

BAILLIE GIFFORD COMMUNICATION ON PROGRESS (COP)

From: August 2019 To: May 2021

To our stakeholders:

I am pleased to confirm that Baillie Gifford reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption. In this annual Communication on Progress, we describe our actions to improve the integration of the principles of the Global Compact into our operations.

In addition to giving consideration to the Principles of the UN Global Compact, we are also considering how we can best support the UN Sustainable Development Goals, and have begun to use the SDG goals as a measurement framework for our impact investment work. In addition to the information provided below, further material on our work to be a responsible company is available on our website. This includes our [‘Shared Beliefs’](#) statement which sets out the principles to which we aim to operate as an investment firm, our [Taskforce on Climate Related Financial Disclosures \(TCFD\)](#) report which details how we consider the impact of climate change, the first edition of our diversity and inclusion [magazine](#) and [‘Our Governance and Sustainability’](#) report.

Andrew Cave

Head of Governance & Sustainability, Baillie Gifford

Human Rights (Principles 1-3)

As a privately owned investment management partnership based in Edinburgh, Scotland we aim to uphold the highest standards of adherence to human rights in our workplace and supply chain.

- To support this, we have a range of policies in place across our organisation which set out clear expectations for the way we operate our business. These policies cover off our expectations and procedures for protecting the rights of all stakeholder groups – clients, employees, contractors and other suppliers. Policy documents are available to all employees and on our website.
- With respect to client and customer rights, we aim to uphold the highest possible standards of customer service. We are regulated by the UK Financial Conduct Authority and undertake regular assurance work on our performance in this area to ensure that we are respecting and protecting customer rights.
- Staff receive equality training, and we have an Equality Policy which is available to all employees.
- Any issues or complaints are treated with seriousness and professionalism by managers and the HR department. We also have a clearly defined grievance escalation process and whistle blower guidance.
- Additional Information on how we aim to respect and protect human rights in our supply chain is provided in the labour rights section below.

Labour Rights (Principles 4-6)

Baillie Gifford aims to be an employer of choice and aims to provide the best possible working environment for employees, on-site contractors and suppliers.

- We consider it our responsibility to take all reasonable steps to ensure that any Baillie Gifford employee or individuals working within any of our Supply Chains (Suppliers) and Operations (Investee Entities) are not being exploited, that they are safe and that relevant employment, health and safety and human rights laws, and international standards are obeyed. This is a responsibility we take seriously and includes a zero-tolerance approach to modern slavery.
- As a regulated investment management firm, we believe that there is overall a low risk of modern slavery or human trafficking in our supply chains. Nevertheless, we are committed to taking all reasonable steps in order to ensure that there is no modern slavery or human trafficking in our supply chains and expect that all of our Suppliers and Investee Entities adhere to similar high standards as set out in our Baillie Gifford Supplier Code of Conduct and our Environmental Policy and the Governance and Sustainability Principles and Guidelines. We take all reasonable steps to ensure that any Baillie Gifford employee or individuals working within our business or in our supply chain are not being exploited, and that all relevant employment, health and safety and human rights laws, and international standards are being rigorously adhered to across our business operations, including any relevant minimum wage standards.
- A group of Baillie Gifford's size has hundreds of Suppliers of various size and nature, including Suppliers of IT and other office equipment and professional services from our lawyers, accountants and other advisers and consultants. We have minimal contact with the countries and sectors that are generally regarded as being the most likely to have a risk of modern slavery.
- As part of our initiative to identify and mitigate risk we have adopted a risk-based anti-modern slavery assessment methodology to rate each of our direct Suppliers in order to determine what level of due diligence, if any, is required. This approach is designed to be proportionate to the

risks identified and is supported by the existing anti-bribery and corruption work which is undertaken by our Compliance function.

- Suppliers are assigned a modern slavery risk rating and due diligence is completed based on this rating on an ongoing basis as part of the anti-modern slavery risk assessment. The risk rating of Suppliers is kept under review throughout the course of the engagement for those identified as medium or high-risk Suppliers.
- To ensure a high level of understanding of the risks of modern slavery and human trafficking in our supply chains, we have provided tailored training to key staff involved in supply chain management. We also provide awareness to all staff through biennial anti-financial crime e-learning. We monitor compliance with this training requirement. More information can be found in our Modern Slavery Statement on our [website](#).
- Baillie Gifford takes all aspects of diversity and inclusion seriously. In 2016, we set up our Diversity and Inclusion Group, which comprises of six individuals, including four partners. The group acts as an advisory body to the rest of the firm, supporting initiatives that we believe will further improve diversity and inclusion within Baillie Gifford and the wider community. We believe diversity and inclusion are important, a view that was echoed by our employees in last year's staff survey.
- Since the inception of the group, Baillie Gifford has taken some big steps towards becoming a more inclusive place to work such as the introduction of equal parental leave in 2019, and the establishment of a number of employee-led networks and groups, such as the Multicultural and LGBT networks. We believe there should be no barriers to prevent staff from feeling included, and our policies should reflect this. Further details of our approach to diversity and inclusion can be found on our [website](#).
- We have a Diversity and Inclusion policy available to all employees that aims to ensure that Baillie Gifford offers a challenging, inclusive and respectful culture in which each of our colleagues can hope to thrive and develop over the course of their career, regardless of race, sex, ethnicity, age, sexual orientation, disability, gender reassignment, religion or belief, family status, marital or civil partnership status, and pregnancy and maternity.

Gender Pay Gap Reporting

Since 2017 the UK Government has required employers with more than 250 employees to measure and report on their gender pay gap on an annual basis. This gap is the difference between the average earnings of men and women, expressed as a portion of men's earnings. In April 2020, Baillie Gifford's median gender pay gap fell to 16.0%, down from 17.9% in 2019. Our mean gender pay gap decreased slightly from 18.8% in 2019 to 18.5% in 2020. As owners of the firm, partners are excluded from the scope of the report. But we believe transparency is key to driving real change and choose to share this information. Our median gender pay gap including partners has improved; it is now 18.3%, whereas in 2019 it stood at 20.6%. The mean gender pay gap is largely unchanged at just over 36%.

In recent years, we have taken several steps to help close our gender pay gap. The most significant of these has been the introduction of our equal parental leave policy in April 2019, which allows all parents to take up to a year to spend with their child. The pages that follow highlight some of the other initiatives we have adopted as a firm.

We have become a more flexible employer, with many choosing to work some of their time from home long before Covid-19 dictated homeworking for the majority. This has given us pause for

thought when we consider what working practices could look like in a post-pandemic world and how we retain the benefits of greater flexibility that our staff have come to value.

As in our investment approach, we are taking the long-term view. We do appreciate that meaningfully increasing the representation of women in senior roles will take time – women currently make up 53% of the membership of our entry level bonus schemes, and 28% of our upper levels. This latter figure is up from just over 10% a decade ago. We are committed to making fundamental rather than cosmetic changes and we recognise our longer-term perspective may lead to year-on-year fluctuations in the gender pay gap figures.

We are encouraged by the progress we have made, and we are focusing our energy and resources on the initiatives that we believe will continue to have the greatest positive impact. By ensuring diversity and inclusion form the backbone of everything we do, we are optimistic about the future. A future where we will undoubtedly see more women occupying senior roles at Baillie Gifford. More detail on our Gender Pay Gap can be found on our [website](#).

Environmental policy and performance (Principles 7-9)

As an independent investment manager with no external shareholders, Baillie Gifford's long-term approach extends to all aspects of our organisation, including our day-to-day operations. In 2021, we published our first Taskforce on Climate Related Financial Disclosures (TCFD) report which is available on our [website](#).

We are deeply aware that much of what we do as a firm is ultimately in pursuit of delivering sustainable investment returns that will help our clients to enjoy financial security decades into the future. If this future is compromised by climate change then this becomes an increasingly problematic task. The coming decade will be of pivotal importance in determining the long-term impact of climate change on people and ecosystems around the world. While there are encouraging signs that the transition towards a cleaner, low carbon global economy is well underway, the speed with which this unfolds will determine whether we ultimately live in a world where climate change has been successfully managed, or one where widespread and ongoing disruption, migration and upheaval becomes the new normality.

Owning concentrated portfolios of companies for many years incentivises and enables us to be good stewards of our clients' holdings, and we strongly believe that these factors equip us well to further incorporate climate-related risks and opportunities into our approach in the future. But we are realistic about the size and scale of the challenges that we are all collectively dealing with, and the complexity of understanding different climate change scenarios. We know that a great deal of additional insight, learning and integration lies ahead.

We are in the very fortunate position of being capital providers to highly selective groups of innovative companies, whose products and services have the potential to enable the low-carbon transition, in areas such as electric cars, energy storage and online communications. This is where we believe we can generate the most significant positive impact and add the most value for our clients. Focusing on the future and 'what might go right' rather than 'what might go wrong' is of particular importance in all of our work on Environmental, Social and Governance (ESG) issues. The current industry bias towards focusing on the management of ESG risks provides an unintentional but nevertheless harmful barrier to innovation. We believe that we have an important role to play in making the case for a much longer-term assessment of the social impact of innovative companies. We are also innovating within our own business. The establishment and growth of our Private Companies strategy has complemented our existing strength in discovering emerging companies

with innovative and disruptive business models, enabling us to provide critical early capital and support and hold such businesses through the important early stages of growth and well beyond. Our Positive Change, Global Stewardship and Responsible Equity Income strategies all place additional focus on climate change in their stock selection, voting and engagement work. We have also created a 'Paris aligned' variant of our Global Alpha product (an approach that we now intend to replicate for several other strategies), and we have recently given approval for the creation of a new global equity strategy focusing exclusively on climate transition investment opportunities.

We have established collaborative climate working groups across our investment department and Governance and Sustainability function, which are helping to develop our understanding of best practice in this area. Our Investment Risk Team has been progressively integrating climate change data into our wider assessments of portfolio risks over the past few years, and we will be committing additional resources to this area in 2021. We are already using carbon emissions and transition risk data from a range of the leading external information providers, and will continue experimenting with innovative data providers who are helping to address the well-documented gaps in publicly available data in this area.

We have been supplementing our internal resources through partnerships with a number of external experts and industry initiatives, such as Mike Berners Lee, the Institutional Investors Group on Climate Change and the Global Ethical Finance Initiative. We are also sponsoring a PhD student at Edinburgh University who is focusing on the potential for Artificial Intelligence to improve our understanding of environmental risks. Given the scale and complexity of transition analysis, such collaborations are important to developing more comprehensive insights about the risks and opportunities ahead, and for this reason we will be further extending our collaboration in this area.

Our primary means of overseeing and managing the direct climate impacts from our operations is our Operations Environment Working Group. This group has the objective of promoting environmental goals and monitoring performance in areas such as building energy management, business travel, waste and carbon offsetting. Our Environmental Policy is owned by this group and in 2019 the Management Committee approved a new version which included new operational environmental targets. We are committed to measuring, monitoring and managing our environmental impact and our goal is to set a positive example as an investor, as an employer and within our own communities. To achieve this in relation to our own business activities, we aim to:

1. Focus on continual improvements in environmental performance by means of a proactive and appropriately empowered Environmental Sustainability Group.
2. Monitor and offset our organisational carbon footprint on an annual basis and report on progress, verified by an independent third party, to interested parties.
3. Encourage employees and our supply chain partners to incorporate environmental considerations into operational decision making. This may include, for example, resource consumption, waste generation and energy efficiency.
4. Consider the use of alternative solutions to meeting in-person when it is considered a suitable alternative for international clients, industry groups and other stakeholders.
5. Develop partnerships to support projects and initiatives that conserve, enhance or promote the circular economy or an appreciation of the natural environment through our 'Land, Air and Sea' Sponsorship Committee Sub-Group.
6. Allocate sufficient resources to meet our environmental performance goals:
 - 30% reduction in internal paper consumption from baseline levels by the end of 2025;

- 50% reduction in carbon emissions per full time employee equivalent from baseline levels by the end of 2025;
- 100% elimination of avoidable single-use plastics from our Edinburgh headquarters by the end of 2020, to be followed by our regional offices; and,
- 200% carbon offsetting of our annual absolute carbon footprint

To achieve this in relation to our engagement with the companies in which we invest, we look for companies to act as responsible corporate citizens, working within the spirit and not just the letter of the laws and regulations that govern them. We believe that corporate success will only be sustained if a business's long-run impact on society and the environment is taken into account. Management and boards should therefore understand and regularly review this aspect of their activities, disclosing such information publicly alongside plans for ongoing improvement.

Combating Bribery & Corruption (Principle 10)

Baillie Gifford is committed to the implementation of measures designed to prevent the possibility or occurrence of bribery and corruption in all of its forms.

- The firm conducts regular training on relevant fraud related matters and operates policies and procedures which are communicated to all staff as part of their induction programme and which are accessible to all staff on-line.
- Staff are expected to adhere to ethics policies which cover standards of behaviour in their conduct with other members of staff and with clients and suppliers. In addition, personal account dealing rules apply to all staff dealing. These rules require pre-clearance of personal trades and impose conditions on dealing, designed to ensure that the interests of our clients are not comprised in any way.
- As part of our initiative to identify and mitigate risk we have adopted a risk-based anti-bribery and corruption risk assessment methodology to rate each of our direct suppliers in order to determine what level of due diligence is required. This approach is designed to be proportionate to the risks identified and will be supported by the existing anti-bribery and corruption work which is undertaken by our Compliance function. Each supplier is considered on a case-by case basis, based on a combination of both its geographic region and the sector within which it operates.