



Baird Global Tax Strategy

This document sets out the tax strategy of Baird Financial Group, Inc. and its subsidiaries which include the UK sub-group of Baird UK Limited and its subsidiaries (together, 'Baird' or 'the Group'). This document describes the Group's approach to conducting its tax affairs and dealing with tax risks for the year ending December 31, 2019.

Baird is a privately held, employee-owned financial services firm with a platform of five complementary businesses that diversify and balance our revenues across all types of market conditions.

Baird is committed to honesty, integrity, transparency and teamwork – the ideals our firm was founded on more than 100 years ago and they continue to make us a great firm to work with today. As one of FORTUNE's 100 Best Companies to Work For® since 2004, Baird attracts many of the best and brightest in the financial services industry. These talented professionals share our values and our beliefs and our tax strategy is aligned to our overall mission. Baird is committed to conduct its tax affairs consistently with the following objectives:

- Complying with all applicable laws and regulations relating to its tax activities.
- Applying diligence and care in our management of the processes and procedures by which all tax related activities are undertaken, and helping to ensure our tax governance is appropriate.
- Pursuing an operating environment in which tax is considered in the context of the Baird reputation and brand. The tax impact is considered when analyzing major or complex business decisions.
- Meeting all legal requirements; filing all appropriate tax returns; and making all applicable tax payments.
- Using incentives and reliefs to minimize the tax cost of conducting our business while ensuring that these reliefs are not used for purposes which are knowingly contradictory to the intent of the law.
- Maintaining an open and honest relationship with the tax authorities based on collaboration and integrity.

Managing Tax Risks

Overall accountability for the tax strategy ultimately sits with the Chief Financial Officer of Baird Financial Group. Day-to-day responsibility is delegated to the Director of Tax, or the relevant Finance Director as appropriate, with support and collaboration across all jurisdictions, utilizing external local country advisers where required.

Where elements of the tax strategy straddle our global businesses, leadership resides with the US parent's tax function, with appropriate input and collaboration from overseas individuals as required. This includes transfer pricing agreements, as well as various initiatives being reviewed under the Base Erosion and Profit Shifting ('BEPS') OECD initiative.

Managing the Group's tax affairs is a complex process requiring interaction across various functional areas of the business, and as such, there will probably be risks of unintended error or omission within those processes (tax risks) which may result in the incorrect application of tax rules or calculation of tax liability.



The Group's board has a low-risk appetite for tax risks. While eliminating tax risks entirely is impossible, the Group's attitude towards the level of control required over the processes designed to reduce these tax risks is driven by Baird's low-risk appetite.

Identified tax risks are assessed on a case-by-case basis, allowing the Group to arrive at well-reasoned conclusions on how each individual risk should be managed. Where there is uncertainty in how the relevant tax law should be applied, external advice may be sought to support the Group's decision-making process.

When reviewing the tax risks associated with a specific decision or action, the Group considers the following elements:

- The legal and fiduciary duties of Baird's directors, management, and associates.
- The requirements of any related internal policies or procedures, including but not limited to, the Associate Code of Conduct and Compliance Basics for All Associates.
- The maintenance of the Group's corporate reputation, having particular regard to the way we interact with the communities around us.

As a multi-national financial services organization, we are exposed to a variety of tax risks. These include:

- Tax compliance and reporting risks, which cover risks associated with tax compliance failures. This could include late filings, inaccurate returns or failure to submit claims, payments or elections on time.
- Transactional risk, which arises where actions are taken or transactions are completed without appropriate consideration of the potential tax consequences or where advice is not properly executed.
- Reputational risk, which considers the wider impact tax risk may have on our relationships with stakeholders, including shareholders, clients, tax authorities, regulators and the general public.

We report on a periodic basis to the Group's Audit Committee on how tax risks are managed, monitored, and on improvements that are being made. We manage tax risk in such a way as to ensure that key risks are monitored and material risks minimized.

We see compliance and transparency with tax legislation as key to managing our tax risk. We recognize that managing tax compliance and risk is increasingly complex. We have organized our internal structure to ensure:

- The Board understands the importance of tax compliance and how we achieve it.
- There is frequent dialogue between the Board and those individuals tasked with the operation of our finance function, regarding the way our business manages its tax risk.
- The business portrays a positive view towards tax compliance and the importance of meeting our obligations.

Tax Planning

Tax planning is an integral component of Baird's overall business strategy. To support the Group in complying with its tax strategy, advice from external service providers may be sought in relation to tax

planning or complex circumstances. In cases where the tax guidance is unclear or the Group does not feel it has the necessary expert knowledge to assess the tax consequences adequately, external advice may be sought to support the Group's decision-making process.

Our attitude towards tax planning is consistent with our tax principles below:

- Compliance – We are committed to observing all applicable laws, rules and regulations in meeting the Group's tax compliance and reporting responsibilities in all jurisdictions where we operate.
- Transparency - We are committed to transparency in our approach to tax and relationships with tax authorities. We support the global initiatives to improve international transparency on taxation matters.
- Transfer pricing - We aim to pay an appropriate amount of tax according to where value is created within the normal course of business.
- Accountability and governance – Tax compliance, strategy, and policies are reviewed on a periodic basis by the audit committee and the board.

The Group's tax planning aims to support the commercial needs of the business by ensuring that the Group's affairs are carried out in a tax efficient manner whilst remaining compliant with all relevant laws. The relevant Finance function is therefore involved in commercial decision-making processes and provides appropriate input into business proposals to ensure a clear understanding of the tax consequences of decisions being made.

Relationship with Tax Authorities

We look to develop and maintain open and transparent relationships with tax authorities in the jurisdictions in which we operate. Baird is committed to these principles in dealing with all relevant tax authorities, and in particular, commits to:

- Making fair, accurate and timely disclosure in correspondence and returns and responding to queries and information requests in a timely fashion.
- Seeking to resolve issues in a timely manner, and where disagreements arise, working to resolve issues by agreement, where possible.
- Being open and transparent about decision-making, governance and tax planning.
- Ensuring that transactions are structured to give a tax result which is not inconsistent with the economic consequences (unless specific legislation anticipates that result), nor contrary to the intentions of the relevant legislative authority.
- Interpreting the relevant laws in a reasonable way and ensuring transactions are structured consistently.
- Ensuring all interactions are conducted in an open, collaborative and professional manner.
- Seeking a transparent and constructive relationship.



Approval

Our approach to tax is applicable across the Baird group. We review and update this tax strategy annually. This global tax strategy was last approved on October 22, 2019 by the Board of Baird UK Limited and separately by the Group's Audit Committee. With respect to the UK, we regard this publication as being in compliance with the duty under paragraph 19(2) of Schedule 19 of the Finance Act 2016 to publish the UK sub-group's tax strategy in the current financial year.