This has been a busy year for the Corporate Governance team and we have seen significantly more activity in the UK regulatory market than we are used to, but, as the text below illustrates, the UK is not the only market seeing changes. All the topics highlighted, including directors' duties, executive pay and composition of boards, tax, employees, and climate change are actively considered on an ongoing basis and incorporated into our stewardship activities.

Developments in global stewardship codes

In the fourth quarter of 2016, the Financial Reporting Council introduced a tiering system which categorised signatories to the UK Stewardship Code into three tiers based on the quality of their statements. Baillie Gifford became a signatory to the Code at inception in 2010. We recently revised our stewardship policy document which has been categorised as Tier 1 and is publicly available on our website.

It is perhaps helpful to remind ourselves of the purpose of the Stewardship Code, the aim of which is to "enhance the quality of engagement between investors and companies to help improve long-term risk adjusted returns to shareholders". This intent and broad expectation is what has prompted the proliferation of stewardship codes across Europe and Asia. Japan has its own code, Taiwan and South Korea have both been consulting industry participants with a view to following suit, and Hong Kong introduced its Principles for Responsible Ownership in March 2016. Malaysia launched its Code for Institutional Investors in 2014, the second in emerging markets after South Africa. In Europe, we have the Italian Stewardship Principles (2015) as well as a raft of corporate governance code updates.

In addition to the interest around the stewardship code tiering, we have had a UK Government Business, Innovation, and Skills (BIS) Committee corporate governance inquiry. The consultation focused on three key governance areas: directors' duties, executive pay and composition of boards. All three of these feature heavily in the agenda items of meetings we have with all our investee companies. Briefly, we do not believe we need increased regulation, quotas dictating the number of women who sit on a board, or rules regarding worker representation on boards. We absolutely believe that it is the responsibility of all boards to understand their responsibilities to all stakeholders, to ensure pay is aligned with corporate performance over the long term, and to have considered diversity for the whole organisation as well as the board.

And the focus on this area does not stop there. The UK government's November 2016 Green Paper looks to tackle executive pay, as well as strengthening the employee, customer and broader stakeholders' voices. We will be reviewing the options set out in the Green Paper over the coming months, taking the opportunity to contribute to the future of UK corporate governance policy.

Progress in Japan

The Japanese Corporate Governance Code entered into force on 1 June 2015. We regularly provide updates on governance developments in Japan because the dynamics associated with governance including the roles of executives and non-executives, board committees, and the concept of engaging with foreign shareholders are progressing very quickly.

A recent trip to Japan to attend the Asian Corporate Governance Association's annual conference and to engage with some of our investee companies demonstrated a spectrum of acceptance for these developments. Some ardently support the movement for change, others are interested and keen to learn how they can improve their business, while several do not believe in the benefits and remain in a tick box mind set. Thankfully, oversubscription to the ACGA's conference, held in Tokyo this year, is an early indication that support significantly outweighs apathy.

UN Framework Convention on Climate Change

This is a very different subject area, but one that has global relevance – on 5 October 2016, the threshold for bringing the Paris Agreement into force was reached when 55 countries, accounting for at least an estimated 55% of the total global greenhouse gas emissions, ratified the agreement. The US and China are, together, responsible for an estimated 40% of the world's emissions, so their participation was crucial and prompted many more countries to follow suit. The UK ratified the agreement on 18 November, making it a follower rather than a leader on this occasion. Before the announcement by the US and China, only 24 countries – responsible for about 1% of global emissions – had ratified the agreement.

From a Baillie Gifford perspective, we need to ensure that the companies we are investing in on our clients' behalf have considered the long-term challenges, and more importantly the opportunities, this presents. Our stewardship activities cover more than just governance matters. Climate change will continue to be an area of research and engagement for the foreseeable future.

Trump and climate change

Finally, we are being asked a lot about US President-elect Donald Trump and the impact he may have on governance matters such as tax, the environment and climate change, as well as social implications. We don't think we will have a clear understanding of Trump's impact until we start to see concrete policies come into play. We continue to focus on the fundamentals of each investment and will review them as each new development occurs.

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	3	Companies	1	Companies	None
Resolutions	14	Resolutions	2	Resolutions	None

We have recently revised our stewardship policy document which has been categorised as Tier 1. The UK continues to influence the development of stewardship codes in Asia

A recent trip to Japan demonstrated a spectrum of levels of acceptance for stewardship developments - some ardently support the movement for change, others are keen to learn how they can improve their business, while several do not see the benefits and remain in a tick box mind set

On 5 October 2016, the threshold for bringing the Paris Agreement into force was reached when 55 countries accounting for at least an estimated 55% of the total global greenhouse gas emissions ratified the agreement

Firmwide Company Engagement

Engagement Type	Company
Corporate Governance	Amazon.com, Inc., NVIDIA Corporation
AGM or EGM Proposals	Atlassian Corporation Plc, Tesla Motors Inc.

Notes on company engagements highlighted in blue can be found in this report. Notes on other company engagements are available on request.

Company	Engagement Report
Amazon.com, Inc.	We have been engaging with Amazon on corporate governance matters for more than seven years. At our most recent meeting, we discussed corporate culture, data privacy, tax and working conditions in distribution centres. These challenges are also high on the company's agenda. Amazon's rapid expansion has inevitably resulted in 'growing pains' for the corporate culture. Following negative media coverage of labour issues in 2015, an internal review highlighted that 70% of Amazon's managers had been recruited in the preceding two years; experience and knowledge of the 'Amazon way' had been somewhat diluted. Since then, the company has been actively promoting the Amazon values and working with managers to ensure that the culture is customer focused but also supportive to employees at all levels. The company has also introduced a new employee survey tool which is providing day-to-day data on employee engagement levels at its various sites. The company has progressed in terms of its approach to sustainability, with the recruitment of senior resource. We have also encouraged Amazon to publish more details about its work to address labour issues and other sustainability challenges, and we will continue the conversation in 2017.
NVIDIA Corporation	NVIDIA operates worldwide as a visual computing company, specialising in products and platforms for the large, growing markets of gaming, professional visualisation, data centre, and automotive. We welcomed the opportunity to discuss its approach to governance with its lead independent director Bill Miller, and CFO Colette Kress. This level of access, especially for a relatively new shareholder such as ourselves, is unusual for a US business. It allowed us to explore how NVIDIA's governance provisions support its corporate strategy. We discussed the board's role in selecting the right management team, making strategic and major investment decisions, and representing shareholders' rights. A significant proportion of the board still comprises directors with a venture capital background. Mr Miller explained these individuals were early investors, they have remained actively engaged as stockholders and are also a source of ideas from the start-up community. Finally, we discussed the board's ability to issue blank-cheque preferred stock and to amend NVIDIA's by-laws. Mr. Miller and Ms. Kress explained that these anti-takeover provisions help protect the company's culture and allow management to focus on long-term ambitions. It was encouraging to hear that the company values its shareholder engagement programme, which informs its long-term strategy and the development of its governance practices. This was a very worthwhile initial conversation and we look forward to developing our understanding of NVIDIA's business through subsequent engagement.
Tesla Motors Inc.	Tesla Motors designs, develops, manufactures, and sells electric vehicles and stationary energy storage products. At a special shareholder meeting in November, we supported the company's merger with SolarCity. Ahead of the meeting we engaged with management on aspects of the deal, as well as the strategic motivation. The goal, to create an integrated energy generation and storage system for homes and vehicles, has been laid out over several years and the combined group should have competitive advantages in pursuing its objective. We remain supportive of CEO Elon Musk and his long-term ambitions. In addition to voting in favour of the deal, we conveyed some of our governance concerns and suggested how the company might proceed. At this stage of its development, it is important to build a share register of supportive long-term investors to ensure there is adequate capital and support through tougher periods that will inevitably come. This requires greater clarity about capital requirements and the variables that will impact upon them. Management must avoid the negative perceptions generated by raising money and then announcing strategic changes shortly afterwards, and avoid distractions as they take on large challenges. We have been encouraged by management's openness to engagement on all of these topics and believe the merger was in the best interests of shareholders.

Votes Cast in Favour

Companies	Voting Rationale
Alibaba, Atlassian Corp Plc, Tesla Motors	We voted in favour of routine proposals at the aforementioned meeting(s).

Votes Cast Against

Company	Meeting Details	Resolution(s)	Voting Rationale
Atlassian Corp Plc	Annual 06/12/16	6, 7	We opposed two resolutions which sought authority to issue equity because the potential dilution levels are not in the interests of shareholders.

Votes Abstained

We did not abstain on any resolutions during the period.

Votes Withheld

We did not withhold on any resolutions during the period.