



Our Governance and Sustainability

First Edition



Investment managers

Risk Factors

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

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

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

Special thanks to the locations in Edinburgh that we have used for the photography: Timberyard, The National Museum of Scotland, Eden Locke, The Royal Botanic Garden, Kanpai and The Glasshouse.

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“Our unlimited liability partnership structure, an anomaly in the investment world, is at the heart of everything we do. This structure ensures we are bound together and helps us to put our clients’ interests first.”

Andrew Telfer, joint senior partner

Photography by Chris Close.

Welcome

Hello and welcome to Baillie Gifford's first company-wide governance and sustainability report, which comes as both the firm and industry are at an inflection point. This change is largely down to two factors: investors are increasingly choosing passive trackers rather than active stock-pickers and employers are moving their employee pension funds from defined benefit to defined contribution schemes.

Standing still isn't an option for us. We are working with our defined benefit clients to ensure we are offering them new strategies as their needs change. At the same time, we are adapting to these challenges by internationalising our firm and moving towards a different type of client base – more financial intermediaries, more financial institutions and more retail investors.

These are exciting times for Baillie Gifford. Our flagship investment trust, Scottish Mortgage, is in the FTSE 100; we now have more than 1,000 full-time employees; we are opening offices in Shanghai and Dublin; we are developing new investment strategies for our clients, such as Positive Change, which focuses on sustainable investing; and we've launched the most high-profile branding campaign in our history. Stuart Dunbar, a partner at Baillie Gifford, talks more about our 'actual investors' campaign later in this report.

So why are we publishing our first company-wide governance and sustainability report now? We have taken these issues very seriously for many years but as we become larger, there are greater expectations about how we behave and we need to be more transparent. In our report you'll discover more about who we are, our shared beliefs and how we govern ourselves – a topic our head of governance & sustainability talks to me about here. We also look at how we invest, our charity and sponsorship programmes, and our commitment to the environment.

We pride ourselves on our curiosity and thinking differently, which is why we are forging links with more academic institutions across the world, from Arizona State University in the US to Tsinghua University in China. Nick Thomas, partner, talks about why we find these links far more valuable than short-term industry research, generally provided by investment banks.

What hasn't changed is our approach to investing and serving our clients. We remain a private partnership, based in Edinburgh, and my fellow joint senior partner Charles Plowden talks more about our shared beliefs, which are part of our DNA here at Baillie Gifford. In Charles's words: "We aim to add value for clients, support companies and benefit society through thoughtful long-term investment."

Our unlimited liability partnership structure, an anomaly in the investment world, is at the heart of everything we do. This structure ensures we are bound together and helps us to put our clients' interests first. It also encourages us to take a long-term view. As an independent private entity, we don't face pressure from outside shareholders or the media to make knee-jerk decisions for short-term reasons.

I hope you'll agree that we have some exciting opportunities ahead of us and there's a real energy and vibrancy about the firm. Enjoy the report.

Andrew Telfer
Joint senior partner

May 2019

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At a Glance

What we do



Our history



We sponsor



Our people

1,128

Permanent employees



Male

51/49%



Female



41

Staff nationalities

Speaking

26

二十六

Languages



44
Partners



Average number of years
partners have worked at
Baillie Gifford:

21

How we Invest

We are long-term investors, not speculators. Our investment philosophy focuses on growth, while our universe of potential opportunities is global. Accordingly, we believe that fundamental analysis and proprietary research are core to a successful, long-term, bottom-up investment approach.

We are able to harness this intellectual curiosity with a rigorous approach where the sharing of ideas and robust debate among our investment teams are central to our philosophy and process.

In equities, our belief is that sustained growth in company profits leads to higher share prices over time. In bonds, we take a differentiated investment approach which focuses on long-term prospects rather than the potential for short-term price movements. Our rigorous process of fundamental analysis and proprietary research, combined with a depth of expertise, allows us to exploit global opportunities over periods of typically five years or more.

We are passionate believers that genuine active management can add value for clients. Our portfolios are very different from the index. The vast majority of our strategies have high active shares. For our largest global and international equity strategies, the figure is around 90 per cent.



“We aim to add value for clients, support companies and benefit society through thoughtful long-term investment”

Charles Plowden, joint senior partner in
Baillie Gifford's 1908 restaurant, Edinburgh

Our Shared Beliefs

Baillie Gifford fosters a culture based on partnership and an investment philosophy focused on long-term growth. Charles Plowden, joint senior partner, sums up the firm's shared beliefs.

We believe that:

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

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

We put our clients' interests ahead of our own

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

We should be actively engaged shareholders of the companies in which we invest

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

Our ownership structure is a key strength

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

Our firm must be an engaging and progressive place to work

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

Our actions and behaviour should support society as a whole

We seek to set a positive example as an investor, as an employer and within our own communities. We aim to uphold and promote the highest standards of service and professional behaviour and to help enhance the reputation of the investment industry.

Actual Investors

Baillie Gifford has launched 'actual investing', its first branding campaign since the firm was founded in 1908. Stuart Dunbar, partner, explains why.

What do we mean by 'actual investors'? Perhaps a good start would be to explain what we are not.

We are not passive investors who think that current share prices capture the future prospects of companies. We don't believe that investment decisions can be made on numbers alone, even by supercomputers and complex algorithms. Passive investing has its place, providing low-cost market access with, on average, better after-fees results than active managers. However, it has little to do with the process of allocating capital to innovative companies – though on that point it has much in common with many active managers.

We are not a typical active manager either: we believe this term has become a one-size-fits-all description which is very unhelpful for investors. It has been hijacked by many fund managers who think it suggests 'activity' and simply being different from an index. The reality is that much of this activity has more to do with trying to outsmart other investors than with the creative deployment of capital, and that defining active as being different from an index is to start in the wrong place. This is why most active investors fail to deliver returns that outperform passive investment strategies over the long term. They're not even trying to do the fundamental job of investing.

Some see the collective failure of active management as an argument to embrace passive investing. We see it as an opportunity to redefine our original purpose of deploying clients' capital into tangible, returns-generating activities.

And we believe that our redefinition is what constitutes 'actual investment'.

This actual investment is not easy in our world of 24-hour news, where complexity and noise are confused with rational judgement. It requires the resolve to focus only on what really matters, to think independently and to maintain a long-term perspective. It requires a willingness to be different, to accept uncertainty and the possibility of being wrong. Most of all, it requires a rejection of the now conventional wisdom that has led our industry astray: investment management is not about processing power, trading and speed. It is about imagination and creativity, and working constructively on behalf of our clients with inspiring individuals and companies who have greater ideas than our own.

Baillie Gifford is privately and wholly owned by its partners. This is the crucial underpinning of our approach: we have no short-term commercial imperatives and no outside shareholders to distract us. We can simply do what's right for clients, and that's what has sustained our business for 110 years (so far).

We believe our approach to investing not only best delivers good outcomes for clients, but also helps to develop great companies that provide for the needs and wants of people, thereby benefiting society as a whole. Investing responsibly for the long term is not counter to outperforming for clients, it's intrinsic to it.



'Actual investors' advertising campaign at Canary Wharf, London.

Baillie Gifford's own Governance

How we Govern
Ourselves

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“One of our biggest challenges is to ensure we continue to nurture and develop our culture and encourage ourselves and our colleagues to do that. This is harder than it sounds.”

Andrew Telfer, joint senior partner

How we Govern Ourselves

As an unlimited liability partnership, Baillie Gifford is an anomaly in the investment world. In a wide-ranging interview about how the company governs itself, Andrew Telfer, joint senior partner, tells Andrew Cave, head of governance & sustainability, why this structure is more relevant than ever before.

Andrew Cave: Why is an unlimited liability partnership the best approach for Baillie Gifford?

Andrew Telfer: Until a couple of decades ago, unlimited liability partnerships were common for professional services firms, not just in the UK but around the world. Now they are very scarce. Most unlimited partnerships, whether investment banks, accountants or law firms, have converted to limited liability partnerships or companies.

We have retained the unlimited structure because we think it's the best model. It gives us the freedom to take a long-term view and to grasp opportunities which will take time to unfold. One of our biggest challenges is to ensure we continue to nurture and develop our culture and encourage ourselves and our colleagues to do that. This is harder than it sounds. It's something we spend a lot of time on.

The partners are personally liable for all debts; our liability is not capped and extends to personal assets. This ensures we are bound together and it focuses our attention on navigating the company in a responsible way through calm and stormy waters. It helps us to put our clients' interests first and makes sure we're doing the very best job for them. As an independent private entity, we don't face pressure from outside shareholders or the media to make knee-jerk decisions for short-term reasons.

Andrew Telfer, joint senior partner,
talking to Andrew Cave, head of
governance & sustainability

Photography by Chris Close.





AC: As a partner, do you feel a heightened sense of responsibility to clients and staff?

AT: The partners generally see themselves as stewards of the firm for the next generation. When you leave the partnership, you sell your stake, you move on and you hope that you will have left the firm in better shape than when you joined. Thinking about the legacy and next generation is very important to partners. That's a very different mindset from thinking "how am I going to maximise my bonus for this year?" or "how am I going to improve my CV so I can leave this public limited company to join another one?".

AC: What are the disadvantages of the structure?

AT: Potentially it could make us too risk averse as an organisation, so we try to be aware of that and monitor it. It could have the potential to be divisive between those who are partners and those who aren't. We try hard to offset this through a staff bonus scheme, which shares profits widely, and a culture of humility and inclusion. Also, an unlimited liability partnership could make us too insular and could make it difficult for us to move on employees who are not performing well.

We have to be careful to make sure that none of these potential disadvantages is allowed to hold us back as an organisation and we try very hard to do that. But the advantages of an unlimited liability partnership far outweigh these disadvantages.

AC: Baillie Gifford has two joint senior partners. Why is this the best approach?

AT: We have had that structure for many years and I find it healthy, as long as you've got clear accountability in terms of what people are responsible for and you've got two individuals who get on well together. It allows us to debate important issues and to share some of the decisions, which hopefully leads to better decisions.

AC: How do you ever reach a consensus with 44 partners?

AT: Very few decisions are made by all our partners. In the vast majority of cases, small groups make decisions on operational, strategic and general management issues. The cases when all the partners are involved in decision making are few and far between.

Our firm has evolved over 110 years, so we don't have to make many big decisions; it's lots of incremental decisions that are being made over time. This is in line with our organic growth: we have never made a significant acquisition and don't intend to.

AC: Could we double the number of partners?

AT: Growing the partnership from here is perfectly possible. The difficult transition was when we went from being a single decision-making body of six to a size at which partners could no longer be involved in every decision. With that well behind us, increasing the number of partners is perfectly possible, as our governance model is scalable.

AC: Are there any plans for an employee ownership scheme?

AT: This is harder to do as an unlimited liability partnership and probably less attractive to staff. What we try to do instead is to share profits using both our firm-wide bonus awards for all staff and our performance awards for bonus scheme members. We think that's a healthy thing to do so that employees can share in the success of the firm without having to either put their capital at risk or share the financial responsibility when the company is going through challenging times. We hope this is an attractive proposition for staff but are always open to feedback.



"I strongly believe in the philosophy of 'servant leadership', putting the needs of our clients and employees first"

AC: You talked about our investment managers taking a genuinely long-term view with companies. How do you incentivise them to think long term?

AT: We're keen to make sure that our incentives are aligned with the behaviour we're trying to encourage. When we talk about long term we must remunerate our investment managers based on this outlook. Their bonuses are generally based on performance over five years, which we think is getting close to being long term. Not there yet, but close. There's also a deferred element to all bonus scheme awards, which is invested in Baillie Gifford funds. This helps to ensure investment manager and client interests are aligned. It's always healthy to eat your own cooking.

AC: How would you sum up your own management style?

AT: I strongly believe in the philosophy of 'servant leadership', putting the needs of our clients and employees first. It's a very different way of thinking about both management style and organisational structure.

Our partnership model shares power and allows individuals to develop and learn from others, rather than being top down or hierarchical. We encourage a sense of personal ownership and professional conduct throughout the organisation. I hope people feel engaged and have personal responsibility towards both the firm and our clients. Our culture is extremely important and something we must continue to work hard on.

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Building Relationships with Experts

Nick Thomas, a partner at Baillie Gifford, explains why he favours links with academics and their institutions over traditional sources of investment research.

Nicky Ragge dreams of giving sight to those born with malformed eyes. For over 18 years, the professor at Oxford Brookes University has been researching the genetic codes that control the development of the human eye, which is one of our most complex and important organs. Her goal is to develop treatments that can replace missing or malfunctioning genes to help to preserve sight, or even promote new growth of the cells within the eye.

Her ambition fascinated us on a human level as well as on its ground-breaking prospects for healthcare. That's why we are providing financial support for her work. We like to do things differently at Baillie Gifford. This includes the way we seek to identify developments that will disrupt the world we live in. Typically, investment managers have relied on company and industry research, generally provided by investment banks. As a consequence, most use similar information. Our curiosity led us down a different road.

One of the ways we've done that has been through sponsoring literary festivals across Britain – the 2019 programme includes

large events at Cheltenham and Edinburgh as well as the much smaller Henley and Boswell festivals.

This support allows us to invite authors into our offices to share their views. Among those who have visited us are Branko Milanovic, a former World Bank economist and a writer on global inequality, and Silicon Valley entrepreneur Martin Ford, whose work covers the economic risks posed by robots. And we benefited from the unique insights into Iran and China offered by human rights lawyer Shirin Ebadi, and Xiaolu Guo, a film maker and author whose latest book chronicles her childhood in a small Chinese fishing village.

We also heard from academics whose talks piqued our interest and prompted us to form links with educational establishments in Edinburgh and Glasgow. Then – as the map on the following page shows – we gradually extended our search geographically and discovered other intriguing and clever people.

Baillie Gifford's academic links

We are supporting or have consultancy agreements with the following academics and universities



UNITED KINGDOM

University of Cambridge

We have sponsored the newly-created role of programme director on Responsible Artificial Intelligence at the Leverhulme Centre for the Future of Intelligence, University of Cambridge.

Oxford Brookes University

The goal of Professor Nicky Ragge at Oxford Brookes University is to understand the numerous genes responsible for the underdevelopment of the eye in children, and to research possible treatments.

Durham University Business School

Professor Carol Adams of Durham University Business School is an expert on integrated reporting, which combines financial analysis with corporate sustainability and environmental impact.

London Mathematical Laboratory

The Ergodicity Economics programme at the London Mathematical Laboratory is run by Ole Peters, an expert on randomness in the context of economics.

University of Sussex

The Science Policy Research Unit in the School of Business, Management and Economics at the University of Sussex researches deep transitions to understand how past trends can help to imagine the future.

University College London

University College London's Institute for Innovation and Public Purpose was established by Mariana Mazzucato to rethink how public value is created, nurtured and evaluated.

FRANCE

Toulouse School of Economics

Toulouse School of Economics is one of Europe's leading economics institutions and we are helping it establish a Sustainable Finance Centre.

NETHERLANDS

Delft University of Technology

Delft University of Technology is renowned as a leading centre for engineering and technology. The collaboration gives us access to innovative thinkers.

UNITED STATES

Santa Fe Institute

Baillie Gifford is a member of the Santa Fe Institute's Applied Complexity Network. The network is a platform for exchanging ideas with global leaders in science and technology.

Arizona State University

Professor Hendrik Bessembinder at Arizona State University is the author of groundbreaking research on historical stock market returns in the United States.

CHINA

Tsinghua University

Baillie Gifford is partnering with Tsinghua University to fund research into the fascinating area of computational biology, which gathers insights from data to diagnose disease.



We found that there is more to the Dutch city of Delft than its world-famous pottery. It is also home to a university with world-class aeronautics and artificial intelligence facilities. Delft University of Technology's research in these areas has been underplayed and largely overlooked. We are very interested in its work.

Our search for contacts outside the corporate world has led to links with diverse organisations and projects, among them the revolutionary work of Nicky Ragge mentioned earlier. Others include a sponsorship arrangement with University College London, where the renowned economist Mariana Mazzucato leads research into how the public and private sectors can work more effectively together – a project with potentially significant implications for us as investors.

Baillie Gifford also has a consultancy agreement with Professor Hendrik Bessembinder of Arizona State University, author of a recent work on historical stock

market returns in the US. In his research paper 'Do Stocks Outperform Treasury Bills?', Bessembinder provides evidence that the entire wealth creation of the US stock market since 1926 is attributable to a mere 4 per cent of its companies. And although the research has attracted much attention, its full ramifications seem to have been almost entirely ignored. We were sufficiently impressed with the work that we have commissioned Bessembinder to carry out additional research on our behalf.

We believe that providing ongoing support, and sometimes funding, puts us at the junction of education, science and philanthropy. We have a firm-wide research budget and feel that using some of the money in this way is of greater value than following the herd and buying research from investment banks. The findings are shared across our firm, thus benefiting all of our strategies, funds and investment trusts. We regard it as a combination of research, sponsorship and good citizenship.



We hope our links with academia can accelerate the pace of research and bring forward possible benefits for society. These collaborations fit with our long-term approach to investing, which lends itself to supporting projects that take time to reach fruition. Funding over such a timescale is rare in academia.

Baillie Gifford has no desire for control over this work. We want to encourage experimentation, diversity and autonomy. In our experience, showing a genuine interest means that academics understand that our partnerships are about more than simply financial aid. This differentiates us from our competitors.

By its nature, a long-term research programme may never deliver the anticipated outcome. Those projects that come to nothing should be seen as experimentation, not failure. However, those that do work could be hugely valuable in developing our thinking on a wide range of subjects.

Investment Stewardship

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Approach

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Defining our Approach

What do we mean by stewardship?

Our commitment to responsible stewardship of our clients' holdings is as old as our firm. Our clients trust us to oversee and manage their investments for the long term, and stewardship of their holdings is a core part of this commitment. All of our investment staff are involved in our stewardship work, and as long-term investors we believe that our approach to monitoring holdings, engaging with management and voting thoughtfully supports investment performance. When you aim to invest in a company for many years, ongoing oversight of the firm is just as important as the initial investment decision.

But we also believe that we have a wider 'stewardship' role to play in encouraging responsible, long term capitalism. Companies' approach to governance issues can have a material impact on society, and we should continue to use our influence to encourage sustainable long-term practices. More broadly, our firm is based on our ability to invest in stable and functional public markets. It is therefore in our own long-term interests to ensure that the business sector enjoys ongoing stakeholder support and political, legal and regulatory backing around the world. This will only happen if companies are seen to be operating with integrity and in a way that respects the interests of wider society.

What do we consider to be ‘best practice’ in corporate governance?

There is no simple answer to this. Just as there is no universally ‘right’ way to invest in the stock market, or to manage a pension fund, there is no ‘one-size-fits-all’ approach to corporate governance that should always be followed. We are open-minded about the different ways to govern and manage a company, and we are pragmatic about the significant differences in both expectations and actions that exist across different countries. For example, we don’t have a fixed view with regard to the composition of a company’s board of directors. Effective boards can and do take many forms, and some of the least effective boards conform to the full range of widely accepted corporate governance ‘norms’. For this reason, we are sceptical of the usefulness of overly prescriptive policies and checklists when analysing, engaging and voting on corporate governance issues. Just as our investment research is bottom up, we prefer to take a case-by-case view on governance, focusing on what works in practice:

- Are we consulted by management?
- Are we respected as minority holders?
- Is executive compensation consistent with performance?

Ultimately, we want to be in a position where we can step back and trust management to take a long-term view and to look after our clients’ interests as minority shareholders.

Voting

Thoughtful voting of our clients’ holdings is an integral part of our commitment to stewardship. We believe that voting should be investment-led, because how we vote is an important part of the long-term investment process, and for this reason we always strongly prefer to be given this responsibility by our clients. The ability to vote our clients’ shares also strengthens our position when engaging with investee companies. Unlike many of our peers, we do not outsource any part of the responsibility for voting to third-party suppliers, and we endeavour to vote every one of our clients’ holdings in all markets. Our governance & sustainability team oversees our voting analysis and execution in conjunction with our investment managers.

We will always review the merits of proposals on a case-by-case basis rather than by following restrictive rules. Checklists often by necessity revert to focusing on inputs rather than outcomes. For example, it is easier to draw up a rule dictating how many other company boards a director can be on than to try to determine whether their performance as an independent director is effective. A formulaic approach to governance can often lead to recommendations that just don’t make sense to us in an investment context – attempting to vote a successful founder CEO off the board because he or she is also company chairman, for example.

Engaging with Companies

We often get asked about how we engage with the companies we invest in. Here are some examples.¹

Tesla – Critical Engagement

Tesla is the driving force behind the adoption of clean auto technologies. In meetings with the CEO, board members, and execs, we offered support for their ambition and vision, and discussed a wide range of topics. After careful consideration we voted in favour of the controversial remuneration proposal. We examined this resolution in detail, including a call with Antonio Garcias (senior independent director) and Deepak Ahuja (CFO). Our decision recognised the clear alignment the policy creates between Elon Musk and shareholders over the very long term. We also publicly expressed dissatisfaction with some social media comments made during the summer. Later in the year we had several calls with Mr Musk regarding the proposal to take Tesla private. While respecting his rationale, we urged him to reconsider and explained the practical implications for many of Tesla's current shareholders. Separately, we spent time with Laurie Shelby, head of environment, health and safety, at its Fremont site. This site visit provided considerable assurance regarding employee welfare.

Looking forward, we will shortly be meeting with the new chairperson, Robyn Denholm, and we are excited about prospects for this company. At the same time, we have concerns about the malignant influence of short-sellers and their effect on the way Tesla is portrayed in the media.

Amazon – Fact Finding

This company epitomises the benefits of long-termism, but like many tech companies it faces new reputational risk challenges. Employee working conditions have been a priority and the company has provided helpful information on working conditions and staff sentiment. Our engagements have also covered future board refreshment plans, sustainability developments and platform integrity (central to the trust customers will have in Amazon in future).

BBVA – Influencing

BBVA is in the midst of an ambitious transformation programme which is seeing it shift from a traditional branch-based banking model to one rooted in digital. We are aware of the competing interests of different stakeholders and the potential for this diversity of views to curb long-term value creation. We have been engaging with the leadership team and encouraging them to back themselves to deliver on their long-term vision even if this depresses medium-term profitability. Linked to this, we made it clear that we would support asset sales and/or a cut in the dividend if they felt this could accelerate the transformation process.

MercadoLibre – Influencing

MercadoLibre is investing heavily to take market share and maximise its long-term opportunity. Increased investment in logistics will help to cement this platform as the dominant ecommerce channel across Latin America. We believe that consistently supporting investment, even when it negatively impacts the share price in the short to medium term, can be beneficial in empowering companies to make the right long-term decisions for their business and therefore for our clients. This type of conversation, offering truly patient capital, is, we believe, unusual and often overlooked in terms of its importance to long-term returns.

¹Note: not all stocks are held in all client portfolios.

Kering - Influencing

We expressed our concern about the proposed remuneration plan, which we feel does not provide sufficient incentive for ambitious long-term thinking. We used the same meeting to discuss sustainability topics, including sourcing practices and R&D in responsible materials.

Genmab - Influencing

Genmab's commercial arrangements with drug development partners make a takeover bid possible, and we have explored this scenario with the company. Our preference is for growth companies to remain independent. Pleasingly, Genmab has the same view; CEO Jan van de Winkel highlighted the value squandered in other biotech deals, and stressed that, if the situation arises, the company hope that long-term investors like us would support its desire to remain independent.

BASF - Fact Finding

BASF is rightly considered an ESG leader, albeit in a heavily industrial sector with significant environmental impacts. We welcomed the appointment to the board of Saori Dubourg, who has both enthusiasm for and experience of sustainability; something which we would like to see more broadly on boards. Our meeting with Ms Dubourg provided reassurance that BASF regards early-stage capital spending on high industrial standards as a way to reduce environmental and regulatory risk, marrying with our long-term investment horizon.

China

New Oriental - Fact Finding

Over the last few years we have proactively engaged with management regarding their digital strategy. These conversations have reflected our extensive on-the-ground research in China, where our findings point to an acceleration in the shift to digital data-based teaching models. After developing a close relationship with the management team, and covering this topic in detail, we decided to sell the shares.

Alibaba - Fact Finding

We engaged with the company's management team to learn more about its partnership structure, which will be central in ensuring its long-term perspective continues as Jack Ma steps back from his day-to-day involvement. With our own firm a partnership, we appreciate the long-term perspective that such a structure can bring, and its role in helping the company ignore short-term pressures.

FCA and Ferrari - Fact Finding

Following Sergio Marchionne's very sad death in the middle of 2018, we deliberately gave some space to the management of both FCA and Ferrari, offering our condolences and continued support, without wanting to distract them from an entirely necessary period of internal contemplation. Towards the end of the year, we had useful discussions with the new CEOs of both companies, as well as with John Elkann, chairman of FCA, Ferrari and EXOR, to hear their thoughts – and offer our own – on the long-term challenges and opportunities facing the businesses.

Our People

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Preserving Culture

Retaining our culture, attracting talent and encouraging diversity: these are three of the top priorities for our group human resources director, Tony Brown. Alexandra Simpson, a trading support analyst who recently completed our graduate trainee scheme, asks him how he is addressing these challenges.

Alexandra Simpson: How does Baillie Gifford attract talent?

Tony Brown: Firstly, there's our unique culture. I joined the firm six years ago and can still remember the day I started. It was the first time in my career that I'd had a proper induction. There was a personal touch, which is an important part of our culture – we want our staff to feel valued from day one.

Secondly, there's teamwork, which Baillie Gifford does differently from other large organisations. There is less competitiveness between departments because we're all working for the same purpose: to do the best for our clients.

Additionally, we treat our staff well. This goes beyond pay and benefits. We have a mental health group, which is there to support staff. There's an employee-led Lesbian, Gay, Bisexual & Transgender network, which has done a great job of raising awareness in this area. And we

have a number of social events that staff are invited to throughout the year. These elements are just as important as what we pay our staff when it comes to attracting talent.

AS: As the firm continues to grow, how can it retain its culture?

TB: It's not going to be easy. When I joined there were 750 people at the firm and now there are about 1,100. We've got an office in Hong Kong and a growing presence in the US, and we opened a Dublin office in 2019. More of our staff want to work out of our London office, or from home. Inevitably, this will have an impact on our culture, but it doesn't mean we can't retain the core elements.

Our shared beliefs demonstrate what makes our culture so robust. The focus on our clients, how we treat our staff, the welcome that new joiners get and the partnership structure: those are all key to our culture.

AS: Although the partnership structure is positive from a cultural point of view, has it limited progress on aspects of diversity and inclusion because the firm hasn't had the same external pressures applied to it that other companies have?

TB: The partnership acknowledges that it has a lot of work to do on diversity and inclusion. Although it will take time, it is at the forefront of our minds when we're doing pay reviews, and when we are recruiting and promoting staff.

As part of our commitment to being a fair and progressive employer, we recently improved our parental leave policy to provide more support to parents during the first year after their child's birth or adoption. Any permanent employee becoming a parent, irrespective of gender or length of service, will have the option to take up to 52 weeks leave. Their pay will be at full salary for the first 26 weeks and half salary for a further 13 weeks. We believe that over time this should help to close our gender pay gap.

When we published our gender pay gap report last year we were criticised by the press for putting out, in their view, misleading figures because we didn't include partner pay. However, the legislation said that we should disclose employee pay, and partners aren't employees; they are owners of the firm. People often forget that. However, we have included partner salary data in this year's gender pay gap report.

Aside from the gender pay gap, in some instances our partnership structure allows us to be more creative and inclusive. We let initiatives grow and realise that small groups of people can make a difference. A lack of bureaucracy helps us to do that.



"There is less competitiveness between departments because we're all working for the same purpose: to do the best for our clients"

AS: Would you be willing to set targets to help reduce the gender pay gap?

TB: It's the underlying activity not targets on their own that will help an organisation to reduce its gender pay gap. We need to continue to develop people, give opportunities to those who are willing and ensure fairness in our remuneration process. Targets can be used on their own but in my view they have a tendency to force outcomes rather than build sustainable change.

Instead, we are looking at our internal and external practices. We are spending more time on how we develop our people and assess whether we're giving them the right opportunities at the right time. And if we're giving more opportunities to men, we need to ask ourselves why this is happening. We have some good examples that we can learn more from: the gender diversity in our investment research graduate recruitment programme is roughly 50 per cent female, 50 per cent male.



Tony Brown talking to Alexandra Simpson.

“I’m a big believer in growing our own talent and promoting people who have the skills to take the next step”

Tony Brown, group human resources director

AS: When it comes to recruitment, is the firm too elitist?

TB: It’s a good question. We attract some of the brightest people and many of them are, by virtue of their intelligence, Oxbridge educated. However, these institutions are now challenging themselves to cast their net wider and attract students from different backgrounds, which is encouraging.

We don’t rely on Oxford or Cambridge when recruiting, especially at graduate level. We work with Birmingham, Manchester, Glasgow Caledonian and Aberdeen universities, for example. These developing relationships are helping us to reach a broader range of students.

Additionally, we have launched a modern apprenticeship programme, which will help us to attract talent from different backgrounds.

AS: What development opportunities are available to staff?

TB: We have lots of internal training, covering everything from professional qualifications to softer elements such as presentation skills. We also have an online portal with extensive material available to all of our staff. Across the firm, we have staff regularly attending conferences and industry events, which is another way to develop skills.

I’m a big believer in growing our own talent and promoting people who have the skills to take the next step. Recently, however, we’ve had to look externally for people to fill some senior roles and that’s ok, as it brings diversity of thought and fills a skills gap we had internally. We do need to consider how we address this in future, and I’d like to see us giving people more opportunities at an earlier stage in their career. We need to be ready to take a risk with people and give them the right level of support to succeed. I benefited from opportunities early in my career and it had a profound impact on my development. I’d like to see us do more of this and encourage those people who have the skills and desire to progress.



Stories from our Staff: Lynn Dewar

A 26-year-long career at Baillie Gifford means Lynn, who is a partner, has seen the firm change in many ways, especially when it comes to how we approach diversity and inclusion.

I joined Baillie Gifford as a client service manager. At the time, I was the only female in a team of five. Things look very different now; almost 40 per cent of client contacts are female.

That said, my gender has never held me back. When I started my role in client service, I was relatively young compared to the rest of the team. My colleagues were supportive, and I was given plenty of opportunities to present to existing and potential clients. This positive experience helped me realise how important it is to have the support and encouragement to make the most of all available opportunities.

My interest in training and recruitment has led me to be involved in several different initiatives across my career, including our Client Service Manager Trainee Recruitment Programme. It launched nine years ago, and we have had an even gender split of new starts. Cognitive diversity is hugely important to us, so we recruit people from different backgrounds with different experience, who can bring new ways of thinking to the firm. For example, previous recruits to our training programme have included a former professional rugby player, an energy trader and a pilot.

I'm also a member of our Diversity and Inclusion Group which is made up of six individuals from different parts of the firm. Since the group formed in 2016, we've supported colleagues who have led various initiatives, from setting up an LGBT network to creating a group of people who can support individuals with mental health issues. We are encouraged by this positive response and are working on a number of other new ideas from employees.

Diversity and inclusion are close to my heart as a working mother. I appreciate the challenges that come with a full-time job and raising children. Two periods of maternity leave in my career have given me a different perspective on taking a period of extended leave. Whatever the circumstances, when someone is out of work for a while it can affect their confidence. It's important for colleagues to be aware of this.

If I were to give advice to those who are juggling a career and demands at home, it would be to ask for help when you need it, both at work and at home. It's not a sign of weakness. In fact, recognising when you need more support can be a sign of strength.



Lynn, reading at home.



Stories from our Staff: Kave Sigaroudinia

Kave, a partner at Baillie Gifford, shares his experience of working with mental illness.

I joined Baillie Gifford as an investor in 1999. I was suffering from depression and anxiety at the time and have battled with the illness throughout my career. The experience was particularly acute during my first ten years at the firm.

It took me some time to talk to my colleagues about how I was feeling. But once I did, I was put in touch with a counselling service, which really helped me to manage the illness. I was incredibly grateful to my colleagues for supporting me to do this – they were understanding, patient and keen to help me however they could.

Thankfully, I now feel good most of the time and can acknowledge both the positive and negative effects of my depression and anxiety. On the plus side, I'm more self-aware and analytical, which brings a helpful perspective to the investment decision-making process. It's also taught me empathy, which I hope has made me a better parent, friend and colleague than I might otherwise have been.

On the downside, coming into the office when depressed isn't easy. Putting on a brave face, staying focused and performing at the level the job demands takes an emotional toll. As a result, I know first-hand what imposter syndrome feels like. But when I feel good everything looks different and I can see the world in a much more balanced way.

Despite having had these challenges throughout my career, it hasn't held me back. My peers still acknowledged that I was doing a good job and, although they were fully aware of the anxiety issues I faced, I was promoted to partner in 2012. I didn't feel excluded or left behind on account of my mental health. Instead, I felt nothing but support.

Last year, we introduced mental health supporters at Baillie Gifford. This group of 40 staff members are trained to support their colleagues with any mental health challenges they may be having. They are easy to get in touch with and provide those who need it with someone to talk to. Often all that people need is someone to listen and show that they care. That was certainly the case for me. Once I opened up about how I was feeling I was able to get the support I needed.

Kave, walking his dogs Honey (left), B (middle) and Bumble (right).



Stories from our Staff: Sam Rooke

Sam, an analyst in the governance & sustainability team and co-chair of the firm's Lesbian, Gay, Bisexual & Transgender network, tells us why it's important for staff to be able to bring their whole self to work.

Six out of ten LGBT graduates go back into the closet when they enter the job market. This was one of the striking stats we heard from Stonewall, the LGBT charity, when they talked to us at Baillie Gifford a few years ago. The talk inspired us to set up the firm's Lesbian, Gay, Bisexual & Transgender network.

It made me think about my own experience of 'coming out' at Baillie Gifford. I was chatting to a colleague, who asked me if I lived with anyone. I was living with my boyfriend (now husband) at the time and for a second I thought, "What do I say?". Sharing this meant disclosing my sexuality and 'outing' myself at work.

If I'm honest, I was apprehensive about how my colleague would react. But it didn't stop me saying that I lived with my boyfriend and the conversation continued as normal. However, it made me question whether others would have felt as comfortable as I did. That's when I realised the only way people will feel that they can be themselves at work is if they know they are included and accepted. It made me see the value in having an employee-led network.

As a result, the network was founded in 2017 to support an inclusive culture and open working environment. It's made up of people who care deeply about LGBT issues and want everyone to be able to be themselves at work.

Since we launched the network, we've taken part in Pride Edinburgh, encouraged colleagues to wear rainbow lanyards and hosted a number of events, some just for network members and others for all employees. We've had great feedback from colleagues, which has helped us in making progress and educating people about the network's aims.

In the future, we want to focus on how we can support our transgender colleagues, as well as continue to raise awareness of LGBT issues with staff. We have started a conversation and hope that everyone, regardless of their sexual orientation or gender identity, can feel comfortable being themselves at Baillie Gifford.



Sam, a food fanatic, learning how to make sushi.

Environmental Management

**Our Carbon
Footprint**

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**Green
Business**

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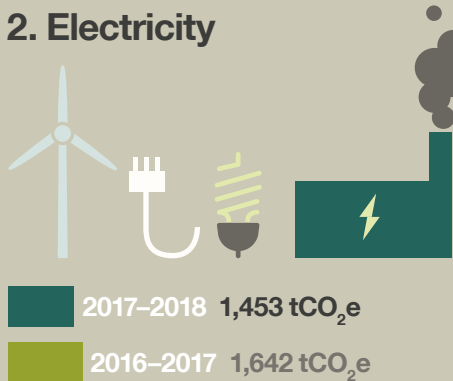
Our Carbon Footprint

Top Contributors

1. Business travel



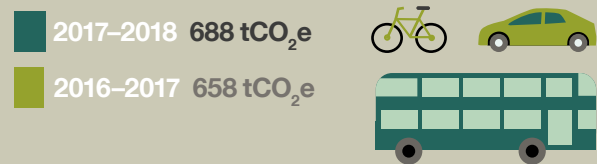
2. Electricity



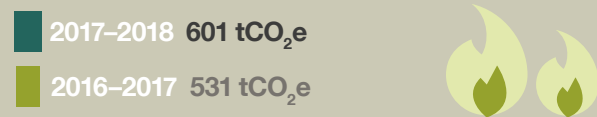
3. Goods and services



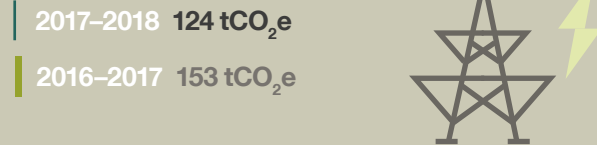
4. Employee commuting



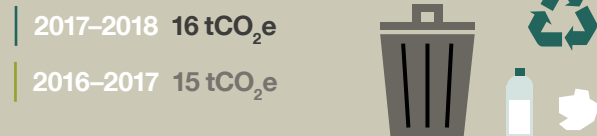
5. Gas



6. Fuel and energy-related activities



7. Waste generated in operations



1 tonne of CO₂ would fill a semi-detached house



Contributors to Carbon Footprint

Changes between 2016–2017 and 2017–2018



Our Response

Some of our environmental initiatives

Carbon offsetting

We offset all of our carbon emissions. We are supporting The Gola Rainforest National Park in Sierra Leone



Environmental sustainability group

Meets quarterly to discuss green issues and how to address them



Environmental sponsorship

The firm dedicates a budget to environmental initiatives



Bike to work scheme

28 new bikes over the footprint period



Forest Stewardship Council (FSC) Certification

Focus on using sustainably sourced paper for our printed material



Reducing food waste and the carbon impact of our food

Looking at healthier options and 'food miles' travelled for food in our new canteen



Methodology

These figures compare our carbon footprint in 2017-18 to 2016-17. In each year of calculation, the Carbon Trust has independently verified that our figures are accurate. The comparison does not take into account the growth of Baillie Gifford's employees over this period which has increased by 11 per cent. This should be factored in when assessing the changes in business travel and other contributors.

Green Business

An environmental crisis is looming. Here, against the backdrop of the Royal Botanic Garden in Edinburgh, environmental journalist Patrick Small, asks Baillie Gifford's Tim Garratt how the firm is responding.

In October 2018, the UN Intergovernmental Panel on Climate Change (IPCC) warned that we have less than a generation to limit a climate change catastrophe. The report from the world's leading climate scientists cautioned that there are only 12 years to act to restrict global warming. "This is the largest clarion bell from the science community," said Debra Roberts, a co-chair of the IPCC's working group. "I hope it mobilises people and dents the mood of complacency."

This impending crisis demands that businesses improve their green credentials, investigate ways to reduce damage caused by commercial activities and harness their power for good. Baillie Gifford has

been thinking carefully about this issue, and partner Tim Garratt is co-ordinating efforts to become more environmentally responsible. Garratt and his colleagues realised that to credibly engage with their stakeholders, they had to put their own house in order. Thus, an extensive carbon footprint report was commissioned in 2017.

Ambitious and detailed, it examines many aspects of Baillie Gifford's business, from every unit of energy burned to every flight made. It illuminated the firm's major contributions to greenhouse gas emissions, including gas, electricity, goods and services, waste and all other fuel and energy-related activities.



Patrick Small: How do you approach environmental management?

Tim Garratt: A decade ago the Green Group was established to raise awareness about our environmental impact. The group has supported a range of initiatives in areas such as recycling and sustainable commuting, for example cycling to work.

One of our core responsibilities and beliefs is that our actions and behaviours should support society as a whole. This includes our impact on the environment. We're seeing more interest from our colleagues in this area, and our clients are also asking more questions about it, so we widened the scope of the group and renamed it the Environmental Sustainability Group.

Last year, we analysed our carbon footprint, which covered our Edinburgh offices, business travel and staff commuting. In the 2017-18 assessment, our carbon footprint was 13,871 tonnes of carbon dioxide equivalent (tCO₂e). Almost three quarters of our 2018 carbon footprint is due to travelling to meet our clients and the companies we invest in on their behalf. That's over 14,000 flights a year.

PS: How is Baillie Gifford offsetting its carbon emissions?

TG: We teamed up with an environmental and social impact organisation called ClimateCare to look at how we can offset our emissions. We're doing this by supporting The Gola Project to preserve 70,000 hectares of tropical forest in Sierra Leone. On carbon, we're also working with Trees for Life, a charity dedicated to restoring the Caledonian Forest through planting trees in the Scottish Highlands. Additionally, we've backed the Scottish Association for Marine Science, funding a machine analysing ocean plastics, to understand more about how long plastic has been in our oceans.

PS: What actions will Baillie Gifford take on the findings of its carbon footprint report?

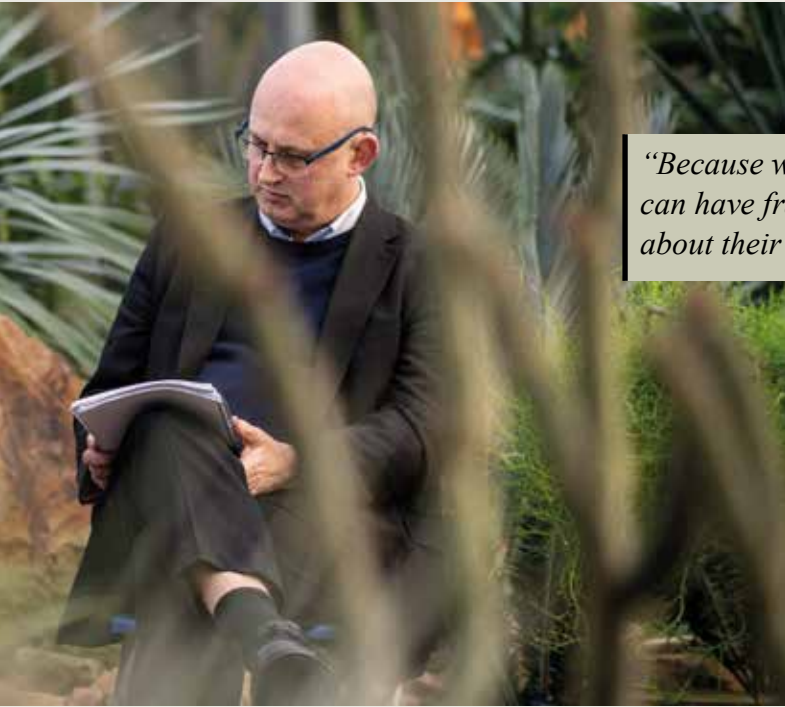
TG: I mentioned that goods, business travel and electricity consumption are the top three contributors to our carbon footprint. We're exploring different tariffs and suppliers of sustainable energy for our office. Looking further into our supply chain, we discovered that the plastic packaging used for *Trust* magazine, our investment trust publication,



had a high carbon footprint. We have moved to paper packaging for *Trust*, which will make a huge difference. While these are positive steps, we are conscious that there is still a huge amount of work to do.

PS: Could you reduce air travel by using digital communication?

TG: Over the next 5 to 10 years our client base is likely to grow and become more geographically diverse, so if anything we expect the number of flights to increase in the short term. In the medium term, we need to see how technology can help. Do clients really need face-to-face meetings all the time? Video conferencing technology is improving and people are becoming more comfortable with having detailed conversations remotely. We're also exploring other emerging technologies such as augmented and virtual reality. It's an ongoing discussion.



“Because we’re long-term investors we can have frank discussions with companies about their behaviour”

PS: What sort of questions are your stakeholders asking about this subject?

TG: From many of our clients, there is more emphasis on sustainability as part of corporate governance. We’re also seeing a shift in attitudes from a number of the companies in which we invest. There’s increasing recognition that this isn’t just a box to tick or a good piece of PR. Companies need to be thinking about these things deeply because if they’re not, they will face material operational and supply chain risks, disenfranchised customers and serious reputational damage.

PS: How do you assess environmental issues in your investments?

TG: Our governance & sustainability team has 13 people and is set to grow further. The team engages with companies, not just on the environment but on remuneration, board structure and broader governance. Our responsibility is to help improve

companies and their levels of disclosure, to make sure they are managing the consequences of their activities. Because we’re long-term investors we can have frank discussions with companies about their behaviour, about what changes we expect over one to five years, and we can hold them to account.

PS: Are a lot of the challenges we’re facing down to society’s attitudes to consumption?

TG: There is a strange obsession with economic growth – the idea that GDP growth in particular – should be an end unto itself. The quality of growth and its constituents matter a lot more. Let’s say for example that demand for oil shrinks dramatically over the next 20 to 30 years. Energy costs fall as people move towards renewable sources - that’s quite deflationary, but it’s positive. Many companies we invest in now are providing services rather than goods. Because of the shared economy people are renting a lot more than buying. Autonomous driving could result in a big change in vehicle ownership with more people renting as opposed to buying cars. This trend has the potential to dematerialise large parts of our economy, so the value will shift elsewhere. I don’t think many kids grow up these days dreaming of owning a car or other material goods in the way that people did in the past.

Supporting our Communities

Baillie Gifford does not seek to gain any commercial benefit from its corporate citizenship programme; it is purely philanthropic.

**Corporate
Citizenship**

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Roll**

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**A Life off the
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“We believe that in supporting communities socially, economically and environmentally, we are helping to make a positive difference where it’s needed most”

Mark Urquhart, chair of Sponsorship Committee
in the National Museum of Scotland, Edinburgh

Corporate Citizenship

From the streets of Edinburgh to the countryside of Cambodia, Baillie Gifford's philanthropy is felt far and wide, as Mark Urquhart, chair of our Sponsorship Committee, explains.

As investment managers, our core purpose is to generate positive returns for our clients. So, when we say that we sponsored V&A Dundee's opening exhibition or that we are supporting Streetwork, the homelessness charity, I often get asked what the connection is with our firm.

The answer is simple. We believe that in supporting communities socially, economically and environmentally, we are helping to make a positive difference where it's needed most. Often, this support is financial. For example, in the case of United World Schools, our donations have helped the organisation to build schools in Nepal and Cambodia and to provide education to children who would otherwise never go to school.

We are well known for being enthusiastic supporters of the arts. The arts can be undervalued – and often under-funded – but we know that they bring a whole host of benefits. Take our sponsorship of V&A Dundee, for example. While we may have supported only its inaugural exhibition, Ocean Liners, the

museum has had a ripple effect across the city of Dundee, helping to make it a better place to live, work and visit.

Our sponsorship programme is purposefully broad. Why? Because we ask ourselves the same question every time we receive a proposal: will Baillie Gifford's support make a meaningful difference? That means we are as open to supporting our Charity of the Year, Streetwork, as we are to sponsoring a small grassroots sports initiative like Lothian Derby Dolls, which has set up a roller derby group on the outskirts of Edinburgh.

On the following pages, you can hear from Lothian Derby Dolls, Streetwork, United World Schools and V&A Dundee as they talk about their initiatives and the difference our funding has made. These are just some of the charities we support. You can find a full list on the Baillie Gifford website.

On a Roll

Case study: Lothian Derby Dolls

Roller derby is one of Europe's fastest growing female sports and after hearing from Lothian Derby Dolls it's easy to see why so many women are strapping on skates and taking to the tracks.



"I love the community feeling that comes with being part of Lothian Derby Dolls..."

to roller derby, which means it has wide appeal. "One of the joys of playing with Lothian Derby Dolls is that there is a role for everyone," says Cotter. "I have grown in confidence and I've become fitter; I didn't appreciate how good a workout roller skating could be."

Beyond the obvious physical and mental health benefits, exercise can promote confidence, broaden our social horizons and help us gain new skills. All of these are attributes that Baillie Gifford aims to pass on to others through its Grassroots Sports Fund, which is run by Foundation Scotland. The programme was launched following the successes of the 2012 Olympic Games in London and the 2014 Commonwealth Games in Glasgow to support small sporting organisations.

One such initiative is Lothian Derby Dolls, a roller derby league which trains in Edinburgh. "The league welcomes everyone – we want anyone who is interested to enjoy all that the sport has to offer," says Katherine Cotter, a skater with Lothian Derby Dolls.

Roller derby is a fast-paced sport, played on roller skates, that places emphasis on speed and strategy. Inclusivity is central

Running a roller derby league is no easy feat; the sport is built on a 'for the skaters, by the skaters' ethos, so it's up to the members to keep the league going. As a result, funding is crucial, and every little bit goes a long way in running a successful league. "The grant we received enabled us to introduce a 'help-to-buy' scheme," explains Cotter. "This allows us to support new skaters to meet the initial cost of their equipment. In other words, it breaks down the financial barrier, which encourages people to join who may have been unable to do so otherwise."

For Cotter, the best thing about roller derby is being part of a team. "I love the community feeling that comes with being part of Lothian Derby Dolls," she enthuses. "The team supports and challenges me to improve, and I could never have imagined I'd get so much from roller skating."

A Life off the Streets

Case study:
Streetwork

Streetwork, the homelessness charity, tells us about the support it offers to those who don't have a safe place to sleep.

In 2017 there were 34,972 instances of people registering as homeless and 10,933 households living in temporary accommodation across Scotland. What's more, the number of people regarded as homeless in Scotland recently increased for the first time in nine years, so there is undoubtedly a problem.

It's this problem that Streetwork has been working to address. "Our street team reaches out to people on the streets and those who are at risk of homelessness," explains Emma Colgan, crisis team leader at the charity's Hub in Holyrood, Edinburgh. "Individuals are then referred to our Holyrood Hub, a drop-in centre where people can get further support with the hope of resolving their homelessness situation."

The primary goal of the service is to help people find housing, but there are also other considerations. "Although our end goal is to help resolve homelessness situations, often someone may be facing a myriad of problems," says Colgan. "Therefore, in most cases we don't just focus on housing. Often people will want to review their finances or increase their social network before they are in a position to tackle their lack of housing."

There isn't a one-size-fits-all solution, which is why the Hub offers a variety of practical and emotional support. Amenities which may be taken for granted in ordinary day-to-day life, such as showers, computers, laundry facilities, storage space and a correspondence address, are supplied at the Holyrood Hub. Staff also offer support in setting up and attending appointments, and they facilitate workshops for skills development. Additionally, partner organisations come to the Hub to provide services people may not otherwise have access to, such as healthcare, vets and a barber.

As Baillie Gifford's Charity of the Year, Streetwork receives financial support from the firm. Staff fundraise in a number of different ways, from cake sales to quiz nights, with all funds raised being matched by the partnership and given to the charity. Baillie Gifford also offers 'in-kind' support, which includes buying 'wish list' items. For Streetwork, this included crockery to serve meals on at the Hub.

A key point for Colgan is attracting more volunteers. "To keep doing the good work we do, we need to build up our volunteer base," she says. "This will allow us to offer more support to those who don't have a safe place to sleep."

We Teach the Unreached

Case study: United World Schools

Over 25 million children in rural, low-income regions across the globe have no access to basic primary education. United World Schools tells us how it is trying to change this.

In the western world we consider access to education a basic right. However, in rural east Asia, many children don't have the opportunity to go to school.

United World Schools is helping to change this. Established in 2008 with the mission to 'teach the unreached', the charity is dedicated to improving educational opportunities for the world's poorest children by building schools in hard-to-reach areas such as Cambodia, Nepal and Myanmar.

When it comes to building a new school, the construction element is only one piece of the puzzle. "Before we start building a school, we hold community consultations to certify that there is a commitment to send all children – regardless of gender – to school," explains Emma Tierney, associate director for development at United World Schools. "Child labour can be a problem in these areas, so it's paramount that there is an understanding of how important education is and the difference having a school can make. Our engagement with the community throughout the process helps us progress towards our long-term goal; ultimately we want the community to take ownership of the school."

Thanks to Baillie Gifford's support, United World Schools recently built a new school in north-east Cambodia. "There are around 150 students, with an equal number of



girls and boys attending. This should be celebrated, as getting girls into education in Cambodia is a challenge," says Tierney.

The charity has ambitious targets. Tierney concludes: "Our medium-term goal is to get 50,000 children into education. Since we opened our first school we have enrolled 18,000 children. Although we have a way to go we are confident that if we continue to grow then this number is within reach."



© Ross Fraser McLean, V&A Dundee.

The Power of Design

Case study: V&A Dundee

How does design affect our lives? We spoke to Philip Long, director of V&A Dundee, Scotland's only dedicated design museum, to discover why this question is important for everyone.

The chair you sit in; the bed you sleep in; the kettle you use to make your morning coffee. These everyday items are products of design, but we so often forget that. This makes the arrival of V&A Dundee all the more relevant.

The imposing concrete structure takes pride of place on the banks of the River Tay and was designed by the Japanese architect Kengo Kuma. "The building is extraordinary and what you would expect from a design museum; it's ambitious, innovative and thought-provoking but at the same time it provides a fantastic environment for visitors to view our collections, some of which have never been on display in Scotland before," says Long.

The museum's inaugural exhibition, *Ocean Liners: Speed and Style*, was chosen for a reason. "Scotland played a huge role in ship building in the 19th and 20th centuries, which did a great deal for the country's manufacturing industry," says Long. "They were microcosms where

people spent days – even weeks – of their lives. With this in mind, the design and functionality of these ships were of great importance."

The museum also plays a pivotal role in the community. "We partnered with every senior school in Dundee and Angus, challenging young people to think about how they could use design to improve their environment. One thousand pupils were involved in this project and many great ideas were put forward. It wasn't easy to narrow it down to 10 groups who would go on to work with a designer and a filmmaker to take their product to prototype stage," explains Long.

It's not just the local community that will benefit from V&A Dundee; the impact runs far deeper. "The museum will become an essential part of Scotland's cultural offering, which is truly rewarding," Long adds.

Literary Sponsorship

While there is a philanthropic element to Baillie Gifford's literary sponsorship, there is also a commercial benefit.

Why we Like
Non-Fiction

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Love
Authors?

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Our Book Festival
Programme

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Why we Like Non-Fiction

Genocide. The AIDS epidemic. Chernobyl. Three different topics, one thing in common: they have all featured in the Baillie Gifford Prize for Non-Fiction. Michelle McLeod, sponsorship manager, explains why we are proud of the prize.

“We were outsiders, we were outlaws. Literally outlaws. In this country [the US], it was illegal to be gay.” These are the words of David France, winner of the 2017 Baillie Gifford Prize for Non-Fiction for *How to Survive a Plague*. This is the sort of book that wins the prize: a book that tells a different side of the story.

The Baillie Gifford Prize for Non-Fiction has global reach – authors can submit a title from any country, provided it’s written in English and published in the UK. To date, authors from the UK, US and Ukraine have taken home the prize: Philippe Sands for *East West Street: On the Origins of Genocide and Crimes Against Humanity*; David France’s *How to Survive a Plague*; and Serhii Plokhyy with *Chernobyl, History of a Tragedy*.

Founded in 1999, it was known as the Samuel Johnson Prize before Baillie Gifford took over as the lead sponsor in 2016. Partnering with the prize was a good fit for us. We already had strong ties with the literary world – we sponsor a number of book festivals across the UK, including the Hay Festival, Edinburgh International Book Festival and Cheltenham Literature Festival.

Our relationship with the authors goes beyond them winning the prize. We invite the prize winner to take part in staff events at our office. Following the staff event last year, David France lectured at Edinburgh College, where he spoke to a group of students about the power of activism

and how this had helped to bring about significant change for those with AIDS in the 1980s and 1990s.

Having authors nominated for the Baillie Gifford Prize talk to our staff is an important part of our sponsorship. The firm places great value on what we can learn from authors – we undertake all of our own investment research and look to the insights of authors across the globe to help shape our thinking about the world. Sponsoring non-fiction gives us access to a wealth of authors with varying perspectives. It’s one of the reasons we are proud to sponsor this magnificent prize.

Love Authors?

From Wigtown to Wimbledon, Baillie Gifford sponsors literary festivals throughout the UK. This gives us access to world-renowned authors. We love being able to interview them and we love sharing their thoughts with you. Here's a taster of some of the exclusive author interviews we have on our website:



“I realised that food takes you to places which are really essential and clothing does the same. Even cleanliness – the way you wash your body has all kinds of stories behind it.”

Lizzie Collingham
(Historian)



“The ideas come at any point. It's a curious thing. I haven't really analysed my writing habits too much.”

Alexander McCall Smith
(Author)



“I love failure as a concept in medicine and science, and I don't think we talk about it enough.”

Lindsey Fitzharris
(Historian and author)



“I think, as a society, we are so confused by what we hear in the media week-in, week-out and that confusion leads to inactivity.”

Rangan Chatterjee
(TV's Doctor in the House)

If this whets your appetite, you can find more at www.bailliegifford.com/authors

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Nuclear Reaction

The explosion at Chernobyl in 1986 changed everything for the nuclear industry and led to the demise of the Soviet Union, as Serhii Plokyh chronicles in Chernobyl, History of a Tragedy, which won the Baillie Gifford Prize for Non-Fiction in 2018. He went back there with Malcolm Borthwick, editor of intellectual capital.

“These buildings are the tombstones of the dreams and lives that were lived here. It’s a huge cemetery of dreams, if not of people.” From the top of an old Soviet apartment block, Serhii Plokyh looks over Pripyat. “On the one hand it looks like a normal city, on the other hand you see windows without glass, streets without people and town squares taken over by forests.” Now the ghost town is used by the Ukrainian army for sniper practice and has also become a tourist attraction.

It’s a far cry from the Pripyat founded in 1970 to support the Soviet Union’s burgeoning nuclear industry. Then, the city had a population of 50,000 and supplied the construction workers and operators for the nearby Chernobyl plant, which opened in 1977. “The nuclear power plant was a major technological innovation at the time,” says Plokyh. “It was the way to go for the entire world, a symbol of the future of humankind.”

Serhii Plokyh at Chernobyl.
Photography by Niels Ackermann.





“If the other three reactors of the Chernobyl power plant had been damaged by the explosion of the first, then hardly any living and breathing organisms would have remained on the planet”

Workers flocked to Pripjat from all over the Soviet Union. Ukraine was a sought-after place for Soviets to live and the government prioritised food (scarce at the time) and facilities for ‘nuclear cities’. Ploky reels off a list: cheese and decent meat; theatre and literary clubs; at least two discos; and state-of-the-art sporting facilities.

But at 1:23am on 26 April 1986 an explosion at the Chernobyl Unit Four plant changed everything for the people of Pripjat and the entire world. The blast was due to a turbine test that went badly wrong. In his book Ploky describes how initially the authorities were in denial and blamed human error in their attempts to cover up the disaster. Through meticulous research of memoirs and KGB files he shows that, while mistakes were made, the roots of the disaster lay in the Soviet system. Specifically, he blames the authoritarian character of the Communist Party and how it prioritised economic development over humanitarian and ecological concerns.

We stop for lunch at a canteen for the current workers in the Chernobyl exclusion zone, the 30 kilometer area around the nuclear plant that visitors need a permit to enter. Over a meal of vegetable soup, rice and pork, rounded off by pancakes with cottage cheese, Ploky recalls his fears that the radiation would contaminate the water supply. Now Professor of History at Harvard University, back then he was 29



years old and living in Ukraine. “The city where I grew up is on the Dnieper. The Pripjat River, from which the city takes its name, flows into the Dnieper. Around 30 million people depend on this river for their water and there was a real concern that it would not be drinkable.” The information vacuum led to some unscientific solutions. His friends in Kiev acted on rumours that vodka could help fight radiation by holding drinking parties.

For years Ploky’s emotions remained raw, which is why he needed time to reflect before writing the book. “I felt I was ready. I wanted to do it a little bit earlier and I started but decided emotionally I couldn’t do it. The distance in time gives us a better scientific understanding of what happened and more perspective. Also, we have access to archives which we didn’t have in the 80s and 90s, including the KGB archives.”

There are heroes and villains in his book. The heroic efforts of the firefighters who were brought in to lift radioactive material from the roof of the reactor stand out. Many received fatal doses of radiation in their efforts to stop the fires spreading to the other reactors. It wasn’t just the firefighters: close to 600,000 people were drafted in from all over the Soviet Union to help limit the damage caused by the explosion and the emission of radiation. Without this help, the results could have been catastrophic. In a chilling reminder Ploky says in his book: “If the other three reactors of the Chernobyl power plant had been damaged by the explosion of the first, then hardly any living and breathing organisms would have remained on the planet.”

As we pass by a Ferris wheel that was completed just two weeks before the explosion but never used, Plokyh says: “The authorities did the best they could. The big issue and the big problem was that they kept silent when it came to releasing information to the world and to their own people, even people here in Pripyat.” He paints the scene of the evacuation of Pripyat, a full day and a half after the explosion. “It was a weekend, the farmers’ market was working two hours before the evacuation, there were weddings in the city and children were playing in the sand. After the explosion the KGB took complete control of information between the city and the rest of the world. It was top secret.”

Later Perestroika, the political programme to accelerate openness in the USSR,

helped lift the veil of secrecy. But Mikhail Gorbachev, the Soviet leader who implemented Perestroika, was slow to act. “Chernobyl wasn’t his finest hour, to put it mildly. He was very much part of the old Soviet thinking. It took him two weeks to address the nation in his first and last Chernobyl speech and almost three years to visit the plant,” Plokyh says. “We shouldn’t attribute all the blame to Gorbachev because he

represented the system. Stalin only visited the front lines of the Second World War once. Soviet leaders were not supposed to go to dangerous places.”

Thirty-three years and billions of pounds later, Ukraine is still dealing with the radioactive fallout. We look at the giant concrete and metal arch, 110 metres high and

weighing 36,000 tonnes, which seals off the radioactive ‘sarcophagus’.

The structure is estimated to have cost 1.5 billion euros (£1.2 billion).

“It doesn’t address the issue because we don’t know what reactions are happening within the fuel in the power plant,” says Plokyh. “The real way to deal with that is to get the fuel out but that would cost billions and billions more. The arch is covering the problem without solving

the problem.” To put this in perspective, the half-life of the plutonium-239 which was released by the blast is 24,000 years. The challenge isn’t just financial. “They don’t know how to remove the fuel because people will die and the equipment doesn’t work in the reactor [the radiation is still too intense]. They are waiting for a genius,” he adds.



As we drive away from Chernobyl the conversation turns to nationalism. The blast had a profound impact on the Soviet Union. It became a rallying cry for the early opposition movement in Ukraine, which mobilised around ecological issues. “Chernobyl is important for the broader history of the Soviet Union,” Plokyh says. “Ukraine’s vote for independence killed the Soviet Union. It was the second largest economy, the second largest republic. Maybe it would have happened later under different circumstances but you can’t remove Chernobyl from the story. That’s where the beginning is.”

We pass more deserted houses covered in snow and swamped by the forest of birch and pine trees. We stop and look at one of only two remaining statues of

Lenin in Ukraine, both of which are in the Chernobyl exclusion zone (there were once over 5,000 statues of Lenin in Ukraine). It’s another reminder that the zone is frozen in a Soviet time warp.

Our guide brings out her radiation counter again and says that during our seven-hour visit to the zone we were exposed to less radiation than we would be on a normal two-hour plane journey. I’m not sure if this is reassuring or not as my thoughts turn to the flight home.





Serhii Plokhy won the 2018 Baillie Gifford Prize for Non-Fiction with *Chernobyl, History of a Tragedy*, published by Penguin (paperback: £9.99).

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