

**Baillie Gifford™**

Baillie Gifford Health Innovation Fund

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Shareholder Rights Directive Annual Disclosure  
for the period 01 January 2023 to 31 December 2023



This disclosure is produced to meet our obligation to provide enhanced reporting under the Shareholder Rights Directive (SRD) requirements. It is not marketing material. This document is solely for the use of professional investors and should not be relied upon by any other person. It is not intended for use by retail clients.

## Our Investment Strategy

Baillie Gifford's Health Innovation team believes that society is on the cusp of a revolution in terms of our understanding of human biology, and our approach to health and wellbeing. It is now time to redefine healthcare, to shift drug development away from trial and error to being data-driven, from one-size-fits-all medicine to personalised therapies, and ultimately from treatment to prevention.

We aim to invest in companies that have the potential to bring substantial improvements to human health and healthcare systems. We believe such companies are best positioned to deliver attractive investment returns over the long term.

We also recognise that the most creative companies often lie at the intersection of different disciplines, driven by the convergence of technologies. Therefore, it is critical that we do not limit our scope to the traditional definition of the healthcare sector.

## How We Make Investment Decisions

Investment decisions in respect of the Health Innovation Strategy are made by a Portfolio Construction Group (PCG) made up of three portfolio managers. The portfolio managers are also supported by two analysts and two health systems specialists. The entire focus of the group, is investing in Health Innovation investment opportunities.

The PCG members meet with an Advisory Group once per quarter to discuss thematic and company research. This group comprises the managers and a number of investors from other investment teams. The cognitive and background diversity of the group helps the fund's managers to challenge new and existing ideas, advance their thinking about investment opportunities and identify areas of additional research. While all members of the Advisory Group bring ideas and views to the discussion, the managers take full responsibility for the stock selection process and are accountable for investment performance.

The PCG meet once a month to review the portfolio and make investment decisions. The group also discusses work in progress, research agenda, risk reports and any meaningful news from our holdings.

There is a strong emphasis placed in backing the individual rather than achieving consensus. The most rewarding investment ideas can be both highly uncertain and controversial and we believe requiring consensus on decision making would reduce our likelihood of buying such companies. In practice this means that a holding can be taken if it has the backing of only one member of the PCG.

## Key Material Medium to Long Term Risks

Fundamental risk - the permanent loss of capital and the risk of missing out on companies which subsequently post strong returns. We therefore place significant emphasis in our investment management process on understanding the fundamentals of the companies in which we invest, including environmental, social and governance factors (ESG), which may impact the sustainability of future growth.

Portfolio risk - a failure to maintain an appropriate level of diversification at the strategy level. A series of investment guidelines are in place which are intended to ensure that there is a sufficient level of diversification.

Liquidity risk - a failure to maintain appropriate level of liquidity at the strategy level. We have a series of guidelines that ensure the strategy remains sufficiently liquid to enable positions to be exited or client cash flows to be managed with minimal impact.

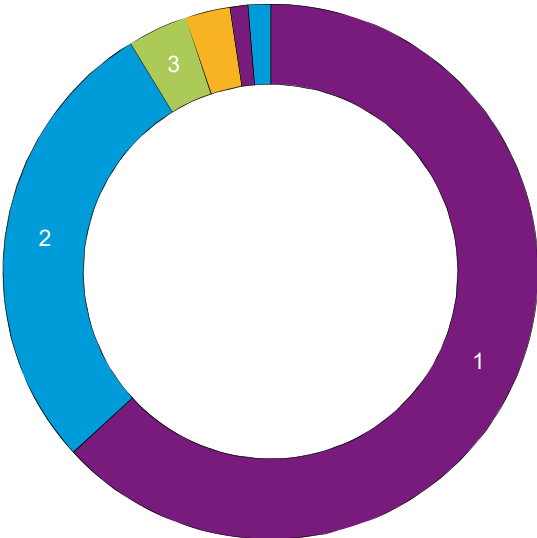
**Portfolio Composition**

The Fund aims to produce capital growth over the long term. The investment policy is to invest mainly in global equities selected from companies involved in the healthcare industry and which are innovative in their focus. The Fund will not be restricted to equity securities in the healthcare sector as defined by any particular index. Investment will be concentrated by the number of stocks held but diversified across a range of healthcare themes.

**Top Ten Holdings**

Asset Name	% of Portfolio
Alnylam Pharmaceuticals	6.9
Genmab	6.6
Moderna Inc	6.5
argenx	5.5
Dexcom Inc	5.3
Sartorius Pref.	5.3
Ambu	5.0
ShockWave Medical Inc	4.7
10X Genomics Inc Class A	4.6
Exact Sciences	4.4

**Geographic Analysis of Total Assets**



	%
1 North America	63.2
2 Europe (ex UK)	28.0
3 Emerging Markets	3.6
4 Developed Asia Pacific	2.7
5 UK	1.1
6 Cash	1.3

Source: Baillie Gifford & Co.  
Please note that totals may not add due to rounding.

Turnover and Turnover (Transaction) Costs

	%
Rolling One Year Turnover	7

Rolling One Year Turnover is calculated as the lesser of the sum of all purchases and the sum of all sales in each month divided by the monthly average market value, summed over 12 months. Turnover is a measure of average investment horizon, the lower the turnover the longer the average investment horizon.

Transaction costs:	%
Explicit transaction costs	0.01
Implicit transaction costs	0.03

Explicit costs are directly observable and include broker commissions and transaction taxes and fees. Implicit costs are the indirect costs associated with buying and selling of securities. Specifically, implicit costs represent the differential between the actual transaction price (excluding taxes and commissions) and the mid-market price of the asset when the order to transact was transmitted to a third-party. Due to the methodology used, overall transaction costs may be 'negative' if individual securities are purchased below the prevailing mid-price or conversely sold above the mid-price. Current MiFID II guidance requires us to disclose these costs, even if they result in a negative figure (i.e. an implicit gain to the investor).

Our Governance and Sustainability Approach

We look beyond current financial performance, undertaking proprietary research to build up an in-depth knowledge of an individual company and a view on their long-term prospects, including material governance and sustainability factors which we believe will positively or negatively affect the financial returns of an investment. In keeping with our decentralised and autonomous culture, we are comfortable with our various investment strategies taking different approaches to reach the same goal of properly assessing and weighing up governance and sustainability considerations in the investment process. Further information regarding our approach is detailed in our Governance and Sustainability Principles and Guidelines available in the About Us section of our website.

Our Approach to Voting and Engagement

Thoughtful voting of our clients' holdings is an integral part of our commitment to stewardship. Our Governance and Sustainability team oversees our voting analysis and execution in conjunction with our investment managers. Unlike many of our peers, we do not outsource the responsibility of voting to third-party suppliers. We utilise research from proxy advisers for information only. Additionally, Baillie Gifford does not lend securities on behalf of our clients. Where a client chooses to lend securities, we may consider requesting that clients recall any securities on loan to enable us to vote if we deem a meeting to be significant or contentious.

We engage regularly with management and board members to identify and understand issues and to monitor performance. Analysts from the Governance and Sustainability team regularly join our investors for these meetings, in addition to meetings that they will arrange directly with company representatives to discuss specific issues. Further details of Baillie Gifford's approach to voting and engagement is outlined in our Governance and Sustainability Principles and Guidelines document available in the About Us section of our website.

Detailed below are the engagements and the most significant votes we have carried out.

## Company Engagement

Engagement Type	Company
Environmental	10x Genomics, Inc., Ascendis Pharma A/S, DexCom, Inc., Moderna, Inc., NovoCure Limited, Vir Biotechnology, Inc., argenx SE
Social	10x Genomics, Inc., DexCom, Inc., Illumina, Inc., M3, Inc., Moderna, Inc., Vir Biotechnology, Inc.
Governance	10x Genomics, Inc., ALK-Abello A/S, Alnylam Pharmaceuticals, Inc., Ambu A/S, Exact Sciences Corporation, Exscientia, Illumina, Inc., M3, Inc., Masimo Corporation, Moderna, Inc., NovoCure Limited, ResMed Inc., STAAR Surgical Company, Sartorius Aktiengesellschaft, Veeva Systems Inc., Vir Biotechnology, Inc., WuXi Biologics (Cayman) Inc., Zai Lab Limited, argenx SE
Strategy	Masimo Corporation, Sartorius Aktiengesellschaft, Vir Biotechnology, Inc.

## Voting Activity

Votes Cast in Favour	Votes Cast Against	Votes Abstained/Withheld
Companies	36	3
Resolutions	312	3

## Significant Votes Cast in Favour

Company	Meeting Details	Voting Rationale
argenx	AGM 02/05/23 Resolution(s): 3, 5	We voted in favour of routine proposals at the aforementioned meeting(s). This resolution is significant because it received greater than 20% opposition.
Genmab	AGM 29/03/23 Resolution(s): 7.A-7.C	We voted in favour of routine proposals at the aforementioned meeting(s). This resolution is significant because it received greater than 20% opposition.
Health Catalyst Inc	Annual 14/06/23 Resolution(s): 1.001, 1.002	We voted in favour of routine proposals at the aforementioned meeting(s). This resolution is significant because it received greater than 20% opposition.
Ionis Pharmaceuticals	Annual 01/06/23 Resolution(s): 1.001, 1.004, 4	We voted in favour of routine proposals at the aforementioned meeting(s). This resolution is significant because it received greater than 20% opposition.
Masimo Corp	Annual 26/06/23 Resolution(s): 1c	We supported the election of a dissident candidate as we believe board refreshment will support the company in continuing to improve its corporate governance. Further, the candidate was endorsed by the board of directors and we believe she possesses the relevant skills, experience and expertise to support the business towards long term sustainable growth. This resolution is significant because we identified a material E, S or G issue which resulted in Baillie Gifford opposing management.
Moderna Inc	Annual 03/05/23 Resolution(s): 1.001, 1.003	We voted in favour of routine proposals at the aforementioned meeting(s). This resolution is significant because it received greater than 20% opposition.

Company	Meeting Details	Voting Rationale
Novocure Ltd	Annual 07/06/23 Resolution(s): 3	We voted in favour of routine proposals at the aforementioned meeting(s). This resolution is significant because it received greater than 20% opposition.
Sage Therapeutics Inc	Annual 15/06/23 Resolution(s): 1.001, 1.002, 1.003, 3	We voted in favour of routine proposals at the aforementioned meeting(s). This resolution is significant because it received greater than 20% opposition.
ShockWave Medical Inc	Annual 13/06/23 Resolution(s): 1.001, 1.003	We voted in favour of routine proposals at the aforementioned meeting(s). This resolution is significant because it received greater than 20% opposition.
Staar Surgical	Annual 15/06/23 Resolution(s): 1.003	We voted in favour of routine proposals at the aforementioned meeting(s). This resolution is significant because it received greater than 20% opposition.
Teladoc	Annual 25/05/23 Resolution(s): 3	We voted in favour of routine proposals at the aforementioned meeting(s). This resolution is significant because it received greater than 20% opposition.
Veeva Systems Inc Class A	Annual 21/06/23 Resolution(s): 1i	We voted in favour of routine proposals at the aforementioned meeting(s). This resolution is significant because it received greater than 20% opposition.
Wuxi Biologics Cayman Inc	AGM 27/06/23 Resolution(s): 2.A, 2.C, 5.A-7	We voted in favour of routine proposals at the aforementioned meeting(s). This resolution is significant because it received greater than 20% opposition.
Zai Lab HK Line	AGM 20/06/23 Resolution(s): 14	We voted in favour of routine proposals at the aforementioned meeting(s). This resolution is significant because it received greater than 20% opposition.

## Significant Votes Cast Against

Company	Meeting Details	Voting Rationale
10X Genomics Inc Class A	Annual 14/06/23 Resolution(s): 3	We opposed executive compensation due to concerns with the grant of equity awards with share price hurdles. We do not believe that share price is an appropriate performance metric or that these particular awards will necessarily reward a long term, sustained growth in share price, and therefore do not believe that these awards are in the best interests of shareholders. This resolution is significant because we opposed remuneration.
Alk-Abello	AGM 23/03/23 Resolution(s): 4	We opposed the executive remuneration report due to a lack of disclosure of performance targets. This resolution is significant because we opposed remuneration.
Dexcom Inc	Annual 18/05/23 Resolution(s): 5	We opposed a shareholder resolution asking for a median pay gap reporting. We are satisfied that the company committed to provide this reporting and is currently working with consultants on this. This resolution is significant because it was submitted by shareholders and received greater than 20% support.

Company	Meeting Details	Voting Rationale
Edwards Lifesciences Corp	Annual 11/05/23 Resolution(s): 2	We opposed executive compensation due to a concern with an insufficiently stretching long term performance target. This resolution is significant because we opposed remuneration.
Edwards Lifesciences Corp	Annual 11/05/23 Resolution(s): 4	We opposed the ratification of the auditor because of the length of tenure. We believe it is best practice for the auditor to be rotated regularly as this works to ensure independent oversight of the company's audit process and internal financial controls. This resolution is significant because we opposed the election of auditors.
Edwards Lifesciences Corp	Annual 11/05/23 Resolution(s): 6	We opposed the shareholder resolution requesting a policy requiring an independent chair as we are comfortable with the governance arrangements at the company. This resolution is significant because it was submitted by shareholders and received greater than 20% support.
Illumina	AGM 25/05/23 Resolution(s): 3	We opposed executive compensation as we did not agree with the decision to make one-off retention grants to named executive officers, in addition to annual variable incentive grants, given recent company performance. This resolution is significant because we opposed remuneration.
Masimo Corp	Annual 26/06/23 Resolution(s): 1b	We opposed the election of an independent director who is also the chair of the corporate governance and nomination committee. We hold the director accountable for the concerning corporate governance practices and tactics the board and management have employed in response to the proxy contest, but also prior to this. This resolution is significant because we identified a material E, S or G issue which resulted in Baillie Gifford opposing management.
ResMed	Annual 16/11/23 Resolution(s): 3	We continued to oppose executive compensation due to concerns with the structure of the long term incentive plan which allows executives multiple opportunities to meet performance targets. This resolution is significant because we opposed remuneration.
Teladoc	Annual 25/05/23 Resolution(s): 6	We opposed a shareholder resolution requesting certain bylaw amendments require shareholder approval. Teladoc Health's current requirements do not appear overly restrictive or out of line with peers. This resolution is significant because it received greater than 20% opposition.
Zai Lab HK Line	AGM 20/06/23 Resolution(s): 13	We opposed executive compensation due to retention awards granted during the year. We do not believe that these awards are justified or that they are in the best long term interests of shareholders. This resolution is significant because it received greater than 20% opposition.

### Significant Abstentions

There were no significant abstentions

## Conflicts of Interest

Baillie Gifford maintains a firm-wide Conflicts Matrix, which identifies conflicts and potential conflicts of interest that exist within the firm, and the procedures and controls that have been adopted to manage these conflicts. Baillie Gifford's firm wide conflict of interest disclosure is available in the Important Disclosures area of our website

We recognise the importance of managing potential conflicts of interest that may exist when we engage with or vote at a company with whom we have a material business or personal relationship and the Governance and Sustainability team is responsible for monitoring these possible material conflicts of interest.

The Governance and Sustainability team's approach to dealing with conflicts of interest in relation to voting and engagement can be found in our Investment Stewardship Activities report which is available in the Governance and Sustainability area of our website.



