Baillie Gifford & Co

# Lothian Pension Fund Long Term Global Growth

## Report for the quarter ended 31 December 2025

## Voting Activity

| Votes Cast in Favour | |
|---|---|
| Companies | 6 |
| Resolutions | 52 |

| Votes Cast Against | |
|---|---|
| Companies | 1 |
| Resolutions | 2 |

| Votes Abstained/Withheld | |
|---|---|
| Companies | None |
| Resolutions | None |

## Company Engagement

| Engagement Type | Company |
|---|---|
| Environmental | Amazon.com, Inc., Axon Enterprise, Inc., MercadoLibre, Inc., Moncler S.p.A. |
| Social | Amazon.com, Inc., MercadoLibre, Inc., Moncler S.p.A., Netflix, Inc. |
| Governance | ASML Holding N.V., Amazon.com, Inc., AppLovin Corporation, Axon Enterprise, Inc., DexCom, Inc., MercadoLibre, Inc., Moncler S.p.A., Netflix, Inc., Nu Holdings Ltd., Samsara Inc., Sea Limited, Spotify Technology S.A., Titan Company Limited |
| Strategy | Amazon.com, Inc., AppLovin Corporation, Duolingo, Inc., Nu Holdings Ltd., Samsara Inc., Sea Limited, Spotify Technology S.A. |

An engagement may cover more than one topic. Notes on a selection of engagements can be found in this report. This is not exhaustive and further details of company engagements are available on request.

## Votes Cast in Favour

| Companies | Voting Rationale |
|---|---|
| Atlassian Corp Plc, CATL 'A', Kweichow Moutai 'A', PDD Holdings Inc, Spotify Technology SA, Titan Co Ltd | 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<br>02/12/25 | 4, 5 | We opposed two share incentive plans due to concerns over potentially high dilution from the initial share request, the added impact of evergreen provisions, and the overall cost of the plans. |

## Votes Abstained

We did not abstain on any resolutions during the period.

## Votes Withheld

We did not withhold on any resolutions during the period.

| Company | Engagement Report |
|---|---|
| Amazon.com, Inc. | Objective: In late October, we met Amazon's head of ESG engagement and ESG engagement specialist to discuss employee working conditions, unionisation and freedom of association, and supply chain labour standards. We also sought more information about Project Nimbus and how Amazon considers it within the context of human rights commitments.<br><br>Discussion: Management outlined continued investment in employee health and safety, highlighting material reductions in total recordable and lost-time incident rates over the past five years. Progress is the result of many factors, including extensive ergonomic redesigns and large-scale deployment of robotics to remove the most physically demanding tasks. We also discussed unionisation and migrant worker issues in Saudi Arabia. Amazon's policy framework remains aligned with international standards and it has invested meaningful time and capital in remediation and supplier oversight, reinforcing our view that it is trying to manage complex social risks responsibly. By contrast, the company was limited in what information it provided on Project Nimbus, confirming only that it was covered by Amazon's acceptable use policy.<br><br>Outcome: Overall, we were reassured by Amazon's progress and ongoing investment in workforce and supply chain practices, which underpins its long-term operational resilience and licence to operate. We will use our constructive relationship to continue monitoring developments on these core social topics. Unfortunately, we were unable to gain further clarity about the allegations against Amazon and Project Nimbus. We will continue to monitor developments and encourage greater transparency. |
| AppLovin Corporation | Objective: We met AppLovin's founder- chief executive officer (CEO), Adam Foroughi, and chief financial officer (CFO), Matt Stumpf, at the company's Palo Alto headquarters to understand how the company plans to scale through automation, how its lean engineering culture supports rapid product development, and how management's renewed long-term orientation shapes decision-making as the business expands beyond gaming into ecommerce.<br><br>Discussion: Applovin continues to stand out as an AI-first business with unusually high margins, capital-light growth and strong returns, while still early in expanding beyond its core mobile gaming advertiser base. Management sees automation as the key to scaling from ~1,500 advertisers to an addressable market of millions as its e-commerce model enters general release in the second half of 2026. Management is actively testing how far paid performance marketing can generate business without adding a traditional salesforce. The preferred scenario remains a lean, engineering-led operating model, with only minimal sales support for the largest advertisers if strictly necessary.<br><br>Foroughi described a deliberate restructuring to strip out management layers, avoid dependence on "professional managers", and keep engineers directly accountable for product decisions. This is enabling very rapid product development and supports disciplined headcount control - his view is that if AI can do the task, AI should do the task. Culturally, there is a clear bias towards experimentation paired with a willingness to shut down projects that do not scale.<br><br>Finally, Foroughi reflected on the lessons from AppLovin's sizeable 2022 share price drawdown. He acknowledged that the company had previously over-managed quarterly optics and the share price, and has consciously shifted to running the business as if it were private, focusing on long-term product and model improvement rather than short-term market sentiment.<br><br>Outcome: The meeting strengthened our confidence in AppLovin's ability to scale responsibly while preserving exceptional unit economics, thanks to its automation-first culture, lean structure and disciplined experimentation. Management's long-term orientation and explicit dismissal of short-term market pressures aligns well with our philosophy. These conversations help us assess the durability of AppLovin's growth and the robustness of its operating model as it enters its next phase of expansion. |

| Company | Engagement Report |
|---|---|
| Axon Enterprise, Inc. | Objective: We sought an update on remediation efforts from investor relations following the identification of two material weaknesses relating to internal controls in the latest financial year. We also discussed supply chain management and updates to disclosures in the firm's most recent Responsibility Report.<br><br>Discussion: Erik Lapinski (vice president of investor relations) started the call by outlining changes to disclosure in the firm's latest Responsibility Report, which includes scope 1 and scope 2 emissions data for the first time. Erik confirmed that the firm plans to expand related disclosures in the future. He added that the report will be refreshed annually going forward so that investors can track the progress of certain metrics.<br><br>We then asked about the remediation of material weaknesses, which related to revenue recognition policies and the treatment of convertible notes respectively. As part of this query, we noted that the chief operating officer (COO) and chief financial officer (CFO) roles are currently combined at Axon. Erik explained that remediation work had been initiated and that the firm's Chief Accounting Officer had been named as the firm's Principal Accounting Officer. This individual has assumed greater responsibility for financial reporting going forward, providing CFO and COO Brittany Bagley with more support in this area.<br><br>Outcome: We were reassured by updates relating to remediation efforts, specifically the firm's decision to enhance related governance structures. We were also encouraged by the firm's plans to continue improving sustainability-related disclosures and to refresh its responsibility report annually. We will continue monitoring the progress and efficacy of remediation efforts following the identification of material weaknesses. |
| MercadoLibre, Inc. | Objective: To speak with the sustainability team of Latin America's ecommerce giant MercadoLibre and its advisors to understand the company's approach to sustainability governance and to emissions management.<br><br>Discussion: MercadoLibre's sustainability function sits within the corporate strategy department and is structured around environmental performance, socioeconomic development, and reporting. This integration, rather than a communications-led approach, signals that sustainability is being treated as a strategic growth issue. The central topic of our conversation was the company's challenges in setting science-based targets, including a lack of regional infrastructure and electric vehicles to reduce the greenhouse-gas emissions from deliveries.<br><br>Management is cautious about committing to emissions targets without credible implementation pathways. Despite this, MercadoLibre retains its operational goals to achieve 100 per cent renewable energy at distribution centres by 2035 and expanding its fleet to 10,000 electric vehicles from about 4,000 today. The sustainability team is considering ways to support its delivery partners to decarbonise, exploring incentive schemes, credit lines, and regional advocacy through initiatives such as the Alliance for Sustainable Mobility. We also touched on physical climate risk and the very real impact this can have on the MercadoLibre's sellers.<br><br>Finally, we commended the company's new impact reports for Brazil and Mexico which illustrate the importance of the company's marketplace and financial services for small business growth and job creation, critical elements of its social licence to operate. We also briefly revisited board governance after shareholder dissent at the 2025 annual general meeting (AGM), particularly around audit committee independence. The company acknowledged these concerns and we plan to discuss this again.<br><br>Outcome: This discussion strengthened our confidence that MercadoLibre's sustainability team is credible, proactive, and prioritising the sustainability factors which are material to the long-term financial outcomes of the company. At their request, we followed this meeting up with an email identifying company approaches to working with suppliers that we regard as good practice. |

| Company | Engagement Report |
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| Moncler S.p.A. | Objective: Moncler sought investor input as part of its double-materiality assessment, whose logic is to prioritise the few sustainability topics that matter most. This was to inform its sustainability reporting and the development of the next iteration of its sustainability strategy.<br><br>Discussion: There was considerable overlap between Moncler's shortlisted issues and those we had previously identified as being of material importance to the investment thesis. These included ongoing progress against its climate targets, which we categorise as 'leading' according to Baillie Gifford's climate audit framework, and upholding supply chain standards and transparency. Forthcoming rules for apparel companies operating in the EU to prevent the destruction of unsold inventory was a topic that was shortlisted for the first time this year. Moncler appears comparatively well-positioned to navigate this development, with several initiatives that help offset seasonal inventory build-ups. The output is a low net working capital as a percentage of sales, which is noticeably lower than many of its peers.<br><br>Outcome: This materiality exercise provided an opportunity to feed into Moncler's sustainability strategy and reporting. It also reinforced Moncler's leadership on climate and strong competitive positioning in relation to the upcoming EU rules on the destruction of unsold inventory. |
| Nu Holdings Ltd. | Objective: We met with Roberto Campos Neto, vice chairman and head of global public policy at Nu Holdings, to explore his views on the technological disruption reshaping financial systems and to understand how Nubank intends to position itself amid rising stablecoin adoption, internal leadership transitions, and its newly announced expansion into the United States.<br><br>Discussion: Campos Neto, drawing on his previous experience as Brazil's central bank governor, described stablecoins as a structural challenge to traditional banking. He expects Latin America to be a major adopter, noting that over 90 per cent of Brazil's crypto flows already involve stablecoins. Nubank seeks to ensure stablecoin usage flows through regulated banking rails rather than around them. With its scale, modern technology and very low cost to serve, Campos Neto views Nubank as uniquely placed to do this. That means offering an easy way for people to buy and use stablecoins, but also giving them good reasons to move money back into traditional accounts rather than leaving it entirely in digital dollars. He sees this as vital so that stablecoins don't replace deposits, and so that funds continue to support lending and broader economic activity.<br><br>We also discussed internal restructuring. He acknowledged recent senior-management changes, led by founder CEO David Velez, as necessary steps to rebuild focus and bring in exceptional talent.<br><br>Outcome: This meeting provided valuable insight into how technological disruption may reshape Nubank's long-term strategic positioning, and helped to contextualise recent organisational changes. |

| Company | Engagement Report |
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| Samsara Inc. | Objective: We sought views from chief executive officer (CEO) Sanjit Biswas and chief financial officer (CFO) Dominic Phillips on Samsara's ability to adapt and extend its growth duration.<br><br>Discussion: By virtue of Samsara's business model, the company gathers data from the operation of its customers' physical assets (e.g. trucks). Both the network of those assets and the data continue to grow. As these two underlying assets grow, new product lines become possible, thereby extending the growth duration. This phenomenon appears to be helped by the founders' considerable ownership, which motivates them to extend the growth duration beyond the usual corporate time horizons. The result has been Samsara has expanded from vehicle telematics into five additional product lines within its first 10 years since founding. Video safety, its second act, grew larger than telematics. Now equipment monitoring has grown even faster, while the cadence of expansion into additional product lines has also picked up - Samsara has launched more new products over the last 18 months than it did over the last 3 years. Moreover, Biswas highlighted that AI has been helping to unlock those additional s-curves: e.g. enabling Samsara to draw on real-time weather data from its extensive network (about 10 per cent of US commercial traffic) to optimise routes; and using the 'Samsara assistant' to automatically extract and interpret the severity of vehicle faults to thereby prioritise assets for maintenance and repair, which was previously a very labour intensive task.<br><br>Outcome: Our meeting provided insights into Samsara's adaptability, the founders' long-term vision, and the durability of the company's competitive advantage. |
| Sea Limited | Objective: We sought views from Sea Ltd's investor relations team on the company's approach to risk management in its fintech business, Monee.<br><br>Discussion: We were informed that employees in the Monee team are purposefully not incentivised according to growth KPIs given the misaligned and short-termist behaviours this can create. The founder chief executive officer (CEO), Forrest Li, regularly reminds the Monee team that they are the only division which could bankrupt the company, hence risk management is very much front of mind. Monee products are only scaled if they are at least breaking even. Customers only gain access to large loans outside of Sea Ltd's ecommerce business (Shopee) if the company has built up a sufficient understanding of those customers' behaviours - and Sea Ltd is continuing to seek new ways of gathering more information about those behaviours, such as using GPS to crosscheck whether customers are regularly at the places they claim to live in. Moreover, the Monee team is working with regulators to develop structures for asset backed securities and has even won awards for doing so (which the company was quick to reassure us is not something they are proud of; rather it is a reflection of how nascent some of these products are in the markets in which they operate).<br><br>Outcome: This meeting was useful in understanding the company's approach to risk management in its financial business. |

| Company | Engagement Report |
| --- | --- |
| Spotify Technology S.A. | Objective: To discuss Spotify's planned leadership transition as founder Daniel Ek moves from chief executive officer (CEO) to executive chairman, and long-standing executives Alex Norström and Gustav Söderström becoming co-CEOs, and to assess the implications for governance, strategy and the long-term investment case.<br><br>Discussion: Management emphasised that the change largely formalises an existing reality. Alex and Gustav have already been running the business day-to-day across product/technology and markets/content, and are widely credited with driving the recent operational turnaround and associated value creation. Ek acknowledged that his strengths lie more in taking ideas from "0 to 1" than in running a large organisation, and the move is framed as a shift from "player" to "coach" - focusing on strategy, capital allocation, regulation and the long-term "arc" of the business as an engaged European-style executive chairman.<br><br>Strategically, management reiterated an ambition to evolve Spotify from being infrastructure for culture distribution to a "platform for culture" with stronger network effects, differentiation and pricing power.<br><br>This is being pursued through a faster cadence of product innovation alongside a long-term goal to grow premium penetration. Spotify's multi-use-case nature (used while driving, cooking, exercising, working and sleeping) supports increasing user "days active" as more formats are layered on, which should underpin greater engagement, monetisation and bargaining power with content owners.<br><br>Outcome: We see limited immediate operational impact from the leadership change, but note that the transition from founder-led to professional CEOs will inevitably have consequences. We continue to view Spotify as a business with attractive long-term economics driven by engagement, network effects and pricing power, but will monitor the implications of this change in governance going forward. |

**Head Office**
**Calton Square, 1 Greenside Row, Edinburgh EH1 3AN**
**Telephone +44 (0)131 275 2000**



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