BAILLIE GIFFORD COMMUNICATION ON PROGRESS (COP)

From: May 2021 To: May 2022

Baillie Gifford was established as an investment management partnership over 100 years ago. Our purpose is to deliver excellent returns for our clients by investing in companies for the long term, and in doing so to make a broader contribution to society. We are unique among leading UK managers as an unlimited liability partnership, meaning our business is wholly owned and run by the partners of the firm; this gives us exceptional alignment with our clients and allows us to focus solely on investing with their interests at heart.

Our current generation of partners and employees remain single-minded about delivering on our clients' requirements. The partners are responsible for the careful stewardship of our long-term vision, without the distraction of short-term shareholder demands. This ownership structure allows us to attract and retain the best talent, creating a distinctive and enduring culture. This culture is built on a foundation of trust both with our clients, and between our partners and staff. Our culture, values, business model and strategy are captured in Our Shared Beliefs document, first published in 2017 and available on our website. It articulates the six core beliefs that inform our actions as a firm and as individuals within it:

Belief 1: Our active investment management style will add material value for clients over the long run
Belief 2: We must put our clients' interests ahead of our own
Belief 3: We should be actively engaged investors
Belief 4: Our ownership structure is a key strength
Belief 5: Our firm must be an engaging and progressive place to work
Belief 6: Our actions and behaviours should support society as a whole

While the contents evolve, the principles do not and we expect them to remain constant over time, in line with our long-term approach. In keeping with these beliefs, 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 continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations.

Andrew Telfer
Senior Partner

Human Rights (Principles 1-3)

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 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)

As a firm that looks to uphold high ethical and compliance standards at all times, we strive to ensure that we adhere to all relevant laws and treat our staff and suppliers with the utmost respect. We consider it our responsibility to take all reasonable steps to ensure that any Baillie Gifford employee or individuals working within any of our operational Supply Chains (Suppliers) or 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, our Environmental Policy and the Governance and Sustainability Principles and Guidelines.

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.

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.

Baillie Gifford is committed to raising awareness of the issues of modern slavery with employees. 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 and facilities management. We also provide awareness to all staff through biennial Anti-Financial Crime e-learning. We monitor compliance with this training requirement. Further details, including an assessment of our effectiveness in combating modern slavery and human trafficking, can be found in our modern slavery statement.

Baillie Gifford takes all aspects of diversity and inclusion seriously. We do not believe that diversity is something to think about in terms of boxes to be ticked, or quotas to be filled. It is about reducing groupthink, enhancing our connections to a global client base, and being able to recruit and retain the best talent. Our central goal of adding value for clients over the long-term requires an organisation that celebrates and supports diversity in all its facets. Inclusion is about managing differences so that everyone has equality of opportunity. The firm recognises that sometimes this will mean treating people individually within the parameters allowed by law. This commitment is relevant to all we do, how we manage ourselves and how we deliver our services to clients. Our Diversity and Inclusion Group comprises six individuals, including four partners and 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. Further information on our approach to diversity and inclusion can be found on our website.

Since 2017, the UK Government has required employers with more than 250 employees to measure and report on the gender pay gap of their UK-based employees 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 our latest Gender Pay Gap report covering the period to 5 April 2021, we have continued to see a year-on-year improvement in our median and mean gender pay gaps to 12.7% and 15.5% respectively. Taking a longer-term view, these gaps have reduced by about a third since we began reporting five years ago. Our bonus gap also continues to narrow, with the mean at 46.6%. As owners of the firm, partners are excluded from the scope of this report, but we do review the numbers annually and the pattern is similar. Our median gender pay gap including partners has improved in 2021 to 14.4% from 18.3% and the mean to 33.1% from 36.3% in 2020. Despite this improvement our gender pay gap persists. Why? The dominant reason is that we still have more men than women in senior-level roles. To address this, we continuously evolve our approach to attracting brilliant people at all levels of the firm to encourage broader social, ethnic and gender diversity. Our preference is to grow our own talent and we understand that effecting change will therefore take time.

Meanwhile, we apply a diversity and inclusion (D&I) lens to everything that we do, raising awareness throughout the firm. This has recently included more of a data-driven focus to consider any evidence of unconscious bias in the decision-making process on recruitment, reward and promotions. Improved data and insights in this area will provide the foundations for further D&I progress.

The impact on women of increased, or disproportionate, caring responsibilities during the pandemic has featured in many headlines and appears to have impacted on the mobility of women into new roles and new employers. We remain alert to emerging research on how different ways of working can impact the progression of diverse groups of colleagues. In February 2021, we introduced our 'Future Ways of Working' principles. These have been developed in consultation with colleagues following our experience of working remotely during the pandemic. Our principles enable all employees to consider working flexibly where this aligns with the needs of their team, and most critically, our clients.

Over the next couple of years, we will be making extensive changes to our remuneration and performance and development approaches to better align with our common purpose. Near term, this is likely to impact the gender pay gap figures that we report. However, woven through our recruitment activity and remuneration discussions is an assessment of the inputs and outcomes from a diversity perspective. We want to lower the risk of any unconscious bias. Better data and management information are critical in helping us. We are working hard to enhance the diversity profile data that we have – we believe that data transparency is key to driving understanding and real change. In turn, we want to publish pay gap reports for other aspects of diversity. While creating an environment in which women can progress is hugely important, we need to attract and retain talented colleagues across all roles, ensuring we have the skills and capabilities required to deliver excellent investment performance, provide great service to our clients and develop our business successfully.

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. Our Environmental Policy, reviewed in May 2021, sets out our commitment to measuring, monitoring and managing our environmental impact. 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 Operations Environmental 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 2021, to be followed by our regional offices; and,
   - 200% carbon offsetting of our annual absolute carbon footprint.

The targets are baselined on the figures within our 2018–19 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.

We recognise that climate change is a source of significant systemic risk. Our primary role as long-term investors is to support the new technologies, business models and societal changes that will help address the global challenge of climate change. Investing well through this transition period is our most significant source of potentially positive impact for our clients, and for society more broadly. Nonetheless, we must be cognisant of the risks associated with both the physical impacts of climate change itself, as well as the myriad of technological, policy and market changes that accompany the transition to net zero emissions globally.

Our risk management approach is focused on stock-level research and analysis within individual investment strategies, with the assistance of dedicated ESG and risk specialists working across the firm. Key considerations include the carbon intensity of the company or asset, the climate impact of its core products and services, and its relationships with its own stakeholders, including customers, regulators and NGOs. We have access to data from independent providers to help add further detail to our understanding of each holding, and place great value in seeking the perspectives and insights of external experts and researchers to help inform our approach.

We use this information primarily as an aid to engage with companies to ascertain how they are mitigating risks and maximising opportunities, and to help inform stock discussions and investment decision making. We expect the companies we hold to provide basic climate disclosures (scope 1 and 2 emissions, material scope 3 emissions[1]) by 2023 and will make this expectation clear in the feedback and engagement we provide in 2022. For world-leading companies and those with a high climate impact, we will hold them to a higher disclosure standard. We acknowledge that this is a bigger ask for some companies, dependent on size, location and other factors.

By 2025, we expect that world-leading and high climate impact companies should have clear net zero aligned climate goals that meet or exceed the ambitions of the Paris Agreement, including scope 1, 2 and 3 emissions and mid-term milestones, with consistent strategy and narrative. We have a firm-wide process for assessing climate alignment that is built on our fundamental analysis of our holdings, and references the guidance of bodies such as the Science-based Targets initiative, the Transition Pathway Initiative, Climate Action 100+, the

[1] Scope 1 covers direct emissions from owned or controlled sources. Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating, and cooling consumed by the reporting company. Scope 3 includes all other indirect emissions that occur in a company's value chain.

IIGCC (Institutional Investors Group on Climate Change) and other similar endeavours.

If we feel that companies are not making enough progress in mitigating climate risks then we retain the option of raising our concerns via engaging with the company to communicate our expectations; taking voting action on resolutions, such as annual reporting and accounts; election of the Chair or other relevant directors; election of the auditors; and ultimately divesting our holdings.

These expectations are stated in Our Stewardship Approach. At Baillie Gifford, we hope we bring a sharper focus to identifying the most impactful climate opportunities and engagements. We can share our long-term perspective, the context we gain from our deep relationships with companies in both private and public markets and the insights we acquire via our wide range of academic partnerships.

We are actively exploring how climate change and other ESG matters can be more explicitly considered within our own organisational risk frameworks. At the board level, our key legal entity boards have been briefed on their expanding oversight responsibilities in relation to climate change. Over the course of 2022, additional board reporting will be introduced to facilitate greater oversight of the firm's approach. Further improvement in this area is a priority for 2022. More detail about our approach to climate change can be found in our Taskforce on Climate-related Financial Disclosures (TCFD) report, available on our website.

Combating Bribery & Corruption (Principle 10)

Baillie Gifford is committed to carrying on business fairly, honestly and openly and has a zero tolerance approach to bribery and corruption.

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.