, we believe there's a real sense of urgency and responsibility at the company to ensure coffee farmers are treated fairly, supported and protected as best they can be from the risks of climate change and pricing volatility. We are hopeful that Starbucks's initiatives will continue to benefit both the livelihoods of global coffee farmers and its business goals for years to come. We will keep watching for signs of progress.

Unfortunately, not all supply chains have witnessed as positive a trajectory in oversight and support. Over the last few decades, an increasingly global manufacturing landscape has increased the complexity of many supply chains and of ensuring responsible labour practices are upheld. Such is the reality facing our fashion and sports apparel holdings.

Kering is a company that has managed this complexity well. The company, comprised of 10 fashion houses, requires all its suppliers to abide by a common code of ethics and a set of sustainability principles, both of which explicitly uphold the human rights outlined in the UN Global Compact. To ensure compliance, Kering performs industry-leading levels of supply chain auditing: of its 4,000 suppliers, the company performed 3,400 audits last year and undertakes audits of all key suppliers every two years. Over 60 per cent of these audits are performed by third parties, which is considered by many as best practice for monitoring any global supply chain. At least one NGO we spoke to during our research into Kering's supply chain, however, considers that recommended local production is the best pathway to full oversight over the long term, while another recognised biennial auditing of key suppliers by third parties as best practice. Combining these views, we take Kering's commitment to rigorous and industry-leading auditing as reassurance that its suppliers are UN Global Compact-compliant, and plan to explore the longer-term potential of localised supply chains in future engagements with management.

We applied these learnings to our review of ANTA Sports' supply chain last year. Following allegations against numerous apparel companies that they were sourcing cotton from the Xinjiang region of China, we sought assurances from ANTA that forced labour is both forbidden and closely monitored across its supply chain. Our initial engagement with ANTA on this topic was disappointing: although ANTA requires suppliers to uphold a code of conduct that explicitly forbids forced or child labour, we learned that the company has been depending solely on internal audits to verify compliance. Furthermore, these audits have been done at a lower frequency than best-practice recommends (of 700 suppliers, ANTA inspected fewer than 50 a year prior to the Covid-19 pandemic). This meant that, after our first engagement on the topic, we could not say with confidence that labour rights were being upheld across ANTA's entire supply chain.

Our options at this point were to divest immediately, reduce our holding until we could gain greater confidence in the absence of forced labour from the company's supply chain, or maintain the holding size. After extensive discussion, we decided to reduce the holding and follow-up throughout the year to monitor ANTA's progress towards greater supply chain oversight. We took this decision for three reasons. First, we felt the ambitions expressed by the company from the outset were high and consistent with our expectations – namely, to improve their ESG team resourcing and to join an internationally-accredited independent auditing framework. Second, over the last eight years of regular engagement with the company, we have developed a sufficient level of trust in ANTA's management to put these ambitions into practice. And third, we recognised the power of ANTA to lead its Chinese peers by example and bring greater rigour to supply chain standards in this market.

The importance of this last point was reaffirmed in a call we held with the CEO of Higg (the IT services firm that operates the Higg Index, the gold standard of fashion sustainability benchmarking). He shared that the Higg Index and other sustainable fashion benchmarking tools are underutilised in developing countries, including China. As such, we were greatly encouraged when ANTA shared its ambitions to join the Higg Index last year. Even more encouraging were the steps taken to make this ambition a reality in only a few months' time.

Over the course of a year and three engagement calls with the company, we have seen clear evidence of ANTA taking swift and decisive measures to improve its supply chain and broader ESG oversight. The company has built up a specialist ESG team, created a board-level sustainability subcommittee (chaired by the group CEO) and is in the process of subscribing to the Higg Index – membership of which requires extensive supply chain monitoring and independent auditing. These are the sorts of peer-group leading practices that we not only expect from a responsible company but can admire as another example of a company going beyond the regulatory framework in which they operate to foster greater social progress. We are optimistic that ANTA's efforts are improving the apparel industry's labour standards and oversight in China. We will continue to monitor ANTA's progress in this area.

Our work investigating supply chain sustainability over the last year has tested our IAT framework and demonstrated its utility for thinking through such complicated, nuanced issues. We recognised from the outset that some of the holdings in the Responsible Global Equity Income portfolio have high potential impacts on wider stakholders due, for example, to their complex supply chains. But our conversations with academics, activists and non-profits illustrated the many positive impacts our holdings are having on their industries and home markets, and our engagements with the management teams of these companies reaffirmed our trust in their commitment to keep driving labour reforms and supply chain standards forward. While the factors we weigh up in our IAT framework do not lend themselves to easy discussions or clear-cut answers, we hope that, even if our clients sometimes disagree with our decisions, we are clear and transparent about our process. Our IAT framework is helping us take what we believe are the most appropriate decisions to meet the standards we have set for Responsible Global Equity Income.

Voting: taking a thoughtful approach

We view exercising the voting rights attached to clients' holdings to be of fundamental importance and part of our stewardship responsibilities. Our voting decisions are concentrated on what we believe are in our clients' best interests. In this endeavour, we are fortunate to be supported by Baillie Gifford's dedicated, in-house ESG Services Team, who review all resolutions and provide independent input and guidance to inform our voting decisions. We do not outsource any of our stewardship or voting activities. Our fundamental approach to stock-picking thus extends to our approach to voting. While we do consult proxy advisory reports, they make a minor contribution to our process. All voting decisions are made on a case-by-case basis by the investment team, our ESG Analyst and ESG Services Team. Our final voting decision will be based on our combined analysis and views.

Our investment research, underlying philosophy and process place significant focus on gauging the extent to which we feel a company is showing ambition to its most material ESG issues and in its management of stakeholders. We place equal if not greater emphasis on how much we believe we can trust management to deliver on these ambitions and wider stakeholder expectations. It is, therefore, no great surprise that our voting data reveals we often vote in support of management teams that score highly in our assessment of their ambition and trust. After all, we are investing in a concentrated portfolio of companies where we know and respect the management teams, and our support for their leadership relates to our support for their long-term vision.

In instances where we feel additional information on a resolution might help us reach more informed voting conclusions, we will engage with the company in advance of submitting our vote. If after this dialogue we arrive at a decision to vote against the management of a company, we will always seek to convey our rationale. Often, we find this approach enables an ongoing conversation with the company, where we ultimately work to encourage and support them in implementing remediating actions. As long-term shareholders, we believe this approach supports our desire to build long-term relationships with our holdings and deliver long-term value to our clients.

As well as voting on resolutions submitted by management, we will also vote on all resolutions submitted by shareholders. We analyse these the same way as management proposals, opposing if we are comfortable that management and the board are actively and effectively addressing the issue raised in the proposal.

Voting	**Number**	**Percentage (%)**
For	817	94
Against	47	5
Abstain	10	1
Total number of ballots	874	100

Source: Baillie Gifford. Data from 1 April 2021 to 31 March 2022.
Figures may not sum due to rounding.

Voting in practice: Apple

Using the example of Apple's 2022 annual meeting of shareholders, below we reveal our voting approach across a number of its items of business:

Item 3

Advisory vote to approve executive compensation

Against Apple's management and board's recommendation, we opposed. We did so as we consider the threshold performance metric of the 25th percentile, attached to long-term incentive equity awards, to be insufficiently stretching.

Item 4

Approval of 2022 employee stock plan

We supported this proposal as we consider employee and inside ownership, particularly through long-term equity compensation, to be an important mechanism by which employees and officers can find motivation, while enabling stability and incentivising management to take a long-term view.

Item 5

Reincorporate with deeper purpose

This was the first time Apple had seen such a proposal. The proponent argued that Apple incorporated with an 'uninspiring purpose' and that 'rechartering around deeper social purposes would help Apple align all actions around common goals'. In remedy, it sought that Apple become a 'Special Purpose Corporation.' We supported Apple's recommendation and voted against this shareholder proposal as we believe, in the company's current form, it can adequately incorporate stakeholder considerations. We also believe such a decision should be taken by management and the board.

Item 8

Pay equity

Shareholders requested Apple report on median pay gaps across race and gender, including associated policy, reputational, competitive, and operational risks, and risks related to recruiting and retaining diverse talent. We supported this shareholder resolution, believing the additional disclosure wouldn't be too burdensome. Furthermore, the additional disclosure would allow comparability over time and across organisations.

Notable votes cast against management proposals:

Valmet

We opposed a remuneration report due to concerns with a short performance period under the long-term incentive plan and a lack of disclosure of performance targets.

Amadeus IT Group

We opposed the election of the chair of the Remuneration and Governance Committee due to concerns with the discretion exercised by the committee in relation to remuneration, and concerns with the composition of the committee specifically of the tenure of three of its members.

Procter & Gamble

We opposed the reappointment of auditors due to their extremely long tenure as the company's auditors. We had previously noted our concerns on this matter directly to the company following the 2020 AGM.

Notable votes cast in favour of shareholder proposals:

UPS

We supported the shareholder resolution seeking enhanced disclosure on climate change preparedness via a published board report.

T Rowe Price

We supported a shareholder proposal that requested a report on the incongruities between the company's policies and pledges regarding climate change and its voting record because we believe the additional disclosure would be beneficial to shareholders.

Cisco Systems

We supported a shareholder proposal seeking to amend the company's proxy access bylaw to remove the limit on the number of shareholders that can aggregate their holdings to form a nominating group. This would improve shareholder rights.

Important Information

Baillie Gifford & Co and Baillie Gifford & Co Limited are authorised and regulated by the Financial Conduct Authority (FCA). Baillie Gifford & Co Limited is an Authorised Corporate Director of OEICs.

Baillie Gifford Overseas Limited provides investment management and advisory services to non-UK Professional/Institutional clients only. Baillie Gifford Overseas Limited is wholly owned by Baillie Gifford & Co. Baillie Gifford & Co and Baillie Gifford Overseas Limited are authorised and regulated by the FCA in the UK.

Persons resident or domiciled outside the UK should consult with their professional advisers as to whether they require any governmental or other consents in order to enable them to invest, and with their tax advisers for advice relevant to their own particular circumstances.

Financial Intermediaries

This communication is suitable for use of financial intermediaries. Financial intermediaries are solely responsible for any further distribution and Baillie Gifford takes no responsibility for the reliance on this document by any other person who did not receive this document directly from Baillie Gifford.

Europe

Baillie Gifford Investment Management (Europe) Limited provides investment management and advisory services to European (excluding UK) clients. It was incorporated in Ireland in May 2018. Baillie Gifford Investment Management (Europe) Limited is authorised by the Central Bank of Ireland as an AIFM under the AIFM Regulations and as a UCITS management company under the UCITS Regulation. Baillie Gifford Investment Management (Europe) Limited is also authorised in accordance with Regulation 7 of the AIFM Regulations, to provide management of portfolios of investments, including Individual Portfolio Management ('IPM') and Non-Core Services. Baillie Gifford Investment Management (Europe) Limited has been appointed as UCITS management company to the following UCITS umbrella company; Baillie Gifford Worldwide Funds plc. Through passporting it has established Baillie Gifford Investment Management (Europe) Limited (Frankfurt Branch) to market its investment management and advisory services and distribute Baillie Gifford Worldwide Funds plc in Germany. Similarly, it has established Baillie Gifford Investment Management (Europe) Limited (Amsterdam Branch) to market its investment management and advisory services and distribute Baillie Gifford Worldwide Funds plc in The Netherlands. Baillie Gifford Investment Management (Europe) Limited also has a representative office in Zurich, Switzerland pursuant to Art. 58 of the Federal Act on Financial Institutions ('FinIA'). The representative office is authorised by the Swiss Financial Market Supervisory Authority (FINMA). The representative office does not constitute a branch and therefore does not have authority to commit Baillie Gifford Investment Management (Europe) Limited. Baillie Gifford Investment Management (Europe) Limited is a wholly owned subsidiary of Baillie Gifford Overseas Limited, which is wholly owned by Baillie Gifford & Co. Baillie Gifford Overseas Limited and Baillie Gifford & Co are authorised and regulated in the UK by the Financial Conduct Authority.

Hong Kong

Baillie Gifford Asia (Hong Kong) Limited 柏基亞洲(香港)有限公司 is wholly owned by Baillie Gifford Overseas Limited and holds a Type 1 and a Type 2 license from the Securities & Futures Commission of Hong Kong to market and distribute Baillie Gifford's range of collective investment schemes to professional investors in Hong Kong. Baillie Gifford Asia (Hong Kong) Limited 柏基亞洲(香港)有限公司 can be contacted at Suites 2713-2715, Two International Finance Centre, 8 Finance Street, Central, Hong Kong. Telephone +852 3756 5700.

South Korea

Baillie Gifford Overseas Limited is licensed with the Financial Services Commission in South Korea as a cross border Discretionary Investment Manager and Non-discretionary Investment Adviser.

Japan

Mitsubishi UFJ Baillie Gifford Asset Management Limited ('MUBGAM') is a joint venture company between Mitsubishi UFJ Trust & Banking Corporation and Baillie Gifford Overseas Limited. MUBGAM is authorised and regulated by the Financial Conduct Authority.

Australia

Baillie Gifford Overseas Limited (ARBN 118 567 178) is registered as a foreign company under the Corporations Act 2001 (Cth) and holds Foreign Australian Financial Services Licence No 528911. This material is provided to you on the basis that you are a 'wholesale client' within the meaning of section 761G of the Corporations Act 2001 (Cth) ('Corporations Act'). Please advise Baillie Gifford Overseas Limited immediately if you are not a wholesale client. In no circumstances may this material be made available to a 'retail client' within the meaning of section 761G of the Corporations Act.

This material contains general information only. It does not take into account any person's objectives, financial situation or needs.

South Africa

Baillie Gifford Overseas Limited is registered as a Foreign Financial Services Provider with the Financial Sector Conduct Authority in South Africa.

North America

Baillie Gifford International LLC is wholly owned by Baillie Gifford Overseas Limited; it was formed in Delaware in 2005 and is registered with the SEC. It is the legal entity through which Baillie Gifford Overseas Limited provides client service and marketing functions in North America. Baillie Gifford Overseas Limited is registered with the SEC in the United States of America.

The Manager is not resident in Canada, its head office and principal place of business is in Edinburgh, Scotland. Baillie Gifford Overseas Limited is regulated in Canada as a portfolio manager and exempt market dealer with the Ontario Securities Commission ('OSC'). Its portfolio manager licence is currently passported into Alberta, Quebec, Saskatchewan, Manitoba and Newfoundland & Labrador whereas the exempt market dealer licence is passported across all Canadian provinces and territories. Baillie Gifford International LLC is regulated by the OSC as an exempt market and its licence is passported across all Canadian provinces and territories. Baillie Gifford Investment Management (Europe) Limited ('BGE') relies on the International Investment Fund Manager Exemption in the provinces of Ontario and Quebec.

Israel

Baillie Gifford Overseas is not licensed under Israel's Regulation of Investment Advising, Investment Marketing and Portfolio Management Law, 5755–1995 (the Advice Law) and does not carry insurance pursuant to the Advice Law. This material is only intended for those categories of Israeli residents who are qualified clients listed on the First Addendum to the Advice Law.

CURIOUS ABOUT THE WORLD

bailliegifford.com/thinking

Calton Square, 1 Greenside Row, Edinburgh EH1 3AN
Telephone +44 (0)131 275 2000 / bailliegifford.com