

Baillie Gifford & Co
Calton Square
1 Greenside Row
Edinburgh
EH1 3AN

29th March 2019

Public Consultation on the Proposed Amendments to the UK Stewardship Code

Dear David,

Baillie Gifford has welcomed the opportunity to respond to the public consultation on the proposed revisions to the UK Stewardship Code. As you know, Baillie Gifford is an investment manager with a long-only, active approach to investment which is based on identifying and holding high quality growth businesses that enjoy sustainable competitive advantages in their marketplace. The governance and management quality of our holdings are highly material considerations within our investment analysis. We conduct regular engagements with our holdings on governance and sustainability issues with the aim of being constructive shareholders and good stewards of our clients' capital.

Whilst we have already provided you with feedback on the proposed Code through a number of consultation meetings and through our membership of the Financial Reporting Council's Investor Advisory Group, I wanted to reiterate that we are very supportive of the overall goal of ensuring that the UK Stewardship Code continues to be best practice globally. The proposed revisions will help to ensure that the very highest standards of stewardship practice and reporting are adopted by signatories, and we commend the ambition shown by the Financial Reporting Council in this process. The extension of the Code to all investment asset classes and the introduction of enhanced reporting on stewardship activities and outcomes are also both natural and desirable developments which we fully support.

As we have previously raised there are however a number of sections where aspects of the proposed Code could be further clarified, and the Investment Association response to the consultation (to which we have contributed) raises a number of important considerations for the final version. With respect to the definition of stewardship, we fully endorse the idea that good stewardship is centred on our fiduciary duty to clients but also includes a wider responsibility to society. Our own policy contains the following description of stewardship, which may be helpful with respect to the final agreed version:

"Our commitment to responsible stewardship of our clients' holdings is as old as our firm. Our clients trust us to oversee and manage their investments for the long-term, and stewardship of their holdings is a core part of this commitment. All of our investment staff are involved in our stewardship work, and as long-term investors we believe that our approach to monitoring holdings, engaging with management and voting thoughtfully supports investment performance. When you aim to invest in a company for many years, ongoing oversight of the business is just as important as the initial investment decision. But we also believe that we have a wider 'stewardship' role

to play in encouraging responsible, long-term capitalism. Companies' approach to governance issues can have a very material impact on society, and we should continue to use our influence to encourage sustainable long-term practices. More broadly, our business is based on our ability to invest in stable and functional public markets. It is therefore in our own long-term interests to ensure that the business sector enjoys ongoing stakeholder support and political, legal and regulatory backing around the world. This will only happen if companies are seen to be operating with integrity and in a way that respects the interests of wider society."

The other material consideration that we have highlight at the consultations is with respect to the adoption of the term 'Environmental, Social and Governance' (ESG) in a number of parts of the Code. We are fully supportive of the integration of material environmental and social considerations in the investment process but governance issues are already central to the Code, and we therefore believe that it introduces some potential confusion to introduce 'ESG considerations' as a new element of the Code. Whilst we recognise that it is a very widely term in the investment industry, in our experience 'ESG' is defined and interpreted in many different ways around the world. We also believe that the management of relevant environmental, social and stakeholder issues is an absolutely key part of good corporate governance. For all of the above reasons, we have found it be more instructive to focus on the integration of material 'governance and sustainability' considerations in our work on stewardship, and we set out a range of important environmental and social considerations in our own policy (available on our website) including climate change. Given the influence that we know the UK Stewardship Code has around the world we believe that the current revision process provides an excellent opportunity to provide a clearer and more comprehensive terminology than currently derives from the term 'ESG'.

Thank you again for providing the opportunity to contribute to the revision of the UK Stewardship Code, and we would once again like to highlight our support for the process of ensuring that the Code remains the 'gold standard' for responsible and effective stewardship internationally.

Yours sincerely,

Andrew Cave

Head of Governance & Sustainability

Baillie Gifford