

# Order execution and trade handling policy

September 2023

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## Introduction

Baillie Gifford invests in various asset classes including, equities, bonds, foreign exchange, futures, swaps and other derivative instruments on behalf of our clients, as part of the investment management services which we provide. This will include both MiFID and non-MiFID instruments. In carrying out this activity we act in accordance with the best interests of our clients when we execute orders and transmit or place orders on their behalf with other entities for execution. Consequently, we have established an order execution and trade handling policy for complying with our overarching best execution obligation and in order to promote transparency so that clients can better understand our trading practices and the related charges and costs associated with that trading. Baillie Gifford only undertakes orders on behalf of ‘professional clients’ and does not consider the rules relating to retail client orders, in respect of its trading operations.

This document sets out Baillie Gifford’s approach to achieving best execution for its clients in accordance with the regulatory requirements to which it is subject, including the rules of the UK Financial Conduct Authority (FCA) and all applicable rules and regulations across the jurisdictions in which Baillie Gifford conducts business. The policy is subject to regular review to ensure it remains accurate and up to date. It is overseen by our Best Execution Group (‘BExG’) and is reviewed and approved at least annually, or promptly should there be any material change in the interim. The review, oversight and governance around best execution is covered in more detail within section six (see page 11).

The Policy is required to include information in respect of each class of financial instrument we trade in. The same process for multiple classes of financial instrument are combined to avoid unnecessary duplication.

## Scope

This Policy applies to Baillie Gifford & Co and Baillie Gifford Overseas Limited, ('BGO'), through which investments are made on behalf of institutional clients, including a range of pooled investment vehicles, operated by Group entities. All trading is executed through BGO and Baillie Gifford Asia (Hong Kong) Limited ('BGA(HK)'), as Baillie Gifford & Co has delegated this activity to its affiliates. BGA(HK) has adopted this Policy for the purposes of meeting its trade execution obligations.

Baillie Gifford Investment Management (Europe) Limited ('BGE') has delegated portfolio management to BGO and has adopted this Policy, to meet its obligations under the Alternative Investment Fund Managers Directive and UCITS Regulation. It has also adopted this Policy to meet its obligations as a financial service provider under the Swiss Financial Services Act (FinSA). Baillie Gifford & Co Limited has delegated portfolio management to Baillie Gifford & Co and BGO, however, in order to meet its requirements under the Alternative Investment Fund Managers Directive/the UK AIFMD regime, it has adopted this Policy. They are also required to provide appropriate information to investors in its UK UCITS/EEA UCITS Scheme.

Baillie Gifford International LLC utilizes personnel and resources of BGO for portfolio management under a 'participating affiliate' arrangement with BGO. Baillie Gifford International LLC has adopted this Policy, to meet its obligations as an Investment Adviser.

References to 'Baillie Gifford', 'we', 'us' or 'our' are to these entities. References to 'client(s)' and 'fund(s)' may be used interchangeably depending on the type of account being traded for.

### Direct responsibility for best execution

It is our opinion that where we are executing client orders directly, the responsibility for best execution lies solely with Baillie Gifford. Examples of this include:

01. In equity markets where we request a broker or other liquidity provider to use its own capital in providing liquidity for a trade by dealing as principal;
02. In dealer markets where we request a price quotation from a broker or other counterparty (this includes bond trades, over-the-counter derivatives and some types of foreign exchange transactions); and
03. In fixed income and FX trades, where we trade directly in the market as a participant in a Multi-Lateral Trading Facility or other trading venue.

When we request a price quotation in thinly traded instruments we may be limited in the number of counterparts we are able to request a quotation from. In these instances, we will have a legitimate reliance on the counterparts selected to provide accurate price discovery and therefore assist us in achieving best execution. Our trader's selection of which trading counterpart to request price discovery from will include factors such as its degree of specialisation in the instrument traded; any trade flows or trading history it is advertising; the likelihood of execution and probability of efficient settlement.

### Indirect responsibility for best execution

It is Baillie Gifford's responsibility to take sufficient steps to ensure our clients receive best execution on a consistent basis. When we place or transmit orders for clients (rather than executing them ourselves), we place reliance on brokers and other counterparties to execute orders on an agency basis with the same level of fiduciary responsibility. In these circumstances, Baillie Gifford is responsible for oversight and monitoring of the execution quality of the broker or other counterparty.

### When best execution may not apply or only applies in limited circumstances

We recognise that a specific instruction from our clients fulfils part of Baillie Gifford's best execution requirement when placing an order with another entity for execution. This includes where we are given specific instructions on the use of a broker. Where any instruction relates to only part of the order, we will continue to apply our order execution policy to those aspects of the order not covered by the specific instruction. In any situation where our ability to provide best execution is limited, we will always apply the principle of best efforts to try and achieve the best outcome for clients.

## Order execution

When providing portfolio management services to clients, we must act in accordance with the best interests of all our clients. This applies when placing orders with trading entities or using venues for the execution of trades which result from our investment decisions for clients. We take all sufficient steps to obtain the best possible result ('best execution') for our clients taking into account all relevant factors, including:

- costs (implicit and explicit);
- price;
- size;
- speed;
- likelihood of execution;
- likelihood of settlement;
- the nature of the order;
- the ability to retain anonymity in the market; and
- the prevention of information leakage.

The relative importance of each of these factors within our trading process will vary depending upon a number of criteria, namely:

01. the investment intent of the investment manager at Baillie Gifford;
02. the characteristics of financial instruments that are the subject of that order; and
03. the characteristics of the execution venues to which that order can be directed.

Each client order that is transacted by our traders is inherently unique in its characteristics and market conditions are never constant. The relative importance of the execution factors is therefore variable. That said, the particular combination of total consideration (price of the instrument and costs of execution, both implicit and explicit) and size are usually the most considered factors when setting our execution strategy. Where an instrument is less liquid, then likelihood of execution becomes a more important consideration. Another factor relevant to best execution is counterparty risk, particularly in the case of instruments which are not settled by delivery versus payment. Under this scenario, our assessment of credit risk might impact on our selection of who we trade with.

Regulatory requirements provide that 'best execution' does not demand that firms achieve the best possible result with every trade, but that the focus is on taking all sufficient steps for obtaining the best possible result on a consistent overall basis. It is our policy to have a

process which ensures that every client order is treated in a way that aims to maximise the chance of getting the best set of results when trading. For more details we would refer to the supplemental note on 'Conflicts of Interest'.

## Choice of venues and entities for execution

We operate centralised trading desks in Edinburgh, Hong Kong and New York (from Q1 2024), dedicated to achieving best execution for our clients' orders and our policy is to maintain a choice of venues and entities to ensure our traders have sufficient execution arrangements to comply with our best execution obligations when we place, transmit or execute orders which allow Baillie Gifford to obtain the best possible result for their execution on a consistent basis. Baillie Gifford does not receive any third-party payment or inducement from any execution or trading venue.

## Trading objective

Market impact, as an indirect cost of transacting, often exceeds the direct costs of transacting (commission and fees) especially on larger deals. Depending on the trading objective, the primary focus in minimising overall transaction costs is typically to choose a venue where natural liquidity can be accessed in order to minimize market impact. If the key execution factor is speed then it might be necessary to trade either using a trading counterpart's risk capital or on trading venues where, in the opinion of the trader, the order would be executed in an expeditious manner.

## Execution venues

There is a wide choice of execution venues or entities that we can utilise to achieve best execution. Baillie Gifford is not affiliated with any investment bank or broker and has not entered into any agreements with any trading counterparty with regard to trading volumes or commitments. The traders are free to use their judgement to select a venue to trade wherever the best overall terms can be achieved for our clients. Venue selection has become increasingly relevant as market volumes have fragmented to a wider number of trading platforms resulting from greater competition and innovation. To achieve best execution, our traders look for counterparties that have the required technology to reach all potential sources of liquidity, but at the same time ensure that the handling and routing of our orders does not result in too much risk of signalling our trading intentions to the wider market. Regardless whether or not we are dealing with a MiFID Investment Firm, we expect and will exercise the same duty of care to ensure our commitment to achieving best execution.

For equity trading we have relationships with a number of brokerage firms who transact on our behalf on primary global stock exchanges and other regulated markets, either on an agency basis (working the orders against market liquidity) or on a principal basis (using their own capital to facilitate our orders). Our traders also access algorithmic trading suites supplied by an approved list of providers. In addition, Baillie Gifford might choose to trade on a number of Trading Venues including Systematic Internalisers (SI), Multi-Lateral Trading Facilities (MTF) and Organised Trading Facilities (OTF), and these are listed in the Appendix.

In equities and listed futures, we will typically access trading venues through an executing broker whereas in OTC markets we might choose to execute directly on a venue.

### Trading with affiliates

Baillie Gifford does not trade on its own account, except in very limited circumstances where it provides initial seeding for new funds or new share classes. There is, therefore, a lower risk of conflicts of interest arising within our trading process. [For more details we would refer to the supplemental note on 'Conflicts of Interest'.]

A list of our trading counterparts, providers of algorithmic trading products and trading venues we access is contained within the Appendix.

## Trading methods, associated costs and best execution

### i. Equities

Our strategy is to track a wide variety of trading venues and entities for equity trades and to select the venues or entities, which our traders deem appropriate, on a trade-by-trade basis. The examples of venue or entity that might be used include:

01. Broking firms where we instruct them to work an order on an agency basis. The broker then owes a duty of care to transact orders on behalf of our clients and shares the best execution obligation jointly with the Baillie Gifford traders.
02. Broking firms where we ask them to provide risk pricing on a principal basis, using the broker's own capital to facilitate our orders. Where Baillie Gifford's traders ask for and accept a risk price, the responsibility for best execution solely rests with us.
03. Algorithmic trading, where we trade an order in line with specific parameters, (e.g., a set percentage of traded volume etc.) using a number of broker provided trading algorithms. We have procedures for the use of Electronic Trading Systems which covers for example, due diligence and training.

04. Equity Capital Market (ECM) Desks. From time to time, Baillie Gifford might choose to approach or be approached by a broker's ECM desk regarding a placing of stock. ECM desks typically sit on the non-public or 'insider' side of their business. Any approaches to us will typically go through to our Compliance Department, which will determine if the information constitutes inside information. If it does then the Compliance Department, will take the necessary steps as required in our policies around handling inside information, which would include placing a restriction on our buying and selling the affected security during the closed period.

### Execution strategy

Before any trade is undertaken, our traders use their experience and available market intelligence to decide how and where to trade. As a general rule, unless speed is the key execution factor, which it rarely is, we will try to identify venues which are sources of natural liquidity before entering an order into the market. Finding a matching buyer or seller eliminates the spread cost between bid and offer prices and helps reduce market impact. When we have large single stock orders to transact, particularly in a size that is greater than the average daily volume, we typically use block trading venues to try and find a size match for our business with a natural counter trade. The negotiated price will be based around the prevailing best bid and offer price on show in the market. In this situation, the relative importance of size is a key factor, although the possibility of trading at the mid price or better, also eliminates any spread cost. If a natural counterparty does not exist for the order, our traders will select an execution venue to work an order for us, typically on an agency basis but occasionally asking the broker to commit risk capital. When working an agency order, the traders are cautious not to expose too much of our order to the market, in order to avoid information leakage leading to an unnecessary additional impact cost. This is a general strategy adopted when speed is a less important factor than, say, price or the ability to retain anonymity.

We believe that the ability to source liquidity is a key factor in determining best execution and the brokers that consistently provide us with liquidity at the right price to transact our orders will inevitably rise towards the top of our trading list. We give our traders discretion to deal wherever they can to obtain the best liquidity and the lowest transaction costs.

### **Risk capital**

When we have orders that require immediate execution, the relative importance of speed will be the top execution factor although price will always remain a very important consideration. In these situations, our traders would weigh the merits of using broker's capital in the form of a principal risk trade, where the guarantee of completion outweighs the cost of discount or premium attached to that risk. As discussed earlier in the document, where a decision is made to trade against a risk price made by one of our approved trading counterparts, then the responsibility for best execution stays with our trader.

### **Algorithmic trading**

We typically use algorithmic trading primarily for orders that do not require a 'high-touch' execution service from our brokers. For example, a relatively small order in a liquid security can be worked in the market against a suitable benchmark with the minimum of cost or market impact. The broker's 'smart order router' will define the optimum amount to trade at the best price and on which venue, subject to the parameters we have adopted with the algorithmic strategy chosen. We select our brokers for algorithmic trading based on previous execution performance and the transparency of their order handling processes.

The HK trading desk will ensure our algorithmic trading procedures adhere to the Securities and Futures Commission's Guidelines to Electronic Trading. This includes the relevant requirements for management and supervision, system adequacy, record keeping, and risk management. Our HK traders will conduct an annual certification for each of the algorithmic trading providers in a due diligence questionnaire to acknowledge our understanding of the algorithms. We require our algorithmic trading providers provide annual training to the desk each year.

### **Program trading**

Our traders also use Program Trading extensively when investing new money for clients, dealing with client outflows or implementing asset allocation changes. When trading in multiple securities for one client at the same time, a Program Trade will typically be more efficient and a more cost effective way of transacting, through lower execution commissions. Our traders, at their discretion might choose to remove trades from a program to be worked as single stock orders. The reason for doing so would be because that particular instrument has a different liquidity profile to the rest of the instruments being traded or there are already large orders being worked in that name for other clients. When the trader chooses to execute a risk Program

Trade (where the broker is asked to use its proprietary capital in facilitating the trade), we generally ask two or more brokers to compete for the business.

### **Timeliness of execution**

The length of time taken to execute each order depends on its size and the natural liquidity in the market. Our traders are mandated to complete the trade as soon as practicable under the existing market conditions, with the overall aim of minimising market impact and obtaining best execution. Our traders have discretion to set price limits and quantities to be traded based on these factors, and they liaise with the portfolio managers during the course of an order. The Edinburgh trading desk's central location on our investment floor facilitates an open flow of communication.

### **Crossing between clients or funds**

our traders generally refrain from crossing stock between clients owing to the potential conflict of interest which this involves. On the rare occasions that crossing is in the interests of both parties, is permitted and the trade meets best execution requirements for both clients, the agency cross would be executed in a timely manner through a broker in the market.

### **Application for new issues**

We apply the same investment criteria in the primary and secondary markets and will only apply to invest in investments we believe will offer long term returns. Under no circumstances will we enter into any agreement around future trading volumes in order to secure a greater allocation of a deal. Our traders will make the final application on our client's behalf. There will be occasions we will consider becoming a cornerstone investor in a deal. We will only do this for clients that do not prohibit us from doing so, accepting that cornerstoning a deal usually involves a lock-up period during which we may not sell any of these shares. Similarly we would only consider sub-underwriting a deal for clients that permit us to do so.

### **Variation in rates of equity commission**

The majority of our equity transactions are conducted on an agency basis and, as a result, bear commission charges. Execution-only commission rates are negotiated on a market by market basis and, outside of exceptional circumstances are applied across all trading counterparts. Commission rates are reviewed on a periodic basis based on independent surveys; third party analysis from Transaction Cost Analysis ('TCA') vendors; and general market intelligence and are overseen by the BExG.

Program trading involves combining a basket of stocks together into a single trade and can also lead to a variation in rates of commission. Program trades are carried out through a broker working either as a principal or as an agent. When a broking firm acts as principal it takes on the risk of a trade and thus eliminates our clients' exposure to market movements. When the broker acts as agent the risk of the market moving against us remains with the client until completion of the trade. The commission or 'mark-up' for a principal risk program trade is typically higher than that for an agency program trade as the broker is taking the trades on risk. However, when volatility in markets is high, a principal trade which is completed immediately at a higher mark-up may turn out to be cheaper from a total cost perspective than an agency trade which may take a few days to complete.

Use of algorithmic trading allows our traders to deal directly in the market using broker supplied trading algorithms, without any additional execution services from the broker, such as capital commitment or sales trader contact. Where our traders believe it will provide the best overall outcome for our clients, they will choose to use a broker's proprietary algorithmic platform. The commission rate charged on algorithmic trades is slightly lower than that charged when an order is routed to a sales trader but we will also be judging ex-ante the total cost of trading including impact cost when deciding on the appropriate trading strategy.

There are various industry and regulatory initiatives currently underway to improve transparency of costs and charges incurred by clients and Baillie Gifford is supporting the implementation of these measures.

### **Commission recapture and directed brokerage**

Baillie Gifford no longer takes on requests for new commission recapture programs. We still honour existing arrangements operated by our clients, although very few of our brokers now participate in such arrangements. As a result, we cannot guarantee specific amounts to be returned to the client from these programs.

We will accept client directed brokerage arrangements to brokerage houses of the client's choice, so long as the brokerage houses in question are on our list of approved brokers. We will assume the responsibility to override a client's instruction for directed brokerage if it is clearly not in the best interest of the client to trade with that broker from a best execution perspective. Occasionally, a client who has requested directed brokerage will not be able to participate in block or aggregated trades, which might adversely impact the price or the commission the client pays.

Higher levels of recapture and directed trades may potentially affect the commission rates paid and may ultimately impact the prices at which trades are executed, therefore impeding overall performance.

### **Trading systems**

All equity orders are sent to brokers or crossing networks electronically via Bloomberg's Electronic Management System (EMSX), using FIX protocol. Foreign Exchange deals are also sent electronically from our internal Order Management Systems (OMS) directly to FX Connect using FIX protocol.

A full description of the oversight of execution quality across all instrument types is detailed in section six.

### **ii. Bonds**

The execution model in fixed income instruments is a combination of bilateral risk pricing executed by voice and electronic trading on venue. The choice of counterparty, strategy for trading and platform selection will be determined by our trader depending on the asset class and liquidity of the instrument involved.

Where we trade more liquid instruments, we generally execute electronically using 'request for quote' (RFQ) or 'All to All' (A2A) functionality. The number of counterparties we put in competition will depend on the size of the order and the liquidity profile of the instrument. Venue selection will depend on the asset class and the trading tools available to suit the order flow. Trading on a venue provides the opportunity to become a price-maker as well as a price-taker, helping to create additional liquidity and save on the spread cost between the bid and the ask price. It also allows us to reach a wider pool of counterparties.

When handling multiple orders for the same account the trader may choose to use a Portfolio Trading strategy tool. This minimises information leakage and guarantees execution. In less liquid markets our traders will use pre-trade data to help determine the best counterparty to approach. Typically, we will always look to source natural flow to match our trading. Where there is no natural flow our traders will use their discretion to select a counterparty to work the order through a range of messaging systems. We are also in regular contact with them throughout the trading day.

There are no explicit trading fees in Fixed Income markets. Brokers executing and working our orders may add a spread to the price for matching the buyer and seller or for taking risk on to their books. Trading venue fees can be viewed on the individual platforms, and a vendor assessment is carried out at least annually by our traders to ensure what is being charged is fair and reasonable. As with all cases, where we trade directly on a trading venue, the responsibility for best execution lies with Baillie Gifford, and the trader is responsible for ensuring we only trade against an entity on our approved counterparty list.

### **Crossing between clients or funds**

On the rare occasions that buying and selling a bond between two funds is in the interests of both parties, is permitted and the trade meets best execution requirements for both funds our traders will cross between funds at a mid-market price. Our chosen provider to support these trades is ICAP's Cross Trade platform as we believe their fair value price is determined through independent data sourcing (ICE Data Services) and offers a robust price discovery tool.

A fee is charged on either side of the trade which is built into the executing price. Where ICAP is not confident in the price, our traders will speak to at least 3 banks to determine the correct bid offer spread and execute at the mid-price paying a small fee to the executing counterparty or platform for facilitating the trade.

### **Primary markets**

Investment banks bring new issues to the market to allow companies to either refinance existing debt or raise new funds. Should we wish to participate in such a transaction we will place an order with the lead manager(s) on the deal. Orders for new issues need to be placed manually. We continue to work with the industry in finding a solution to electronify this workflow. Should we not receive a full allocation, the investment team is responsible for deciding whether to purchase more bonds in the secondary market to supplement our new issue allocation. This this will typically depend upon the price movement and the availability of bonds in the market post the issue. Baillie Gifford does not offer investment banks any inducement in the form of promises of future trading flow to influence any allocation received but may engage with the issuer's management at a fundamental level.

Auctions are a common way to invest in Government Bond Markets where secondary liquidity is often poor. Our traders will place the order at a specified yield with a counterparty who is supporting the deal, and generally there are no fees charged for placing the order.

### **iii. OTC derivatives**

All derivatives must be traded under industry legal documentation. This means our choice of counterparty for voice trading interest rate swaps (IRS), inflation swaps, credit default swaps (CDS), and currency forward contracts is limited to banks where the required documentation is in place. As with the process for bond trading detailed above, how we execute a derivatives trade will depend on the size (DV01) of the transaction and the liquidity available.

Emerging Market IRS trading commonly takes place by voice on a bilateral basis as many currencies are not yet clearable and unsupported on electronic trading platforms. For currencies that are available to clear, and for those funds set up for clearing, we use Tradeweb as our execution platform.

LCH is our chosen clearing house, and once a trade is executed, the transaction is passed to HSBC, our central clearer. We have CDEA documentation (Cleared Derivative Execution Agreements), in place with several counterparties allowing us to get competing quotes by voice for cleared currencies not supported on Tradeweb. Our CDS contracts are traded bilaterally and executed by voice with banks we have ISDA agreements in place with. All currency forward trading, whether for hedging or as part of an active currency overlay programme is executed via the FX Connect MTF platform with our ISDA counterparties.

### **iv. Listed derivatives**

Listed futures in both equity and bond contracts are placed with an approved trading counterpart which will then trade these on a trading venue. The executed trades are then passed to UBS which acts as our Futures Clearing Member.

### **v. Spot FX**

Where Baillie Gifford retain responsibility for foreign exchange trading, spot FX trades are either executed with our clients' appointed custodian bank or with a bank from Baillie Gifford's approved list of third party counterparties. Baillie Gifford undertakes an active negotiation process with regard to those direct FX transactions it undertakes for clients. For the avoidance of doubt, Baillie Gifford shall not employ 'best execution' or actively negotiate rates with regard to those indirect FX transactions which are undertaken for clients by third parties such as the clients' custodian. Indirect FX transactions are those undertaken without Baillie Gifford's active involvement such as income repatriation trades and restricted currency trades. Indirect FX transactions arise as a result of standing instructions at the custodian or if Baillie Gifford trades in a market

where local requirements dictate that any FX trade or income related to it has to be traded by a local party, typically the client's custodian or sub-custodian. Checks are performed to ensure custodians, both direct and indirect, subscribe to the FX Global Code<sup>1</sup> which was established in 2018 as an industry-wide set of guiding principles and standards for adherence by participants of the FX market.

All foreign exchange spot trading is executed via the FX Connect MTF platform which allows electronic routing and execution of trades. Prior to trading and where permitted to do so, our currency exposure is netted as much as possible to ensure we are trading in the most cost efficient manner.

Depending upon the currency pair, size of trade and prevailing market conditions, Baillie Gifford traders may decide to place banks in competition with each other. Using the Request For Streaming (RFS) Functionality, we can ask a maximum of six banks to quote on each trade. Trades in larger size may be executed using a single counterparty that has been selected by our trader based on a number of factors including previous execution quality. All rates offered by our banks are checked against live prices from Bloomberg and Eikon with any unsatisfactory rates quoted immediately challenged for an improvement by our traders. Our policy is not to speculate on currency movements and we therefore will trade our FX business as soon as we know it is required.

Our FX Operations team monitor clients' cash positions during the day with this information sourced directly from our internal accounting system. Our internally developed Mercury FX System generates FX trades for execution throughout the course of the business day. Ad-hoc trades can also be created and executed when required.

## vi. Collective investment vehicles

Where Baillie Gifford wishes to deal in a third party managed collective investment vehicle on behalf of clients, our policy is to route the orders to the Transfer Agent of the underlying fund.

Where one of our strategies wishes to invest in a Baillie Gifford managed fund, orders are electronically routed by the traders to our in-house platform.

## vii. Placing of deposits

Generally, Baillie Gifford is an active manager, with portfolios that are typically fully invested with minimal residual cash balances maintained at the client's custodian.

On a quarterly basis Baillie Gifford reviews and approves the list of eligible banks for accepting such third party deposits.

A list of each of the execution venues and entities currently used by Baillie Gifford for trading the financial instruments mentioned in this section is included in the Appendix. In exceptional circumstances, we might choose to use a venue or entity not currently listed in this Policy, for example on a provisional basis or to accommodate a request to trade in an unusual instrument or new issue, with a view to satisfying the overarching best execution requirement.

## Review, governance and oversight

The BExG is chaired by the Head of UK and Group Policy Compliance and is responsible for the oversight and governance for the policies, procedures and practices governing the Best Execution arrangements for Baillie Gifford. The BExG reports up to the Operational Compliance Committee and BGO (which is responsible for our trading arrangements). The BExG meets on a quarterly basis. The Head of Trading is a Director of BGO.

As referred to earlier, our Best Execution Policy is formally reviewed at least on an annual basis or promptly should there be any material change in the interim, as explained in more detail below. The purpose of the review is to carry out an overall assessment of Baillie Gifford's execution arrangements to ensure they are reasonably designed to enable the firm to obtain the best possible result for the execution of its client orders.

This review will include consideration of the inclusion of additional or different execution venues or entities; the removal of any existing execution venues or entities which we believe should no longer be used for trading; and any modifications required to this Policy, including the relative importance of the best execution factors.

These changes will come about as a result of feedback on client experiences from our oversight of best execution, including data from trading analytics as well as qualitative input from the traders based on changes to either market structure or general trading conditions.

The Policy will also be reviewed on the occurrence of a material change in our trading arrangements or a material change in our underlying regulatory obligations. For the purposes of the Policy, a material change means a significant event of an internal or external nature that could impact factors or parameters of best execution such as cost, price, speed, likelihood of execution, likelihood of settlement, the ability to retain anonymity in the market, prevention of information leakage, size, nature of order or any other consideration relevant to the execution of the order.



The Policy is a 'living document' and will be periodically updated based on client experience and as a result of our best execution oversight. We will also update the list of execution venues and entities when necessary. We will only notify clients of any material changes to our execution arrangements or the Policy. Clients will not be notified separately of anything deemed non-material. The addition or removal of a broker from our approved list, for instance, would not typically be deemed a material change.

### **Monitoring adherence to this policy**

We monitor our adherence to the Policy and our regulatory obligations in this area through the firm's compliance risk assessment framework and monitoring programme, with oversight from the BExG.

### **Monitoring of trading**

The purpose of our monitoring programme is twofold. Firstly, to test the effectiveness of our overall execution arrangements and, secondly, to have oversight of our regulatory obligations on best execution.

We monitor our own internal processes for ensuring the selection of appropriate venues to enable the achievement of 'best execution' for the trading we actively undertake by using TCA tools to identify any trends or outliers against relevant benchmarks, e.g. indicative market rate and internal Volume Weighted Average Price. We also evaluate the order execution arrangements of the counterparts through whom we actively trade on behalf of clients (for example, by receipt and review of their execution policies where governed by MiFID).

A summary of results is presented to the BExG on a quarterly basis and any exceptions are also included within the assurance reporting to the Operational Compliance Committee.

### **Broker selection**

Our Policy is to take all sufficient steps to determine that when transmitting or placing an order with another entity to execute, it has arrangements that will enable Baillie Gifford to comply with the overarching best execution obligation.

In the case of an entity subject to the requirements of MiFID, we will look to obtain and review appropriate information on their execution policy and execution arrangements and ensure that we are treated as a Professional Client of that entity.

In the case of entities which are not subject to MiFID, we must take all sufficient steps to satisfy ourselves that the entity has execution arrangements that allow

them to comply with the overarching best execution requirement. In any case where we cannot satisfy ourselves of the above matters, it is our policy not to use that entity.

Baillie Gifford has relationships worldwide with a large number of brokerage firms. Our Business Risk Department maintains a central list of approved brokers with whom orders can be placed.

Brokerage firms are placed on this list subject to an authorisation and ongoing monitoring process, which includes, but is not limited to, the broker's credit worthiness and financial stability, a review of the performance of execution services provided by the broker, and the broker's ability to trade effectively on our clients' behalf. Limits on counterparty risk are also set for individual brokers and our Business Risk Department review and monitor exposures against these limits on a daily basis.

Broker selection for trading is determined entirely by the requirement to achieve best execution for our clients. A formal evaluation of our main brokers' services is regularly conducted by members of our trading team. We also meet with each of our main brokers on a regular basis. During these meetings, we discuss any specific service issues which our traders have encountered during the period.

We utilise execution-only commission rates to compensate brokers for trading, as opposed to the 'bundled' format, and therefore client dealing commission does not include an element for permitted research services in addition to execution.

### **Trade monitoring**

Transaction costs can be broken down into two components: explicit costs of trading including commissions and taxes, whilst implicit costs include market impact and opportunity costs. The implicit costs arising from the poor timing of orders can far exceed the explicit costs.

### **Explicit costs**

As noted earlier, we periodically review our clients' rates of commission paid against the industry averages, against information supplied by independent sources as well as our own market intelligence and will negotiate with the brokers and other entities used in order to retain rates that are competitive in each market. Baillie Gifford does not trade synthetically (for example, through the use of Contracts For Difference (CFDs) in order to avoid any tax liability).

### **Implicit costs**

We define market impact as the difference between the price of a financial instrument when an order is placed with a broker and the price when the transaction is finally executed. Similarly, we define opportunity cost as the difference between the price of a share when an investment manager decides to transact and the price of a share when the order is placed with a broker.

Baillie Gifford employs a Trading Data Analyst within its Trading team and also subscribes to trading analytics supplied by TCA providers covering equity, fixed income and foreign exchange transactions executed by Baillie Gifford traders. In some markets, the analysis is still in its infancy.

The TCA vendors have been chosen for their ability to provide deep best execution analysis across a broad array of metrics. The oversight will deliver meaningful management information to Trading, Compliance, Risk and Baillie Gifford's governing bodies on the quality and appropriateness of our execution arrangements and policies, as well as informed reporting to our clients.

The effectiveness of our order execution arrangements are monitored by the Baillie Gifford Trading desk during the life cycle of the order. Trading data provided by our TCA providers and from within our Execution Management System allows the traders to measure the effectiveness of our order execution arrangements on an ex-ante and an ex-post basis. Throughout the lifetime of the trade, the traders maintain an appropriate level of dialogue with the investment team. On occasion, Baillie Gifford's active investment style and concentrated position sizes will have a negative impact on transaction costs, and in particular on indirect costs.

The BExG also undertakes a quarterly review of the performance of all trading undertaken by Baillie Gifford on behalf of its clients, regardless of how it was executed. This includes trades executed through approved broker Algorithms and other Electronic Trading platforms. Any issues identified which indicate the potential that clients may be due compensation or a change in our processes may be warranted will be investigated and tracked by the BExG through to conclusion.

On top of the review of our existing execution arrangements, it is also important for us to consider the potential performance benefits and execution capabilities of new trading and execution venues.

This can be achieved partly through the use of data but also through industry engagement through various trading related forums as well as through bodies such as the Investment Association. The Trading Team also meets regularly to discuss its processes; lessons learned from notable trades and how we are implementing change.

As a firm we rely heavily on the experience of our trading team to minimise transaction costs. Good communication between our investment managers and traders has also proved to be vital to effective trading.

### **Ongoing learning and development**

Each member of our trading team is subject to Continued Professional Development. This includes but is not limited to mandatory Compliance training. Our training is theme based with the intention of gold-plating global regulation. Our traders also complete annual refresher training with each of our providers of algorithmic trading products.

### **Incident resolution**

Baillie Gifford has incident reporting, escalation and resolution policies.

It is our expectation that our trading counterparty has sufficiently robust Client Order Handling Policies covering both primary and secondary trading so, in line with our own allocation policy, the broker's clients are all treated fairly. Should we find this not be the case and our traders believe the counterparty has behaved poorly then we will first look to resolve the matter bilaterally before escalating it as deemed appropriate in the context at that time. An example of what we would consider poor market behaviour would be where Baillie Gifford's client allocations are negatively impacted by the broker sharing our trade with a counterparty who had not left them with a firm order or where that client was given a greater allocation than the order they had given to the broker. It should be noted that such behaviour will be judged in the context of the circumstances at that time, as in some circumstances it could be deemed appropriate.

Similarly in the case of any trade dispute, the traders will first look to resolve the issue with the trading counterparty before escalating it within both firms. In no situation will the Baillie Gifford trading team undertake to a broker to provide future order flow or other compensation in respect of the remediation of any trading error.

## Definitions

In this document, the following definitions will apply:

**Agency cross** – when a buyer and a seller trade with each other in size within the bid/ask spread (usually done at the middle price).

**Algorithmic trading** – the use of a broker's electronic proprietary tools to allow a manager to run trading strategies for their orders (such as matching the volume weighted average price or trading a percentage of daily volume).

**Best execution** – under MiFID, investment firms are required to take all sufficient steps to obtain, when executing orders, the best possible result for their clients, taking into account price, costs (implicit and explicit), speed, likelihood of execution and settlement, size, nature, the ability to retain anonymity in the market or any other consideration relevant to the execution of the order. The obligation requires firms to obtain the best possible result on a consistent basis, but not on an order-by-order basis.

**Bid/ask spread** – the difference between the market price quotations for buying and for selling particular securities.

**Commission recapture** – the process whereby a client directs a manager to place trades through a specific broker, in exchange for which the client will receive a rebate of a portion of the total commission paid, assuming that the particular broker has agreed to take part in a recapture programme. Our ability to achieve the best possible result i.e. best execution and hence our obligation to do so, will be limited to the extent that we are following a specific instruction from our clients when placing an order with another entity for execution.

**Crossing network** – an electronic execution venue that enables asset managers to match buying and selling orders in securities directly with other asset managers and occasionally other brokers and market participants, away from the primary exchange, but using the best bid and offer price from the market as a reference.

**Execution venue** – we define an execution venue as either a broker we have given an order to work or a market maker we have traded against on risk.

**Explicit costs** – means direct costs such as a trading commission, ad valorem tax or other fee.

**FIX** – the Financial Information Exchange protocol is a technical specification for the sending and receiving of electronic trading information between buyers and sellers in the market.

**Implicit cost** – this refers to the market impact of the execution. For equities, this is the difference between the price of a financial instrument when an order is placed with a broker and the price of the when the transaction is finally executed.

**MiFID** – the Directive 2014/65/EC of the European Parliament and of the Council of 15 May 2014 and Commission Regulation (EC) No 600/2014 of 15 May 2014 and any applicable implementing EU legislation, delegated acts (directives or regulations) and technical standards.

**Multi-Lateral Trading Facility (MTF)** – means a multi-lateral system, operated by an investment firm or a market operator, which brings together multiple third-party buying and selling interests in financial instruments in the system and in accordance with its nondiscretionary rules in a way that results in a contract in accordance with the provisions of Title II of MiFID.

**Opportunity cost** – the loss (or gain) incurred as a result of delay in completion of a transaction following a portfolio manager's initial decision to trade.

**Organised Trading Facility (OTF)** – a multilateral system that is not a Regulated market or MTF. Within an OTF, multiple third-party buying and selling interests in bonds, structured finance products, emission allowances or derivatives are able to interact in a way that results in a contract. Equities are not permitted to be traded through an OTF.

**Program trade** – is a basket of multiple securities all being executed with a defined benchmark. These may be executed on an agency or principal basis.

**Regulated market** – a multi-lateral system operated and/or managed by a market operator which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments in the system and in accordance with its non-discretionary rules in a way that results in a contract, in respect of the financial instruments admitted to trading under its rules and/or systems, and which is authorised and functions regularly and in accordance with the provisions of Title III of MiFID.

**Request For Quote (RFQ)** – refers to a process where trading counterparts are invited to quote a price to either buy or sell a particular financial instrument in an agreed quantity.

**Request For Stream (RFS)** – refers to a process where banks who have been selected and placed in competition with one another, provide access to rates that are subject to frequent updates during an inquiry, allowing the opportunity to execute at the most competitive rate available.

**Smart order router** – the routing technology used by a broker to send parts or full orders to the venues it chooses in order to obtain the best result for its clients. Dynamic routing is automated to allow the routing engine to move orders quickly from one venue to another to maximise the best outcomes based on prices and volumes.

**Systematic Internalisers (SI)** – investment firms which, on an organised, frequent, systematic and substantial basis, deal on own account by executing client orders outside a regulated market, MTF or OTF without operating a multilateral system.

**Trading venue** – a regulated market, MTF or OTF acting in its capacity as such, and, where appropriate, a system outside the UK/EU with similar functions to a regulated market MTF, or OTF.

**VWAP** – Volume Weighted Average Price. This is the average price of a stock over a particular time period, weighted by the volume traded at each price over that period.

### **Information to clients**

We are obliged to provide appropriate information to our clients about our Execution Policy which is designed to highlight the key aspects of our Policy. In addition, we have to notify our clients of a material change as described earlier in this Policy.

This disclosure is initially provided to a new client as part of the investment management agreement, in order that we can evidence the provision of appropriate information in good time before the provision of the service and we also request the client's consent to the Policy and prior express consent to the execution of orders outside a Trading Venue.

This Policy has been prepared as at 28 June 2023.

## Appendix – execution and trading venues

Please note that arrangements may vary depending on contractual arrangement with clients.

### A. Equities

The approved counterparty list as at the date of this Policy is set out below. Reference to a parent company includes subsidiaries and affiliates of that trading counterpart.

Allen & Company LLC	J.P. Morgan Securities PLC	Sanford C. Bernstein (India) Private Limited
Baader Helvea Limited	Jane Street Financial Limited	SBI Securities (Hong Kong) Limited
Banco Santander, S.A.	Jarden Australia Pty Ltd	Shore Capital Stockbrokers Limited
Bank of Montreal	Jefferies (Australia) Securities Pty Ltd	Sinopac Securities Corporation
Barclays Bank Plc	Jefferies Hong Kong Limited	SMBC Nikko Capital Markets Limited
Barclays Capital Securities Limited	Jefferies India Private Limited	SSI Securities Corporation
Barrenjoey Markets Pty Limited	Jefferies International Limited	Stifel Nicolaus Europe Limited
Bernstein Autonomous LLP	Jefferies Japan Limited	The Bank of Nova Scotia
BTG Pactual US Capital, LLC	Jefferies LLC	UBS AG
BTIG, LLC	Joh.Berenberg, Gossler & Co. KG	UBS Securities Asia Ltd
Canaccord Genuity Limited	JPMorgan Chase Bank, National Association	Viet Capital Securities Joint Stock Company
Cantor Fitzgerald Europe	Kepler Cheuvreux	Virtu ITG Europe Limited
Carnegie Investment Bank AB	Korea Investment & Securities Co Ltd	Virtu ITG Hong Kong Limited
Cenkos Securities Plc	Kotak Securities Limited	Wells Fargo Securities, LLC
CICC (HK) Ltd (China International Capital Corporation Hong Kong Securities Limited)	Liberum Capital Limited	William Blair & Company, L.L.C.
CICC (UK) Ltd (China International Capital Corporation (UK) Limited)	Liquidnet Europe Limited	Winterflood Securities Limited
CICC Ltd	Luminex Trading & Analytics LLC	
CICC US Securities, Inc.	M.M. Warburg & Co (AG & Co.) Kommanditgesellschaft auf Aktien	
CITIC Securities	Macquarie Capital (Europe) Limited	
Citigroup Global Markets Limited	Macquarie Securities (Australia) Limited	
CLSA (UK)	Merrill Lynch International	
Daiwa Capital Markets Europe Limited	Mischler Financial Group, Inc.	
Danske Bank A/S	Mizuho International plc	
DSP Merrill Lynch Limited	Montrose Securities International	
Equita SIM S.p.A. (Equita Societa' Di Intermediazione Mobiliare S.P.A)	Morgan Stanley & Co. International PLC	
FINNCAP Ltd	Motilal Oswal Financial Services Ltd	
Goldman Sachs International	Nomura International Plc	
Goodbody Stockbrokers UC	Nplus1 Singer Capital Markets Limited	
Haitong International Securities Company Limited	Numis Securities Limited	
Ho Chi Minh City Securities Corporation (HSC)	Panmure Gordon (UK) Limited	
HSBC Bank Plc	Peel Hunt LLP	
HSBC Limited	Piper Jaffray & Co.	
ICICI Securities Limited	Raymond James Financial International Limited	
Instinet Europe Limited	RBC Europe Limited	
Investec Bank PLC	Redburn (Europe) Limited	
Investec Capital Services (India) Pvt Ltd	Robert W. Baird & Co. Incorporated	
J&E Davy	Royal Bank of Canada	
J.P. Morgan Securities Australia Ltd	Samsung Securities Co., Ltd	
	Sanford C. Bernstein (Hong Kong) Limited	

## B. Equity algorithmic trading

We use algorithmic trading tools provided by the following brokers to assist us for certain types of trade:

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Jefferies

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Liquidnet

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Morgan Stanley

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UBS

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Virtu ITG Europe Limited

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## C. Fixed income counterparties

Aon Securities Inc.	Merrill Lynch International
ANZ Banking Group Limited	Millennium Advisors LLC
Banco Santander, S.A.	Mizuho International plc
Bank of Montreal	Morgan Stanley & Co. International PLC
Barclays Bank Plc	MUFG Securities EMEA PLC
Barclays Capital Securities Limited	National Australia Bank Limited
BBVA (Banco Bilbao Vizcaya Argentaria Sociedad Anonima)	NatWest Markets PLC
BCP Securities LLC	Nomura International Plc
Beech Hill Securities, Inc.	Rabobank (Cooperatieve Rabobank U.A.)
BGC Brokers L.P.	RBC Europe Limited
BNP Paribas	Ria Capital Markets Limited
BTIG, LLC	Robert W. Baird & Co. Incorporated
Cambridge International Securities, LLC	Royal Bank of Canada
CIMB Bank Berhad	Seaport Global Securities LLC
Citadel Securities (Europe) Limited	Societe Generale Investments (U.K.) Limited
Citigroup Global Markets Limited	Standard Chartered Bank
Commerzbank Aktiengesellschaft	State Street Global Markets LLC
Daiwa Capital Markets Europe Limited	Stifel Nicolaus Europe Limited
Deutsche Bank Aktiengesellschaft	SumRidge Partners, LLC
Flow Traders B.V.	Swiss Re Capital Markets Limited
Flow Traders U.S. Institutional Trading LLC	The Bank of Nova Scotia
Goldman Sachs International	The Seaport Group Europe LLP
Guy Carpenter & Co LLC	The Toronto-Dominion Bank
Howden Tiger Capital Markets & Advisory LLC	TPCG Financial Services Agente de Valores S.A.
HSBC Bank Plc	Tradeweb Europe Limited
ICAP Securities Limited	Truist Securities, Inc.
ICBC Standard Bank PLC	Tullett Prebon (Securities) Limited
Imperial Capital (International) LLP	U.S. Bancorp Investments, Inc.
ING Bank N.V.	UBS AG
Intesa Sanpaolo SPA	UniCredit Bank AG
Jane Street Financial Limited	Wells Fargo Securities, LLC
Jefferies International Limited	Westpac Banking Corporation
JPMorgan Chase Bank, National Association	Willis Securities, Inc.
Liquidnet Europe Limited	Zürcher Kantonalbank
Lloyds Banking Group Plc	
MarketAxess Capital Limited	

## D. Derivative and FX counterparties

### Exchange traded derivatives

Baillie Gifford has clearing and execution related arrangements with the following investment banks:

#### Clearing

HSBC Bank

UBS

#### Execution

Goldman Sachs

HSBC Bank

UBS

### Over-the-counter bilateral derivatives (swaps and currency forwards)

Barclays

Brown Brothers Harriman

Citigroup Global Markets Limited

Deutsche Bank

Goldman Sachs

HSBC Bank

J.P. Morgan Securities

Merrill Lynch International

National Australia Bank Ltd

NatWest Markets

Royal Bank of Canada

Standard Chartered

State Street Bank

UBS

### Credit default swap counterparties

Barclays Bank plc

Citigroup Global Markets Limited

Goldman Sachs

HSBC Bank plc

J.P. Morgan Securities

Merrill Lynch International

## Over-the-counter cleared derivatives (swaps)

### Clearing

HSBC Bank

### Execution

Barclays

BBVA

Citigroup Global Markets Limited

Deutsche Bank

Goldman Sachs International

HSBC Bank

J.P. Morgan Securities

Merrill Lynch International

Morgan Stanley

NatWest Markets

Royal Bank of Canada

Santander

Standard Chartered Bank

UBS

### Spot foreign exchange trades

Client appointed global custodian bank and the following banks for third party trading where permitted.

Bank of New York Mellon

BNP Paribas

Brown Brothers Harriman

HSBC

J.P. Morgan Securities

National Australia Bank

NatWest Markets

Royal Bank of Canada

State Street

The Northern Trust Company

## E. Electronic trading venues

Baillie Gifford will also execute trades on the following venues:

### Fixed Income

Bloomberg

Liquidnet

MarketAxess

Tradeweb

Trumid

### Collective investment schemes

For the trading of collective investment schemes, the following electronic trading platform is used:

BBH Worldview

FundSettle

### Foreign exchange

The trading of foreign exchange is executed on the following venue:

FX Connect