Baillie Gifford™

Proxy Voting Guidelines

Risk factors

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

This communication was produced and approved in December 2024 and has not been updated subsequently. It represents views held at the time of writing and may not reflect current thinking.

Potential for profit and loss

All investment strategies have the potential for profit and loss. Past performance is not a guide to future returns.

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

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

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

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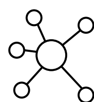
Proxy Voting Guidelines

Voting is integral to our role as responsible stewards of our clients' capital. Our voting analysis and decisions are driven by what we consider will promote the company's long-term prospects, thereby supporting the outcomes we aim to deliver to our clients. In line with our investment philosophy, our voting analysis is bottom-up and led by each investment case. Rather than applying prescriptive policies, we assess every resolution case-by-case. We believe that a prescriptive approach can lead to unwarranted and, in some cases, perverse outcomes that may not be in the best interests of a particular company, given its stage of development and the wider geographical and industrial context.

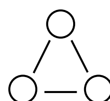
These guidelines are aligned with our **Stewardship principles**. They provide insight into our voting process and approach to matters routinely presented for a vote at shareholder meetings at public companies. Regarding our private company assets, these guidelines are used to inform our position as appropriate, recognising that different shareholder approval mechanisms, such as written consent, may apply to private assets. These guidelines do not indicate how we will vote on specific topics.

Our Stewardship principles

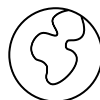
Long-term value creation



Governance fit for purpose



Alignment in vision and practice



Sustainable business practices

How we exercise voting rights

We prefer to take direct voting responsibility for our clients to strengthen our stewardship effectiveness. We do not outsource voting analysis or recommendations, we use proxy advisors for information only. Instead, voting analysis and execution are carried out in-house by our central Voting Team in collaboration with investment teams. This approach allows for more effective integration of voting into our investment process and broader stewardship activities. Most votes are submitted electronically using our proprietary in-house system, which enhances efficiency and accuracy.

Reporting

Being transparent about how we vote on behalf of our clients is a vital aspect of our stewardship responsibility. We make vote reporting available to institutional clients and we also publish high-level voting information on our **website**[*].

Split voting

Our investment teams will occasionally vote differently on the same general meeting resolution. This aligns with our decentralised and autonomous investment culture: investment teams make decisions in clients' best interests, according to the aims of their specific investment strategy. Split votes are reported in the proxy voting disclosure on our website. They are communicated to the company, along with the rationale for the different voting decisions.

[*]This does not, at this point in time, include information about engagements or voting in relation to private investments.

Refraining from voting

We endeavour to vote all our clients' holdings in every market. However, this may occasionally be impossible for regulatory reasons or operational constraints, such as:

01. Share blocking – in certain markets, voting shares can prevent us from trading for a set period, which may not always be in our clients' best interests.
02. Share lending – we cannot vote on a client's shares if they have lent them. If we deem a meeting to be significant or contentious, we may request that the client recalls the stock on loan so we can vote.
03. Conflicts of interest – we have processes to identify and prevent or manage potential proxy voting-related conflicts of interest to ensure that the firm always acts in our clients' best interests.

In some cases, the appropriate resolution is not to vote. Baillie Gifford's firmwide conflict of interest disclosure is on our website.

Significant votes

In response to disclosure requirements for UK and European Union pension scheme clients under the Shareholders' Rights Directive II, we have created our Significant Vote framework. Whether a vote is considered significant is necessarily subjective. Here is a non-exhaustive list of potentially significant voting situations:

- Baillie Gifford's voting decision had a material impact on the outcome of the meeting.
- Management resolutions that received 20 per cent or more opposition.
- Misaligned remuneration.
- Contentious equity issuance.
- Shareholder resolutions that received 20 per cent or more support from shareholders.
- Where there has been a significant reported audit failing.
- Mergers and acquisitions.
- Where we have opposed the financial statements/annual report.
- Where we have opposed the ratification or election of directors.
- Where we identified material environmental, social or governance (ESG) factors* that resulted in Baillie Gifford opposing management.

*Per our **ESG Integration Approach**, we define material ESG factors as those that we believe are likely to affect the financial condition or operating performance of a holding, with a consequent positive or negative impact on long-term investment returns.

Voting guidelines

Long-term value creation

Anti-takeover devices

Anti-takeover devices are designed to defend companies from a hostile takeover. As these devices can potentially entrench management, we generally prefer that companies do not create them. However, we recognise that there may be certain growth-oriented companies and sectors where some protection from short-term market priorities can support long-term shareholder value creation.

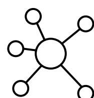
Multi-class share structures

There is no optimal ownership structure. While the one share, one vote principle aligns voting rights and economic rights for all holders, multiple share structures and differential voting rights can also be a strength. Different voting rights can enhance long-termism, protect the culture and offer greater strategic certainty for some organisations. When reviewing a company with a multi-class structure, our primary consideration is whether it has worked for the long-term benefit of all shareholders and is likely to continue to do so over time.

Equity issuances/repurchases, mergers and acquisitions

Matters relating to equity and corporate restructurings, such as additional equity issuances and mergers or acquisitions, can significantly impact shareholder value. When executed appropriately and successfully, they can accelerate a company's growth prospects.

However, they can also be destructive to long-term value creation. When reviewing these matters, we consider whether the request is aligned with the company's long-term strategy and is fair for shareholders.



Governance fit for purpose

Board

A board that is fit for purpose is fundamental to long-term value creation. As long-term growth investors, we are responsible for playing an active role, via our stewardship activities, in the proper functioning of boards.

We seek unique leadership styles and are open to unconventional governance structures. There is no global standard for the size or structure of a board of directors. Each board must consider the business's needs, which will be influenced by:

- The industry and region in which it operates.
- Its scale and level of maturity.
- Its ownership structure and.
- The expectations of its shareholders.

Board composition

We expect board composition to underpin the board's effectiveness. Our key expectations of board members relate to independence, qualification and diversity.

Independent

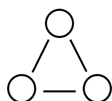
We expect a meaningful proportion of the board to be independent, which varies by market practice. We discourage non-executive directors from receiving performance-based remuneration but support them in having some share ownership to align with shareholders' interests. We expect disclosure of how the directors are paid and whether there are any material related party transactions. We also expect other demonstrations of independence, including considerations such as tenure and other affiliations of non-executive directors.

Qualified

We expect directors to be qualified to set a credible, purposeful strategy while providing appropriate oversight and constructive challenge to management. Different sectors, geographies, and stages of growth all require different skills and backgrounds. We expect comprehensive director biographies to be disclosed, so we can consider whether the board has the necessary range of skills and industry expertise. We also expect directors to have sufficient time to dedicate to their role at the company, considering their other commitments.

Diverse

We believe a diverse board is less likely to fall into the trap of groupthink. We expect a balance of experience, backgrounds and perspectives that give the company the best chance of succeeding in the long term.



Alignment in vision and practice

Remuneration

Executive remuneration is a core component of a company's corporate governance. It is crucial for attracting, retaining, and incentivising key management personnel who lead our clients' holdings. We firmly believe a thoughtful, well-structured remuneration policy focuses executives on long-term value creation and aligns their interests with shareholders.

Our remuneration principles fit hand-in-glove with our distinctive investment philosophy. They embody the attributes we look for in current and prospective remuneration policies and are supported by industry research and our experience of delivering outstanding long-term returns for clients. We analyse every remuneration plan based on its merits, in the context of the specific company.

Full details of our Executive Remuneration Principles can be found on Baillie Gifford's **website**.

Our Executive Remuneration Principles

01. Executive remuneration plans should be radically simple.

    We support the adoption of simple, easy-to-understand pay structures that prioritise long-term share price as the basis for executives' rewards. We do not believe prescriptive or complex performance conditions necessarily make an incentive plan more robust or effective.

02. Equity ownership and pay duration matter.

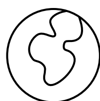
    Based on industry research, we believe equity ownership and lengthening the time horizon of executive pay are the most effective features for incentivising management and providing long-term alignment with shareholders.

03. The amount should reflect management quality and long-term value created.

    We support generous payouts when management creates significant value, but do not support remuneration plans that fail to provide appropriate pay for performance, such as rewarding long-term underperformance.

04. Executive remuneration should be tailored to each company's requirements.

    While our research concludes that there is clear merit in simple structures such as time-based restricted share plans, there is no single optimal model for executive remuneration. We encourage our holdings to be bold and implement bespoke incentive policies that fit their culture, situation and strategy.



Sustainable business practices

We consider ESG risks and opportunities in the context of our overall focus on long-term investment performance (see our **ESG integration approach** for more information). Where we think a company is not adequately managing material ESG factors, we may use voting action to escalate matters. On climate, we exercise our voting rights to support the commitments and expectations set out in our **Statement of climate-related intent and ambition** and **Climate report**.

For our strategies that have made sustainability and/or net zero commitments, we may place greater weight on ESG factors in our consideration of voting decisions, in line with the investment approach outlined by these strategies.

Shareholder proposals

Shareholder proposals are a mechanism permitted in some markets that enable shareholders to submit resolutions at company general meetings. They can be a valuable tool to highlight companies' wider impact on stakeholders. When reviewing shareholder proposals we consider the following:

- Whether we believe the implementation of the requested action would further strengthen the long-term prospects of the business.
- Relevance and materiality of the issue to the investment case.
- How impactful the requested action would be, if passed, in making progress on the issue.
- Whether we believe that the proponent's intention in submitting the proposal is aligned with our aim of generating good long-term returns for clients.

We do not support proposals designed to frustrate or distract a company.

Routine shareholder matters

At a minimum, we expect companies to comply with applicable local laws and regulations about routine matters such as timely publication of shareholder reports. More than this, we consider whether companies are acting in the best long-term interests of shareholders, even where this may mean going further than local market practice. For example, in some markets, companies may not be required to disclose the fees paid to the external auditor. We nonetheless expect that they should, as this best serves the long-term interests of shareholders.

External auditors

External audits are integral to well-functioning financial markets and the corporate governance framework. We expect external auditors to be independent and avoid conflicts of interest such as providing and paying for corporate services other than the audit, and length of tenure.

Political donations

We expect the board to have a policy on its approach to making political donations and contributions to 'politically exposed' charitable organisations and be transparent about these activities.

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