

New product approval process

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Introduction

This document provides you with information on our product approval process and outlines how we apply the UK and European product governance requirements, introduced in 2018, and the Consumer Duty, introduced in 2023.

In this document, we explain our product approval process through the product lifecycle and the target market assessment for the Baillie Gifford UK OEICs, Baillie Gifford Worldwide Funds plc ('Irish UCITS'), and the investment trusts for which we are the appointed Investment Manager and administrator.

Our overall purpose when creating new products is to add value for clients and investors, support companies, and benefit society through thoughtful long-term investment.

This framework equally applies when we significantly change an existing product. If we are transferred the investment mandate for an existing investment trust, a similar process will be followed to manage the transition to Baillie Gifford & Co Ltd management and administration.

Product lifecycle

Our product lifecycle process is outlined below, where we illustrate the key activities and approvals involved in each phase. The following pages provide more detailed descriptions.

01. New idea and product development

- New Product Development Group (NPDG) support and coordinate the development of all new products through which investment strategies are made available to clients
- The Product Operations Manager will coordinate with the product sponsor and various governance groups to ensure all governance groups and teams are consulted for new products and changes to existing products, including the ESG Assurance Group, the Fees Group, Investment Risk Committee (IRC), Global Marketing, Legal and Compliance
- We develop the product objectives, policy, and refine its characteristics
- We create a target market assessment and narrative that reflects the product's characteristics
- The marketing and distribution strategy is developed and approved
- Legal and regulatory documents are prepared, including Prospectus, Key Investor Information Document (KIID)
- Internal management groups, committees and management company/ACD/Investment Manager approve the product
- We make the necessary regulatory notifications, approvals and registrations

02. Product launch

- Operational processes setup for launch
- The funding process takes place
- We create appropriate marketing communications
- The first reporting cycle of regulatory and marketing documents is made available
- The target market and costs and charges data are published
- Market timings/IPO for Investment Trusts

03. Ongoing product reviews and monitoring

- Distribution Leadership Group (DLG) meets quarterly to assess new product development, product termination, status of products and customer demand
- Product Governance Group (PGG) meets quarterly to assess whether our products are in line with customer needs and expectations
- Annual Fund Value Assessments are carried out to ensure funds are providing value to clients
- Product literature reviews are carried out
- Fees Group carries out reviews of product fees
- Various fund risk assessments are performed
- Product Group meetings – performance, risk analysis, sales, and distribution MI are reviewed
- Investment Manager reports to investment trust boards
- Management Company/ACD/Investment Manager board reports are prepared
- Significant or material changes are referred to Management Company/ACD/Investment Manager Boards
- Legal team reviews the prospectus

The UK OEICS are operated and overseen by Baillie Gifford & Co Limited (BG&Co Ltd). The Irish UCITS are operated and overseen by Baillie Gifford Worldwide Funds plc and Baillie Gifford Investment Management (Europe) Limited (BGE). Each investment trust as its own independent board. Across all products, the board provides approval for new products and significant changes.

Phase 1 – New idea and product development

Stage 1 – New idea generation

The start of the product lifecycle is about getting the right people together to discuss a new idea. To support the innovation of new ideas through to implementation of a new product, the NPDG works with the sponsor(s) to assess the feasibility and navigate the approval process.

A new product often begins as an idea originating from our investment teams and product group specialists. The idea is usually at an investment strategy level rather than as a specific fund vehicle unless there is a client or market demand.

Each new strategy proposal must meet our internal Strategic Leadership Group (SLG) Principles. At the core of the SLG Principles is the requirement to assess the positive impacts to existing and new clients and any negative implications.

The Product Operations Manager provides centralised expertise and will work with the product sponsor to discuss the proposal with internal working groups to bring together colleagues to assist in preparing it. If the new investment idea does not easily fit into an existing product group, a new product group may be created.

The proposal paper and supporting material is presented to the relevant internal senior management groups to gain initial approval. Each group will challenge the idea against the SLG Principles and identify any risks to help ensure the investment idea will meet client expectations. As an example, a new Baillie Gifford Worldwide Funds sub-fund would involve our Worldwide Funds Working Group, with representatives from across the firm including

the BGE Executive Management Team. The BGE Executive Management Team, on behalf of the BGE Board, provides initial approval as the investment manager and global distributor of the funds. The BGWF Board is the ultimate decision maker.

Stage 2 – Product development

Once approval in principle has been given, the detailed product development stage commences. Several groups and operational colleagues are engaged. The NPDG will continue to provide support and coordinate the development of the new product and address issues, risks and challenges raised during the process.

The IRC is consulted to approve investment and liquidity guidelines for new strategies.

Business Risk is consulted to perform liquidity analysis and stress testing on the new fund to confirm that the fund's liquidity profile is consistent with what will be disclosed to investors and that the overall investment risk profile and nature of the fund are consistent. Confirmation and conclusions of the analysis and stress testing shall be recorded and reported to the relevant fund board, with any concerns initially escalated with the product sponsor/working group/management team.

Key groups consulted include the Fees Group to ensure setting the fee schedule for the fund is consistent and fair. The Global Marketing Group and business groups will help ascertain the likely demand or attractiveness of the fund across the relevant markets. This helps inform the structure to meet the needs of the target market. The ESG Assurance Group will ensure ESG considerations are met.

The Legal department works closely with the sponsor to prepare the product information for the prospectus. The sponsor will provide the product investment objective, investment policy, risks, and target market assessment, including a complexity assessment where relevant.

The sponsor consults the Investment Risk Group to consider what information should be included in the KIID and marketing literature. The updated proposal is given formal approval by the relevant internal senior management groups and presented to the relevant board(s) for their approval.

The Legal Prospectus will be sent for regulatory approval.

Phase 2 – Product launch

Following board and regulatory approval, operational teams across the business will commence product implementation steps. Key activities include initial system setup of static data, day-to-day tasks for managing the product, and external parties such as the depositary, the administrator, registrar, and transfer agent are engaged.

The legal prospectus, registrations, reporting requirements, and regulatory documentation will be finalised. Marketing literature, including regulatory literature, fact sheets, and costs and charges information, will also be finalised for a product being marketed. Business groups such as the Distribution Group will be notified.

The European MiFID Template (EMT) and European PRIIPS Template (EPT) will be populated accordingly with target market, costs and charges, and price and value information for vendors and distributors to meet applicable regulatory requirements.

Phase 3 – Ongoing reviews and monitoring

Once a product has been launched the relevant business groups and committees will regularly review our products from various perspectives including Consumer Duty outcomes, cross-cutting rules, fees, risk management, ongoing compliance with ESG-related minimum standards including ESG-related commitments and annual value assessments.

The PGG meets quarterly to review products available to retail customers and from a MiFID II (EU products) and UK product governance regulation and Consumer Duty perspective. The objective of the PGG is to assess products to ensure they remain aligned with the needs, characteristics, and objectives of the identified target market and the distribution strategy remains appropriate. A suite of management information including complaints and distributor feedback is used to review the respective product ranges.

An internal framework has been developed for reporting to the respective boards and the Operational Compliance Committee. These reviews consider any changes which have happened during the period, and will assess whether the:

- Product continues to function as intended, in line with stated policy and objectives
- Product remains compatible with the intended target market
- Chosen distribution strategy remains appropriate for the product.

The PGG also discusses any post-launch reviews for new products or previously incubated funds now available to market and crucial events that have occurred.

A separate Consumer Understanding and Support Group (CUSG) looks at our product communications and the support we provide to retail customers.

Regulatory regimes

We have implemented a framework for compliance with the product governance requirements as set out in the respective regulatory regimes:

- UK within the FCA's Product Governance (PROD) sourcebook and enhanced Consumer Duty products and services obligations as set out in the Principles for Businesses (PRIN).
- Europe in Directive 2014/65/EU (Markets in financial instruments), together with the Delegated Directive (EU) 2017/565 25042016 and respective implementing measures ('MiFID II'), and the European Securities and Market Authority (ESMA) Guidelines on MiFID II product governance requirements ('ESMA Guidelines').

The table below provides a summary of how the product governance requirements apply to relevant Baillie Gifford entities and products that we manage.

| Product (s) | Regulatory regime (s) | Manufacturer | Distributor/introducer |
|---|---|--------------|---|
| UK OEICs (Open Ended Investment Company) – UCITS and Non-UCITS (NURS) | UK Product Governance (PROD) enhanced with UK Consumer Duty (PRIN) | BG&Co Ltd | BG&Co Ltd as distributor in UK BGE as introducer in EEA and Switzerland BGO as distributor outside EEA BGA as distributor to professional investors in Hong Kong (delegated from BGO to BGA(HK)) BGAS as distributor to accredited and institutional investors in Singapore (delegated from BGO to BGAS). |
| UK investment trust/ company | UK Product Governance (PROD) UK Consumer Duty (PRIN) | BG&Co Ltd | BG&Co Ltd as distributor in UK |
| Baillie Gifford Worldwide Funds Plc (Dublin UCITS) | EU MiFID II product governance PRIN applies to BGO in respect of UK distribution | BGE | BGE as distributor in EEA and Switzerland BGO as distributor outside EEA including the UK BGA as distributor to professional investors in Hong Kong (delegated from BGO to BGA(HK)) BGAS as distributor to accredited and institutional investors in Singapore (delegated from BGO to BGAS). |

Target market assessment and disclosure

As manufacturers and distributors of products, the relevant Baillie Gifford entities have certain obligations to identify a target market for their products and to provide distributors and clients with the appropriate information about each product.

In line with the ESMA Guidelines in Europe and the UK as best practice in PROD, we deem all UCITS products to be automatically non-complex unless they are structured UCITS (as defined under the KIID Regulation). We do not offer any structured UCITS products. Where the product is a non-UCITS (NURS), we assess complexity using the criteria set out in Article 57 of the Delegated Regulation.

All of our products have been assessed as non-complex and compatible for all investors, including mass market retail investors except for The Schiehallion Fund Limited, a Guernsey investment company.

The Baillie Gifford target market assessment follows the ESMA Guidelines and European MiFID II Template. (EMT) which sets out a list of categories for firms to use as the basis for their target market assessment for products.

The target market narrative of the intended investor type for our products can be found in the following Baillie Gifford literature:

- Fund factsheet
- Fund Prospectus
- PRIIPs KID (Key Information Document) for investment trusts

| Target market assessment criteria | Criteria |
|--|--|
| Type of investor | Type of investor for the product: 'retail client', 'professional client' and/or 'eligible counterparty' |
| Knowledge and/or experience | Specifies the level of knowledge and experience the target client, i.e., the end investor, should have to understand the product: basic, informed, advanced |
| Ability to bear losses | Specifies the ability to bear losses the target clients should be able and willing to afford: no loss, some loss, total loss, loss beyond contribution |
| Risk tolerance and risk/reward profile | Specifies the general attitude to the investment risks and should be categorised using clearly defined terms. The PRIIPs Regulation (SRI – Summary Risk Indicator) or UCITS Directive (SRRI – Synthetic Risk and Reward Indicator) risk indicator should be used |
| Client's objectives and needs | Specifies the investment objectives and needs of the target clients that the product is designed to meet. This may include the investment time horizon or a specific investment preference such as sustainable investment products or products promoting environmental or social characteristics: risk profile, minimum holding period, specific needs |
| Distribution strategy | Specifies the distribution strategy and restrictions, e.g. if the product is complex and should be restricted to informed investors execution only would have a 'no' response. – execution only, appropriateness test, with advice, discretionary service |
| Negative target market | The target market narrative includes the positive target market, a summary of the above criteria, and with whom the product may not be suitable. This statement highlights the risks of investing for less than the recommended holding period, as well as the short-term volatility and performance risk attached to investing in products designed for the long term. – disclosed in the product factsheets, PRIIPs KID and prospectus |

Information sharing

The current versions of the EMT and EPT are available on our website and will be updated as required. Distributor feedback e-mail.

We recommend distributors provide feedback using the industry Distributor Feedback Template to assist us with our ongoing product reviews. You can contact us directly about Baillie Gifford products, including any complaints about our products or sales outside of the target market, by getting in touch with your relevant Baillie Gifford contact or by emailing us at **distributionservices@bailliegifford.com**.

Oversight

We operate a three-line defense model to ensure that risks of non-compliance are identified, mitigated, and escalated appropriately.

Our Compliance Monitoring team undertakes an annual review of the product governance framework outlined in this document for new products and those that have significantly changed. The findings are reported to the BG&Co Ltd and BGE Compliance Officers, the Operational Compliance Committee, and the Consumer Duty Committee.

The third-line internal audit team will evaluate and assess how the product governance rules and Consumer Duty are embedded and how well the risks are being managed.

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Glossary

| ACD | Authorised corporate director |
|----------------------------------|---|
| Consumer Duty | UK regulation set out in the Principles for Business (PRIN) which places a higher standard of care to retail customers and an obligation to assess against good customer outcomes |
| Crucial event | Any event that may affect the potential risk or return expectations of one of our products, including: 1) the crossing of a threshold that will affect the return profile of the financial instrument or 2) the solvency of certain issuers whose securities and guarantees may impact the performance of the financial instrument |
| Distribution Leadership Group | The group is responsible for overseeing the global product offering and includes and assessing client demand, new product development including appropriate vehicles (pooled products), product termination, open/closed status of product, and the wider offering and branding |
| Distributor | An investment firm that offers, recommends, or sells an investment product and service to a client. |
| ESMA | European Securities and Markets Authority |
| FCA | Financial Conduct Authority, UK regulator |
| Investment Risk Committee (IRC) | Oversees and monitors the investment risk framework for each investment strategy |
| Manufacturer | An investment firm that creates, develops, issues, and design an investment product |
| MiFID II | Markets in Financial Instruments Directive 2014/65/EU, the Delegated Directive 2017/593, and respective implementing measures through ESMA and the FCA |
| PRIN | The Principles for Business sourcebook includes the Consumer Duty Principle 12, three cross-cutting rules, and four consumer outcomes. The products and services outcome in PRIN includes enhanced requirements to the existing PROD rules, and therefore, the higher standard is applied in Baillie Gifford |
| PROD | The UK product governance rules apply to asset managers and are derived from MiFID II |
| Product | In the context of MiFID II, a product is a financial instrument, for example, a UCITS fund, a non- UCITS fund, or an investment trust. The term product is also used to explain what Baillie Gifford sells, the range of different strategies and funds |
| Product Group/Investment Team | The group of investment professionals who manage a particular strategy or range of strategies. For example, the Japan Product Group has 4 strategies: Japanese All Cap, Japanese Growth, Japanese Smaller Companies, and Japanese Income Growth, and each strategy will have its own products (financial instruments/vehicles) such as a UK OEIC, investment trust, Irish UCITS |
| Strategic Leadership Group (SLG) | The SLG considers strategic issues relating to investment matters, including discussions and advice around new teams and strategies and the closing of existing strategies |
| Sponsor | The individual(s) responsible for the new proposal. This is usually a Product Group |
| Strategy | The investment style and principles which are applied to the relevant products. A strategy may have UK, Irish and US mutual fund vehicles. We may also operate segregated mandates for institutional investors based on a strategy. Examples of strategies are Long Term Global Growth (LTGG) and Global Alpha |

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