Baillie Gifford & Co TCFD-aligned Climate Report

For the year ending 31 December 2022

BAILLIE GIFFORD | Actual Investors

Risk Factors

The views expressed should not be considered as advice or a recommendation to buy, sell or hold a particular investment. They reflect opinion and should not be taken as statements of fact nor should any reliance be placed on them when making investment decisions.

This communication was produced and approved in June 2023 and has not been updated subsequently. It represents views held at the time of writing and may not reflect current thinking.

Potential for Profit and Loss

All investment strategies have the potential for profit and loss, your or your clients' capital may be at risk. Past performance is not a guide to future returns.

All information is sourced from Baillie Gifford & Co and is correct as at 31 December 2022 unless otherwise stated.

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About us

Baillie Gifford is an investment management firm founded in 1908 and headquartered in Edinburgh, UK. We employ over 1,800 people based mainly in Scotland with additional offices around the world. In total we manage around £223bn of assets across 48 equity strategies and 15 non-equity strategies. Most of our strategies are focused on growth equities and we also offer multi-asset and income-generating portfolios. We have a global and diversified client base ranging from individual investors to large institutional clients and public pension funds.

Baillie Gifford & Co ('BG & Co') is the parent entity of Baillie Gifford Overseas Limited ('BGO') and Baillie Gifford & Co Limited ('BG & Co Limited'). BG & Co provides portfolio management and advisory services to UK clients whilst BGO provides these services to non-UK clients. BG & Co Limited operates as the manager in respect of a series of UK UCITS and NURS, Canadian collective investment funds and investment trusts. BG & Co Limited delegates portfolio management services to BG & Co and BGO.

Introduction and purpose

Climate change and the global response to it are materially relevant to our objective of adding value for clients over the long run. This report explains how Baillie Gifford addresses the risks and opportunities associated with climate change. We cover this both from the perspective of climate change's impact on our firm, and the impact our firm can have on climate change.

The report spans 2022: a year where changes in greenhouse gas accumulations in the atmosphere and changes in the social, political and business spheres showed no signs of relenting. It was a year when the finance sector's response to climate change came under more scrutiny than ever before, with opposing views being aired and continuing debate about the best approaches to take. However challenging, we believe scrutiny is a necessary and ultimately positive part of understanding where responsibilities and obligations lie as the world addresses the issue.

As investors, we are agents of our clients and stewards of their assets. We believe a successful transition that keeps increases in global temperatures to well below 2C, and ideally to 1.5C this century, offers our clients a better opportunity for strong long-term investment returns than a failed transition. We also recognise that the successful pathway to this outcome is not pre-determined.

At Baillie Gifford, several elements are fundamental to our approach. First, we will always invest in accordance with, and not exceeding, our investment mandates. This means we are transparent with clients about the objectives we seek when we deploy their capital. We regard the climate transition as a material investment factor, and a threat to companies' opportunities for success if they remain unaware of or unprepared for its potential impacts. We will therefore engage with holdings to understand the opportunities and risks they face related to climate change, and to ensure company management teams also understand them and have appropriate strategies in place. We will never invest in, or engage with, our holdings on climate-related topics in a manner that we believe undermines the delivery of long-term returns.

The second element of our approach is our inherent style of long-term, active and engaged investment in a relatively limited number of what we judge to be the world's best growth opportunities. As we've seen in recent years this approach can result in short-term volatility, but over the longer term we believe transformational companies will deliver strong investment returns. In our view, this style brings together two of the most critical factors in understanding climate-related risks and opportunities in investment portfolios: a detailed understanding of each holding and a long-term perspective. We know there is much more for us to learn and do, but we believe these investment foundations are helpful in addressing this issue.

The third element is that our actions and behaviours should support society more widely. In the context of climate change, we acknowledge the messiness of trying to live up to this: there are clear trade-offs between competing interests, timeframes and even worldviews. Tackling climate change has social and other implications that also need to be considered. For many years, Baillie Gifford has found great value in listening to the voices of scientists and academics to help cut through some of this complexity. Those less buffeted by the turbulence of news cycles and opinions can bring deeper and more objective understanding and a focus on the process of improvement. On climate change, their core message is unambiguous: it is in humanity's interests to sustain a world where the very real threats of climate change are mitigated, and in the long run this should be good for overall investment outcomes as well as for society.

Using the recommendations provided by the Taskforce on Climate-related Financial Disclosures (TCFD), we set out in this report our approach to governance, strategy and risk management across the firm on these issues. We also provide metrics we think provide additional insight. For clients investing in our investment strategies, we also offer portfolio-level climate reports aligned to the TCFD framework for a closer-up view. These product-level reports are available on the fund literature pages at *www.bailliegifford.com*.

We expect the content, format and data used in this report to continue to evolve, and we welcome feedback on where we can improve. We hope you find it helpful and interesting.

Our governance

Partnership approach

Baillie Gifford has no external owners or shareholders. As a private partnership, each of the partners working in the business is jointly liable for the obligations of the firm, and this liability is unlimited. Our firmwide governance and decision-making are primarily geared towards ensuring the firm meets the needs of our clients while ensuring the ongoing success of the firm. Further details of our approach to governance at Baillie Gifford are available on our website *www.bailliegifford.com*.

Board oversight

The boards of the legal entities that sit within the firm have oversight of issues related to climate risks and opportunities. Reporting mechanisms are in place to ensure relevant climate issues are escalated to the boards as required. The boards receive various updates as part of their regular reporting, including in relation to investment risk, business risk, investment management, ESG (Environmental, Social and Governance), regulatory compliance and business planning. These reports provide escalation routes for climate-related issues as relevant to each business area and each entity.

Management's role

With regard to the investments we make for clients, Baillie Gifford's active investment style means we take a 'bottom-up' approach to assessing and managing climate-related investment risks and opportunities in client portfolios. These form part of the responsibilities of each investment team. This active, engaged investment style is a key part of our ethos as a firm, which is set out in *Our Shared Beliefs* document and underpinned by *Our Stewardship Approach*.

Investment managers can be informed about climate issues that could be material for investment performance by their team members including, for most of our investment strategies, a dedicated ESG analyst. Investment teams are guided and supported by climate specialists in our central Climate Team. They also receive investment risk reporting from the Investment Risk Team, which is explained further in the risk management section on page 12 of this report.

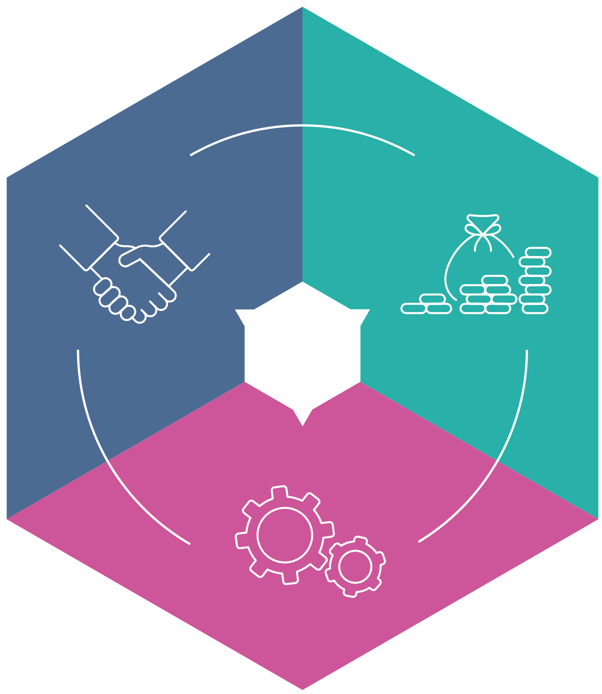
Strategic decision-making on climate-related issues (for example, agreeing on new targets or guidance) is led by our Climate Working Group and ESG Oversight Group, which both contain a mixture of partners, investors, analysts and climate specialists. The firm's monitoring of voluntary and mandatory climate requirements and commitments for clients is coordinated by our ESG Assurance Group.

From the perspective of Baillie Gifford's operations, the Environmental Operations Officer takes the lead in assessing and managing climate-related issues in conjunction with the Operations Environment Group. Key decisions on climate strategy and objectives for the firm, including those set out in the strategy section on pages 6–8, are ultimately taken by our Management Committee.

Overview of our firmwide climate governance

	Role and responsibility	Provision of data and tools	Research and analysis	Management and decision-making	Oversight
ESG Data Team	Providing climate data and systems for investment analysis and reporting	●			
Central Climate Team	Providing coordination and support on climate approach across the firm	●	●	●	
ESG analysts	Company-level research and engagement in support of individual investment strategies		●	●	
Investment managers	Investment decision-making, research, analysis and company engagement		●	●	
Portfolio construction groups	Portfolio review and decision making			●	
Operations managers	Running of Baillie Gifford buildings, operations and processes	●	●	●	
Climate Working Group	Review of climate approach across the whole firm			●	●
ESG Assurance Group	Identification and monitoring of regulations and compliance			●	●
ESG Oversight Group	Oversight of ESG approach across whole firm			●	●
Investment Risk Committees	Provided with key climate risk metrics from portfolios			●	●
Management Committee	Approval of strategy and priorities			●	●
Legal entity boards	Oversight on behalf of respective entities				●

Our strategy



Clients

- Every client to have the option to invest in a net zero-aligning portfolio by end of 2025
- TCFD-aligned climate reports available for all portfolios by the end of 2024
- Significant investment in client service capabilities

Investment

- 'Climate audit' assessments of at least 90 per cent of all holdings
- Clear expectations of holdings with regard to climate-related disclosure and strategic awareness
- Growing our knowledge through external perspectives

Operations

- Achieve net zero emissions for our own operations by 2040
- Deliver our existing 2019 target to halve emissions per full time employee by 2025 from our 2019 baseline estimate
- Set a new 10-year Scope 3 target[1] using a 2023 actual emissions baseline

1. We define Scope 1, 2 and 3 emissions on page 16. Scope 3 emissions include those resulting from purchased goods and services, capital goods, employee commuting, business travel, fuel and energy-related activities, and waste generated in operations.

Developing our transition plan

Baillie Gifford supports the objective of limiting global temperature rises to well below 2C, and ideally 1.5C, by the end of the century as ratified by 193 of the world's 197 nations following the Paris Climate Summit in 2015. As an Edinburgh-based firm, we are also cognisant of the UK's Climate Change Act, which commits the UK Government by law to reducing greenhouse gas (GHG) emissions by at least 100 per cent of 1990 levels (net zero) by 2050, and of Scotland's own legislation which sets a target date for net zero emissions to be reached by 2045. We recognise the need for continued action if these targets are to be achieved and the risks from climate change are to be mitigated.

Investment activities

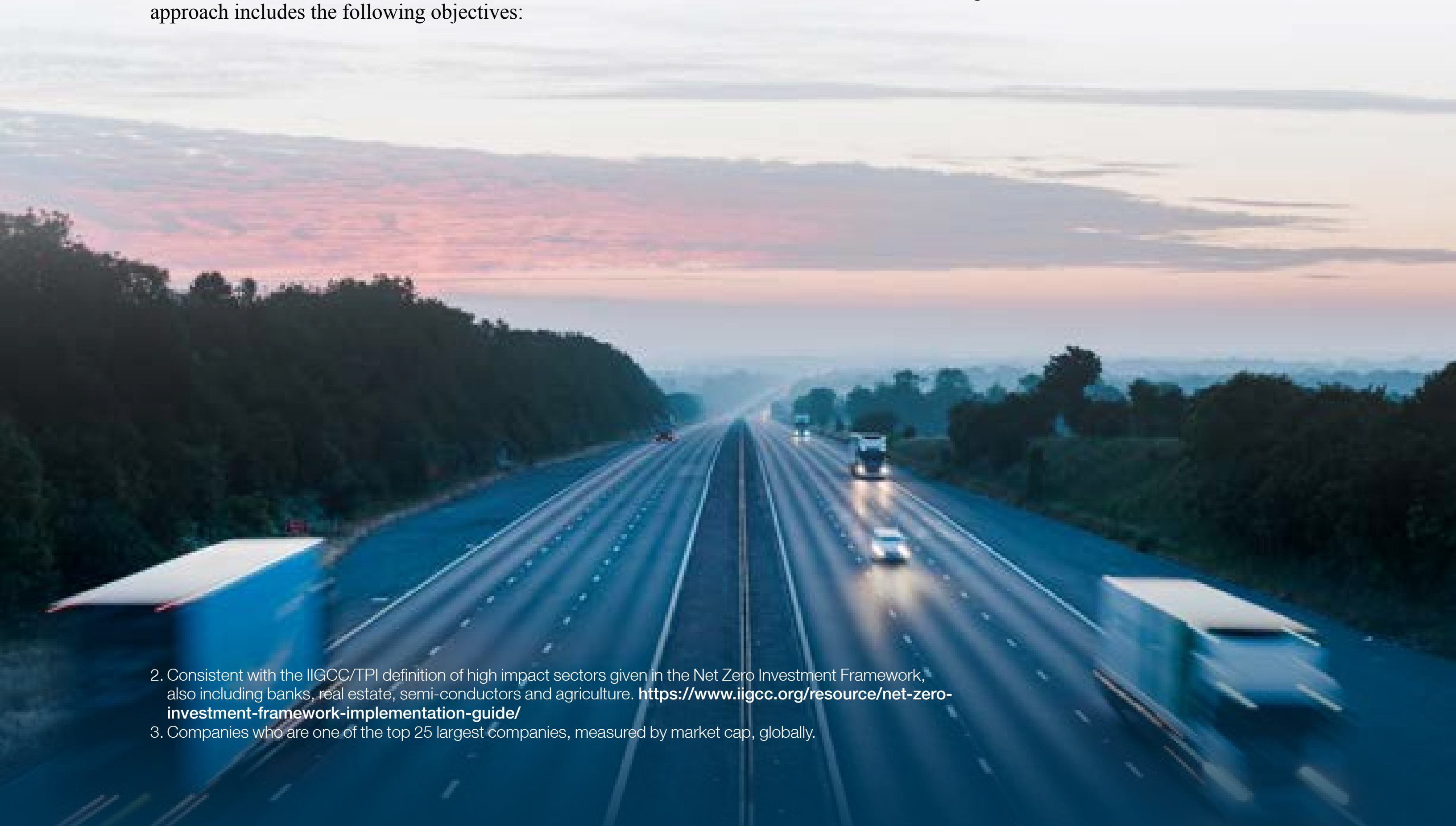
We think a successful transition of the global economy towards achieving these goals offers a better opportunity for strong long-term investment returns for our clients than a failed transition. Although there is considerable variation by company, sector and geography, we regard climate change as a material investment factor and a potential threat to companies' ability to grow if they remain unaware of, or unprepared for, its potential impacts. In our view, companies navigating the transition successfully should benefit from a range of long-term growth drivers, including increasing demand for their products, greater efficiency and regulatory support. Where we think such risks and opportunities are material to financial performance, we engage with holdings to better understand their strategy for addressing them. Our approach includes the following objectives:

— Completing an annual 'climate audit' assessment of at least 90 per cent of our holdings (on an assets under management (AUM) basis) including all 250 largest holdings. The key elements of this assessment are described in the *risk management* section of this report and the results for 2022 can be found in the *metrics* section.

— Communicating to all holdings our clear expectation that they provide basic climate disclosures (including Scope 1 and 2 emissions) by the end of 2023, with material Scope 3 emissions to be included by the end of 2025. We believe this information is important to facilitate effective investment research.

— Communicating to all holdings who are heavy emitters[2] or systemically very large[3] our clear expectation that they provide full Scope 1, 2 and material Scope 3 emissions disclosures by the end of 2023. And, by the end of 2025 at the latest, our expectation that they will articulate strategies that acknowledge and align with the ambitions of the Paris Agreement, including mid-term milestones, appropriate governance and capital allocation. We know that this may be more challenging for different countries and companies, dependent on size, location, and other factors and will consider this in the context of our assessments and stewardship activities.

— Continuing to expand our knowledge and perspectives, maintaining or expanding our partnerships with academic institutions and other experts and thinkers around the world.



2. Consistent with the IIGCC/TPI definition of high impact sectors given in the Net Zero Investment Framework, also including banks, real estate, semi-conductors and agriculture. **https://www.iigcc.org/resource/net-zero-investment-framework-implementation-guide/**
3. Companies who are one of the top 25 largest companies, measured by market cap, globally.

Serving clients

Our clients each have different objectives and obligations with respect to climate change when they invest with us. We always invest in accordance with investment policies/mandates. Our goal is to understand our clients' needs and ensure we have the capability to fulfil those needs through our investment process and client service. To help achieve this, we have the following objectives:

— By the end of 2024, all clients will be able to access or request a TCFD-aligned report for the portfolio(s) they are invested in. Reports will provide our view of the principle climate-related risks and opportunities the portfolio is exposed to, how these are being managed, and the key metrics being used. Such reports are being made available for around two thirds of our portfolios in 2023.

— By the end of 2025, we will ensure every client has the option, if they choose to pursue it, of investing in specific support of the achievement of global net zero emissions by 2050 or sooner. At present, around 20 per cent of our total assets under management have chosen to be managed in this way.

— Investing significantly in our own internal systems, research capacity and product offering. We expect this to continue for the next two to three years as we embed new products and reporting. We are also placing high emphasis on working with and listening to our clients, with regular briefings, webinars, events and one-to-one meetings taking place to explain our approach and understand their objectives.

How we define a 'net zero committed' portfolio

Each committed portfolio will be invested and managed such that by 2030 at least 75 per cent of all holdings, or (for some of our less concentrated portfolios) financed emissions, will have robust targets, strategies and performance that demonstrate company-level alignment with an appropriate fair share of a global net zero 2050/1.5C outcome. By 2040, all holdings will be so-aligned.

Our assessment of company emissions includes all scopes, with acknowledgement that Scope 3 data is currently weak and incomplete. Committed portfolios will be engaging for alignment with companies accounting for at least 90 per cent of financed emissions.

We assess holdings' emissions reduction targets and progress against 1.5C science-based pathways, such as those offered by the Science Based Targets initiative (SBTi), but seeking to take due account of sector and regional granularities in collaboration with our academic and industry partnerships.

Our operations

We think it's important that we run our own operations efficiently and minimise direct impacts from our day-to-day activities, travel and running of our offices. Although these impacts are small in relation to the size of our business and assets under management, we have a responsibility to play our part directly in the transition to net zero in the UK. We've therefore set ourselves the following objectives:

— Work towards the achievement of net zero emissions for our own operations by 2040.

— Deliver our existing target to halve emissions per full time employee by 2025 from our 2019 baseline estimate.

— Realise a 95 per cent reduction in market-based Scope 1 and 2 emissions between 2021 and 2026.

— Set a new 10-year Scope 3 target[3] on the basis of 2023 actual emissions (allowing for a recovery from the Covid-19 discrepancies of 2020–22).

We expect our Scope 1 and 2 emissions reductions will primarily be achieved through our move to a new, more efficient and largely electrically powered headquarters building in Edinburgh in 2024. We also plan to change our energy contracts to renewable contracts or power purchase agreements for all offices globally by 2026. We intend to achieve our Scope 3 objectives through business travel improvements and engagement with suppliers.

Financial planning

Guided by the Management and Finance Committees, our financial planning process covers the firm's strategy including the incorporation of expected business model changes and key business assumptions on revenue and costs. As such, income from products with climate objectives, and climate related costs associated with the firm's operations and investment capabilities are captured through this process. We are continually evolving this process and exploring advancements in our financial modeling capabilities to aid our assessment of risks and opportunities, including those relating to climate change.

Our most material climate-related risks and opportunities

Baillie Gifford's strategy is consistent year-over-year and is centred on two main objectives: to act in the best interests of our clients and to be responsible stewards of their capital through the investment decisions and engagements we undertake. With regard to assessing the risks and opportunities of climate change, our priority is to understand how they can affect these two objectives.

The concept of climate scenario analysis can be a helpful way to consider different versions of the future to help assess these issues. It can be done quantitatively or qualitatively, but at present we prefer to use qualitative forms of scenario analysis. We believe that such an approach allows better exploration of the complexities inherent in the climate and energy transitions over the varying time frames that are important to us and our clients. We are working with two separate academic groups to develop more detailed qualitative scenario analysis frameworks for future use across the firm and within individual investment strategy teams.

At present, our experience of quantitative scenario analysis indicates that it is of limited use for identifying firm and portfolio-wide risks and opportunities given our concentrated investment style. However, it can be a useful prompt to look deeper at particular holdings, sectors or geographies. We have provided climate value-at-risk data in the metrics section of this report for information purposes; though we do not yet think the methodologies that underpin such analysis render it practicable for providing reliably credible insights for companies, portfolios or the firm. We look forward to the continued evolution of these methodologies.

Our qualitative approach to scenario analysis currently makes use of the Network for Greening the Financial System's (NGFS) 'orderly', 'disorderly' and 'hothouse world' scenarios[4].

— Orderly transition scenarios assume climate policies are introduced early and become gradually more stringent, supporting technologies and behaviors to reach global net zero CO_2 emissions around 2050 and likely limiting global warming to below 1.5–2C on pre-industrial averages by the end of this century.

— Disorderly transition scenarios assume climate policies are delayed or divergent, requiring sharper emissions reductions achieved at a higher cost and with increased physical risks in order to limit temperature rise to below 1.5–2C on pre-industrial averages by the end of this century.

— Hothouse world scenarios assume only currently implemented policies are preserved, current commitments are not met and emissions continue to rise, with high physical risks and severe social and economic disruption and failure to limit temperature rise.

A summary of our views on the implications for Baillie Gifford are presented in the following tables, covering three areas: our investment activities, services to clients, and our operations. Existing clients can find out more about our views on investment risks and opportunities within our product-level TCFD-aligned climate reports, available on request.

4. See the **NGFS Scenarios Portal** for more explanation of the assumptions underlying these scenarios.

Summary of climate-related risks and opportunities in investment activities

Issue identified	Timeframe short = 0-3 years medium = 3–10 years long = 10+ years	Materiality under different climate scenarios[5]	Impact on Baillie Gifford	Climate-related risk/ opportunity types[6]	Steps to improve resilience
Growth potential for holdings producing climate solutions or supporting emissions reductions	Short, medium and long	More material under orderly and disorderly scenarios	Potential for positive influence on investment performance for portfolios with higher levels of exposure to these companies	Opportunities: resource efficiency, energy source, products and services, markets, resilience	Continued research, analysis and engagement
Exposure of holdings to transitional risks	Short, medium and long	More material under orderly and disorderly scenarios	Potential for negative influence on investment performance	Risks: policy and legal, technology, market, reputation	Continued research, analysis and engagement
Exposure of holdings to physical risks	Short, medium and long	Ultimately more material under hot house world scenarios, but with unpredictable, acute risks present under all scenarios in even the short term	Potential for negative influence on investment performance resulting from physical impacts of climate change	Risks: acute and chronic physical risks, reputation and market Opportunities: adaptation products and services	Continued research, analysis and engagement

Summary of climate-related risks and opportunities in serving clients

Issue identified	Timeframe short = 0-3 years medium = 3–10 years long = 10+ years	Materiality under different climate scenarios	Impact on Baillie Gifford	Climate-related risk/ opportunity types	Steps to improve resilience
Increased demand for investment strategies that seek to align with the net zero transition; potentially reduced demand for those that do not	Short to medium	More material under orderly or disorderly scenarios	Spurs innovation and launch of new investment products to ensure demand is met, while maintaining options for clients who do not specifically seek alignment; cost of new product development and promotion	Risks: market, reputation Opportunities: products and services, markets	Ensure we can provide clients with investment product options to meet their objectives, where we have appropriate capabilities
Divergence in client expectations on climate	Short to medium	More material under disorderly scenarios	Increased complexity in serving clients	Risks: policy and legal, market, reputation Opportunities: products and services, markets	Increase capacity of the firm to meet differing client expectations
Divergence in product regulations across geographies	Short to medium	More material under disorderly scenarios	Results in increased complexity in offering different products in multiple geographies	Risks: policy and legal, market, reputation Opportunities: products and services, markets	Increase capacity of the firm to manage and oversee differing regulatory regimes
Potential for misunderstanding or miscommunication between clients and us around investment product climate objectives	Short to medium	Material under all scenarios	Potential loss of client relationships, legal action or regulatory punishments	Risks: policy and legal, market, reputation	Ensure clients are fully informed, and product objectives are fully explained; ensure commitments are fully embedded into the investment process

5. See the **NGFS Scenarios Portal** for more explanation of the assumptions underlying these scenarios.
6. See tables A1.1 and A1.2 of the **TCFD Implementing Guidance** for further explanation of these categories.

Summary of climate-related risks and opportunities in our operations

Issue identified	Timeframe short = 0-3 years medium = 3–10 years long = 10+ years	Materiality under different climate scenarios	Impact on Baillie Gifford	Climate-related risk/ opportunity types	Steps to improve resilience
Attracting and retaining talented people to work at Baillie Gifford	Short, medium and long	Material under all scenarios	Our approach to climate change may become an increasingly significant factor in people's decision to work at the firm	Risks: market, reputation Opportunities: resources	Continue to improve our understanding of what motivates people to work at Baillie Gifford; clearly articulate our approach to climate change
Growing costs associated with operational emissions	Short, medium and long	More material under orderly and disorderly	Without significant cuts to our operational emissions (primarily from travel, buildings and purchased goods and services), our operating costs are likely to rise as costs of carbon increase	Risks: policy and legal, technology, reputation Opportunities: resource efficiency, energy source, resilience	Enhanced and enforced plans to reduce operational emissions on a net zero aligned pathway
Physical risks to our buildings, processes, infrastructure and supply chain	Medium to long	More material under hot house world scenarios	Day-to-day operations could be threatened either directly or indirectly by increasingly severe weather events, or through disruption to supplier and supply chains.	Risks: acute, chronic, operational, resource, resilience	Undertake physical risk exposure analysis of our operations and supply chain; consider geographical diversification

Our approach to climate risk management

For Baillie Gifford, the risks associated with the holdings we invest in on behalf of clients represent the most material form of climate-related risk to the long-term success of the firm. Around 96 per cent of such holdings are in individual listed companies with the remainder in private companies and other multi-asset and fixed income holdings. Our identification, assessment and management of these risks centres around two key elements: holding-level research, and portfolio- and firm-level oversight.

Holding-level research

The identification and assessment of climate-related risks within our investment choices for clients is integrated into our bottom-up, fundamental investment research process. This research process helps shape idea generation, selection of holdings and any engagement with them during our ownership. Stock-level research is led by individual investment strategy teams, often involving one or more of our 25 ESG analysts who work within most teams. Collaboration between teams is encouraged, and research is supported by specialists in our central Climate Team, ESG Services Team (responsible for voting and ESG data) and others with expertise in governance and voting.

Research is focused on understanding the materiality of climate issues to holdings, and ultimately to investment performance. We take a broad view of potential materiality, cognisant of the complexity of both the physical and transitional elements of climate change risks and opportunities. We are seeking to identify matters of relevance to our task of delivering long-term returns for our clients.

Climate audit assessments

As part of our research process we have introduced a 'climate audit' process that is shared across all our investment strategies. This aims to ensure that at least 90 per cent of our holdings (by AUM), including the largest 250 holdings, are assessed by investment teams in relation to two dimensions: emissions reduction goals and performance, and potential transition role. We are committed to improving the robustness of these assessments over time. At present, the two dimensions can be summarised as follows:

Emissions reduction goals and performance

This dimension aims to assess the extent of each company's ambitions and targets to reduce their direct and indirect emissions in line with the goals of the Paris Agreement (ie a global temperature rise of well below 2C and ideally 1.5C by the end of the century). Our judgements are qualitative but rest on fundamental research and make use of the guidance of bodies such as the Science Based Targets initiative and the Institutional Investors Group on Climate Change. Our assessment currently has seven assessment categories ranging from no disclosure through to targets that demonstrate well-above average ambition. Presently, we organise these seven categories into three groups to provide an indication of company preparedness:

Leading	Preparing	Lagging
Companies committed to reductions in line with their fair share of a science-based 1.5C-aligned pathway, with appropriate demonstrations of targets, intent and strategic coherence.	Companies with disclosure and narrative that suggests they are preparing to set 1.5C-aligned targets in the near future.	Companies lacking sufficient disclosure or suitably robust targets, where the pathway to improvement is currently uncertain.

In our view, the concepts of alignment and the pathways themselves are still evolving: there is no absolute definition of company alignment with the ambitions of the Paris Agreement today. There are deficiencies at the system level (effective alignment must look beyond just emissions, to biodiversity and social elements embedded in concepts such as the Just Transition), in the pathways (which lack sufficient sector and regional granularity), in the visible technologies (that may change our concepts of what activities can be aligned), and at the companies themselves (in terms of financial and strategic disclosure). Our current assessments reflect our best estimations of current positioning, and we are committed to continuous improvement of our approach over time.

Potential transition role

This dimension aims to assess the positioning of each company relative to a successful transition towards net zero emissions globally. The judgements are company-specific rather than being founded on sector-based assumptions, and predominantly qualitative in nature. This allows us to classify different companies in the same sector in different categories depending on their overall potential to transition. Our assessment currently has four categories:

Solution innovator	Potential influencer	Potential evolver	Materially challenged
Companies whose primary purpose is the innovation and commercialisation of products and services that will drive a successful transition.	Companies who are carbon-light by direct emissions but have the opportunity to accelerate the transition through their choices and influence.	Companies that tend to be carbon-heavy, or strongly embedded in the higher carbon economy, but are beginning to develop viable pathways to transition.	Companies whose core business is likely to decline through the transition, with their pathway to strategic adaptation to a low-carbon world unclear.

The results for the firm as a whole are shown in the metrics section of this report on page 16. To help provide additional insight, we have also displayed the assessments for our top 50 holdings here (which represent approximately 47 per cent of the firm's total assets under management), showing the interaction between these two assessments and how they vary by company:

Potential transition role	Lagging	Preparing	Leading
Solution innovator Key enabler of decarbonisation	NIO Inc	Tesla	
Potential influencer Carbon light with an opportunity to be part of the solution	argenx, Intuitive Surgical, Ping An Insurance, Adyen, Genmab, Pinduoduo, M3, Dexcom, The Trade Desk, Alnylam Pharmaceuticals	Moderna, Shiseido, AIA Group, Tencent Holdings, Cloudfare, HDFC Corp	BioNTech, Moody's Corp, Netflix, Illumina, Sartorius, Prosus, Spotify, Workday, Prudential, Elevance Health
Potential evolver Environmentally challenged with opportunity to be part of the solution	Nidec, SMC, MercadoLibre, Meituan, TSMC, Coupang, Delivery Hero	Shopify, Ferrari, EXOR, NVIDIA, Reliance Industries, Samsung Electronics, Rio Tinto	Richemont, Alibaba, Atlas Copco, Microsoft, ASML, Zalando, Kering, Amazon
Materially challenged Environmentally challenged with limited scope for adapting			

Assessment of net zero-aligned emission reductions goal (direct and through influence)

Managing risks identified in individual holdings

Our primary means of managing risks identified is through engagement with holdings. Such risks may encompass both the risk of loss relative to a company's current baseline, and the risk of missed growth opportunities. Engagement activity is driven primarily by our investment teams, but with expert support from our central climate and governance teams. We assess priorities relative to investment materiality and evaluate our capacity for influence when defining the type of engagement we will undertake. As active managers of relatively concentrated portfolios, aiming to invest for the long term, we have a particular opportunity for discussions with managements regarding strategy and capital allocation, as well as the more generic (but nonetheless necessary) requests for good disclosure.

If we feel that holdings are not making sufficient progress in mitigating climate risks, or accessing potential opportunities, then we will communicate our expectations and seek to deepen our understanding of their approach. We may also take voting action on relevant resolutions and proposals. Ultimately, we may choose to divest a holding on financially-material climate grounds.

In 2022, we discussed climate change 236 times with investee companies as part of our ESG engagement activities and this resulted in several direct voting actions. A common feature of our engagements has been the encouragement of greater levels of ambition from holdings in navigating the climate transition. We engage with companies across all sectors, including those with high direct emissions (such as mining, cement and airlines) and those with climate-related risks and opportunities elsewhere in their value chain (such as e-commerce, mortgage lending and semiconductor design). You can find more details of our approach to stewardship in our firmwide *Stewardship Report* and quarterly client reporting.

Portfolio and firm-level oversight

Aside from the work to assess risks in individual holdings, in 2023 we will establish two processes to enhance our oversight of investment-related climate risks across portfolios and the firm. The first involves the integration of climate metrics into the existing investment risk reports that are provided to investment managers periodically by Baillie Gifford's Investment Risk Team. These metrics are intended to help investment managers identify emerging climate risks across the portfolio and as such they will also be used in our product-level TCFD reporting to clients.

They include:

— Total emissions
— Carbon footprint
— Weighted average carbon intensity
— Data availability metric
— Exposure to material sectors
— Exposure to fossil fuels
— Climate value at risk (transitional and physical)
— Science-based targets alignment
— Low carbon transition score
— Baillie Gifford's assessment of holdings' net zero targets
— Baillie Gifford's assessment of holdings' transition role

A second process will help provide firmwide oversight of potential climate-related risks across all our main investment strategies. Three climate-risk guidelines have been chosen to facilitate this oversight and the data will be provided regularly to the ESG Assurance Group (ESGAG) via exceptions-based reporting. The aim is to highlight any portfolios that have exceeded the guidelines and prompt further discussion. The ESGAG, in consultation with the ESG Oversight Group as appropriate, will be able to escalate any concerns to either the Equity or Multi Asset and Fixed Income Investment Risk Committees (IRCs). The guidelines[7] to be used for this process are:

1. Portfolios with a weighted average carbon intensity (calculated on a Scope 1, 2 and material Scope 3 basis[8]) above the equivalent weighted-average carbon intensity (WACI) of the performance benchmark used by the portfolio.
2. Portfolios with a higher exposure to fossil fuel activities[9] than the performance benchmark used by the portfolio.
3. Portfolios with more than 5 per cent of total AUM invested in holdings which have not been assessed using Baillie Gifford's 'climate audit' process.

As described in the *holding-level research* section on page 12, Baillie Gifford's 'climate audit' assessments help identify climate risks in individual holdings. If more than 5 per cent of a portfolio's holdings (by total AUM) have not been assessed using this process, it may indicate gaps in the investment strategy's understanding of climate risks across the portfolio.

We recognise that quantitative indicators such as these do not fully capture the underlying complexities faced by our holdings, and thus do not provide a complete picture of risks and opportunities across portfolios. However, they can indicate a need for deeper assessment. We expect to evolve these guidelines as time goes on to incorporate other insights into portfolio-level risks and opportunities.

7. Due to data limitations, guidelines 1 and 2 can only be used for portfolios comprised mainly of listed equities or corporate bonds (or a mixture). Data is not currently reliably available for unlisted companies or other asset classes, and portfolios comprised mainly of these assets need to be assessed on an individual basis.
8. For purposes of this guideline, we measure WACI on tonnes of carbon dioxide equivalent (tCO_2e) per $M revenue basis using Scope 1, 2 and material Scope 3 emissions. The emissions data is provided by MSCI. By using Scope 1, 2 and material Scope 3, emissions the metric captures the direct emissions of companies (Scope 1), emissions from their purchased power (Scope 2) and, for companies from 'material' sectors, their full value chain emissions (Scope 3). The definition of material sectors comes from PCAF's Scope 3 phase-in timeline and means that currently only oil and gas and mining companies are covered, and from 2024 transportation, construction, buildings, materials and industrial companies will be too.
9. Measured as a percentage, this metric captures the percentage of the portfolio's total AUM invested in companies deriving at least 5 per cent of their revenues from fossil fuel activities. We define fossil fuel activities as thermal coal mining and sale; thermal coal power generation and; oil and gas extraction and production, refining, pipelines and transportation, petrochemicals, distribution and retail, and equipment and services.

Serving clients and managing our operations

As highlighted in the strategy section, we have identified a number of climate-related risks to the firm associated with serving our clients. Our primary means for identifying, assessing and managing these risks is to ensure we understand our clients' expectations and the regulatory environment in which we and they operate. Our compliance function takes the lead in ensuring the firm identifies and complies with climate-related regulatory requirements.

Being open and transparent with clients about our investment philosophy and approach also helps mitigate the risk of misaligned objectives between us and our clients. For example, where investment strategies have developed net zero-aligned commitments, we ensure these have been communicated to clients and appropriate consents have been sought.

To help manage risks associated with meeting climate-related commitments to clients we are introducing additional internal reporting to our ESG Assurance Group. The group will be supplied with portfolio-level data on compliance with commitments and any issues can be escalated if necessary.

For our operations, we aim to manage climate-related risks to our buildings and processes through our Operations Environment Working Group. This group's objectives are to promote environmental goals and monitor performance in areas such as building energy management, business travel and waste. Over the course of 2023, the group expects to oversee work on assessing the physical risks to our operations under different climate scenarios and any implications for our business continuity procedures that may arise.

Key metrics

Explaining the metrics we use

We use a range of metrics at the asset, portfolio and firm level to help inform our view of climate-related risks and opportunities, and to help us judge net zero alignments. In the table below we describe these metrics, their sources, our use of them and our view of the underlying data availability and quality, including any gaps.

Greenhouse Gas (GHG) Protocol Emissions Scopes

Metric	What it tells us	How we use it	Source, and our assessment data quality and availability
Scope 1 emissions	Measurement of direct GHG emissions from operations that are owned or controlled by a company. Typically relates to the combustion of fossil fuels on-site and in direct control of the company.	Emissions metrics at asset, portfolio and firm level.	Collated by MSCI from company-reported data and MSCI activity-based estimates. Generally accepted to be of good quality, albeit some examples of MSCI misestimation reinforce the need for company reporting.
Scope 2 emissions	Measurement of indirect emissions of a company associated with the generation of purchased electricity, steam, heat and cooling. It indicates a company's energy usage and can be helpful in highlighting energy intensity and efficiency.	Emissions metrics at asset, portfolio and firm level.	Collated by MSCI from company-reported data and MSCI activity-based estimates. Generally accepted to be of good quality, albeit some examples of MSCI misestimation reinforce the need for company reporting.
Scope 3 emissions	Measurement of indirect emissions from a company's upstream and downstream value chain. Scope 3 effectively represents the emissions from the network within which a company operates. It is, therefore, useful in understanding wider emissions exposure and determining spheres of influence.	Emissions metrics at asset, portfolio and firm level.	All estimated by MSCI, given the lack and inconsistency of company-level reporting. MSCI estimation model remains under development, with a particular weakness around emerging market companies. We are engaging with MSCI on future development, and with companies on direct reporting.
Material Scope 3 emissions	Measurement of indirect Scope 3 emissions from certain material sectors, in accordance with guidance from the Portfolio Carbon Accounting Framework (PCAF). As of 2021, material Scope 3 emissions include those from the oil, gas and mining sectors. Coverage will expand in 2023 to include other industrial sectors, and again in 2026, when all sectors will be included.	Emissions metrics at portfolio and firm level.	All estimated by MSCI, given the lack and inconsistency of company-level reporting. The MSCI estimation model remains under development, with a particular weakness around emerging market companies. We are engaging with MSCI on further development, and with companies on direct reporting.

Emissions metrics

Metric	What it tells us	How we use it	Source, and our assessment data quality and availability
Total carbon emissions	The total emissions of the portfolio represents the absolute GHG emissions from assets held, allocated on an ownership basis. This means a portfolio holding 1 per cent of a company's stock would be attributed 1 per cent of the company's emissions.	Portfolio and firm level.	Sourced from MSCI reported and estimated data. Data quality and availability concerns as noted in the preceding GHG protocol emissions table.
Carbon footprint	The carbon footprint (or 'financed emissions') of the portfolio represents the aggregated GHG emissions per million £/$ invested and allows for comparisons of the carbon intensity of different portfolios.	Portfolio and firm level.	Sourced from MSCI reported and estimated data. Data quality and availability concerns as noted in the preceding GHG protocol emissions table.
WACI (Weighted Average Carbon Intensity)	The WACI of the portfolio represents the aggregated carbon intensities of the companies in a portfolio (per million £/$ revenue), scaled by size of holding. The WACI metric therefore helps measure a portfolio's exposure to high carbon intensity companies.	Portfolio and firm level.	Sourced from MSCI reported and estimated data. Data quality and availability concerns as noted in the preceding GHG protocol emissions table.
Emissions data availability and disclosure from holdings	These metrics provide a guide to the level of reported versus estimated versus unavailable data in all emissions metrics for the portfolio.	Portfolio and firm level.	Sourced from MSCI reported and estimated data.

Metrics providing additional insights into climate-related risks and opportunities

Metric	What it tells us	How we use it	Source, and our assessment data quality and availability
Exposure to climate material sectors	The percentage of total assets under management (AUM) invested in sectors materially relevant to climate change. Our definition of 'climate-material sectors' uses the TCFD 'carbon related assets' definition, ie any company operating in the energy, transportation, buildings and materials, agriculture, or food and forests sectors.	Portfolio and firm levels.	In-house mapping which relies on the Global Industry Classification Standard (GICS) sub-industry classifications. Coverage generally high for equities, but poorer across other asset classes (fixed income, fund of funds). At present, 13 per cent of total AUM is not classified, which should improve with methodology enhancements.
Exposure to fossil fuels	The percentage of total AUM invested in companies with more than 5 per cent of revenue from oil and gas exploration and/or coal-related activities (as identified by the MSCI).	Portfolio and firm levels.	A MSCI screen against sources of company revenue. They are generally accepted to be of good quality.
Percentage of companies disclosing to CDP annually	Companies responding to the annual CDP information request, covering their approach to climate disclosure and emissions reductions. This is a valuable metric for gauging the extent of high-quality climate disclosures.	Asset, portfolio and firm levels.	Sourced from the CDP database. Generally accepted to be accurate.
Percentage of companies publicly reporting at least Scope 1 and 2 emissions annually	Companies providing basic emissions disclosure publicly, usually through their reporting. This is a valuable metric for gauging the extent of basic climate disclosures.	Asset, portfolio and firm levels.	Sourced from MSCI but suffers from a lack of coverage of companies who are smaller, newly listed or in emerging markets.
MSCI Low Carbon Transition (LCT) Score	MSCI's LCT score aims to summarise a company's exposure to, and management of, climate risks and opportunities. Companies are graded on a scale of 1–10. The LCT score is indicative of company alignment with the low carbon transition. The lowest-scoring companies are likely to have assets stranded in the future, whereas the highest-scoring companies are likely to provide solutions for the transition.	Asset, portfolio and firm levels.	Sourced from MSCI. The vast majority of scores across the market lie between four and six, but we find the extremes are generally well correlated with clear exposure to either fossil fuels (lower quartile) or climate solutions (upper quartile).

Transition alignment

Metric	What it tells us	How we use it	Source, and our assessment data quality and availability
Percentage of companies with science-based targets	Using the framework and methodology developed by the Science Based Targets initiative (SBTi). 'Approved' companies are those whose net zero targets have been validated by the SBTi. 'Committed' companies are those who have submitted a commitment letter and are in the process of setting and submitting science-based net zero targets or their targets are currently being validated.	Asset, portfolio and firm levels.	Taken from the MSCI database, which uses SBTi as its primary source.
Our assessment of holdings' net zero targets	An assessment of disclosure and progress towards strategic alignment with a 1.5C pathway. *See page 12* for more detail.	Asset, portfolio and firm levels.	Based on our own assessments of holdings, using a variety of sources.
Our assessment of holdings' transition alignment	Assessment of the fundamental alignment of each company's business model with a timely transition to net zero. *See page 13* for more detail.	Asset, portfolio and firm levels.	Based on our own assessment of holdings, using a variety of sources.

Metrics summary at whole-firm level for 2022

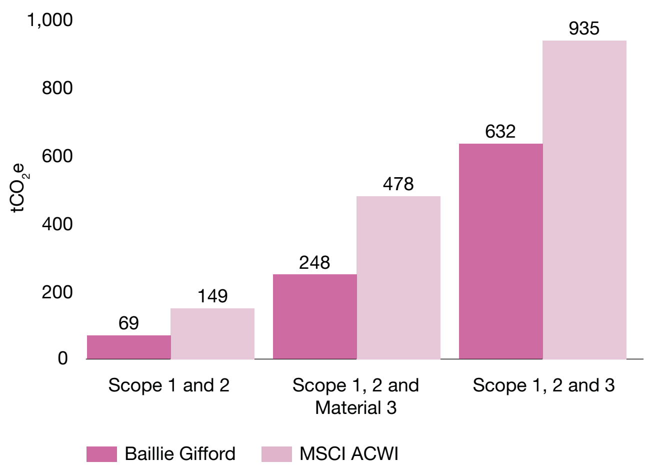
Each of Baillie Gifford's investment strategies is managed individually, to its own philosophy and in accordance with the mandates and expectations of its clients. Most of our portfolios will produce their own TCFD-aligned reporting and metrics over the next year.

No client is invested in the whole of Baillie Gifford and, as a private partnership, no external investors are either. However, for this firmwide entity-level report, we provide the same climate metrics we use for portfolio-level reporting on a whole-firm basis. This aligns with TCFD recommendations, and we hope it provides valuable insight into the firm's overall position.

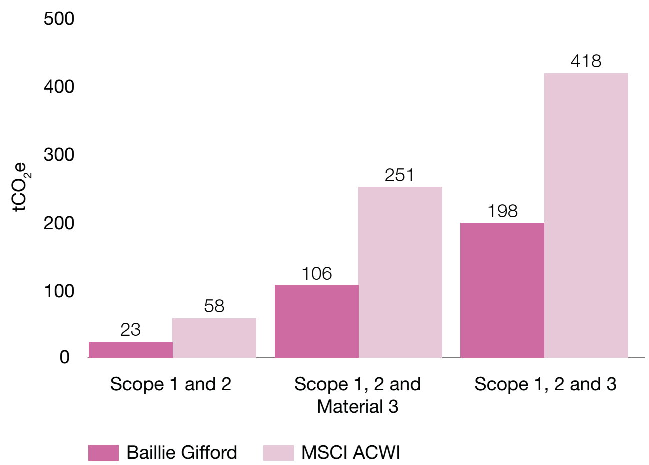
For comparison purposes only, we have also provided equivalent metrics for the MSCI All Country World Index (ACWI) which represents performance of large- and mid-cap stocks across 23 developed and 24 emerging markets, and serves as a reasonable global benchmark.

The following tables cover as much of our total AUM as feasible under each metric. Baillie Gifford predominantly invests in listed equities, which account for 96 per cent of our total AUM. Equities tend to have relatively good availability of either reported or estimated data from our external data provider, though with some gaps, particularly in emerging markets, off-index and smaller cap names. Similarly, data availability across the multi-asset and fixed income asset types is generally good. However, for some holdings – for example where portfolios invest in other external funds, or for investments in emerging markets – data is less easily available from our data supplier. Cash and derivatives have been excluded for now. Overall, the data in the following tables is broadly representative of our total AUM across all asset classes and is accurate as at the end of December 2022.

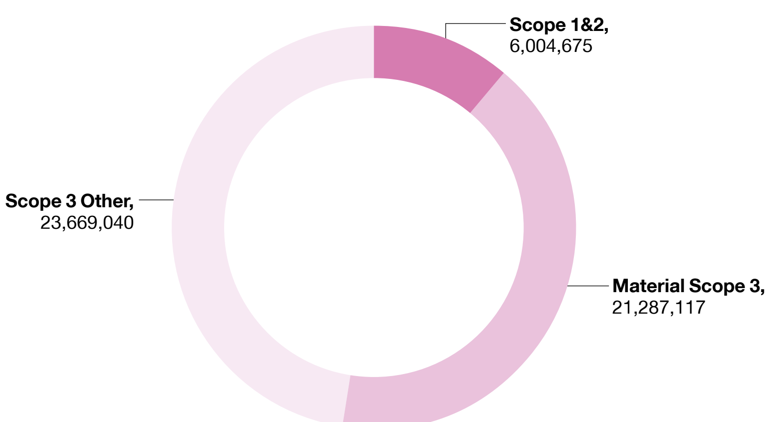
Weighted Average Carbon Intensity for all holdings (WACI/Rev ($M))



Carbon Footprint for all holdings (tCO_2e per $M invested)



Total emissions from all holdings (tCO_2e)



Note: Material Scope 3 emissions currently includes only those value chain emissions from the oil, gas and mining sectors. As per PCAF guidance, coverage will widen through 2023.

Source: Baillie Gifford & Co, FactSet and MSCI. As at 31 December 2022.

Emissions metrics for all holdings

As at 31 December 2022

Metric	Baillie Gifford	MSCI ACWI
Total carbon emissions[10]		
Total Scope 1 and 2 emissions (tCO_2e)	6,004,675	N/A
Total Scope 1, 2 and material[11] Scope 3 emissions (tCO_2e)	27,291,793	N/A
Total Scope 3 emissions (tCO_2e)	44,956,158	N/A
Total Scope 1, 2 and 3 emissions (tCO_2e)	50,960,833	N/A
Carbon footprint[12]		
Scope 1 and 2 emissions (tCO_2e) per $M invested	23	58
Scope 1,2 and material Scope 3 emissions (tCO_2e) per $M invested	106	251
Scope 1,2 and 3 emissions (tCO_2e) per $M invested	198	418
Weighted average carbon intensity[13]		
Scope 1 and 2 emissions (tCO_2e) per $M revenue	69	149
Scope 1, 2 and material Scope 3 emissions (tCO_2e) per $M revenue	248	478
Scope 1 ,2 and 3 emissions (tCO_2e) per $M revenue	632	935
Emissions data availability and disclosure from holdings in the portfolio[14]		
% of total AUM invested in holdings where **reported** Scope 1 and 2 emissions data is available from our data provider	65	85
% of total AUM invested in holdings where **estimated** Scope 1 and 2 emissions data is available from our data provider	26	15
% of total AUM invested in holdings where Scope 1 and 2 emissions data is **not available** from our data provider	9	0
% of total AUM invested in holdings where **reported** Scope 3 emissions data is available from our data provider[15]	53	73
% of total AUM invested in holdings where **estimated** Scope 3 emissions data is available from our data provider	91	100
% of total AUM invested in holdings where Scope 3 emissions data is **not available** from our data provider	9	0
% of total AUM invested in holdings disclosing to CDP annually	53	82

Source: Baillie Gifford, MSCI, CDP, FactSet.

10. The total emissions of the firmwide portfolio represents the absolute GHG emissions from assets held, allocated on an ownership basis. This means a portfolio holding 1 per cent of a company's enterprise value would be attributed 1 per cent of the company's emissions.
11. We define material Scope 3 emissions using the original definition provided by the Partnership for Carbon Accounting Financials (PCAF), mapped to GICS sub-industries. This means that our version of material Scope 3 emissions are those produced by holdings classified as oil and gas or mining companies. We acknowledge the updated timeline to also include Scope 3 emissions from those classified as transportation, construction, buildings, materials and industrial companies has changed from 2024 to 2023 and are working to update systems accordingly. (p51, The Global GHG Accounting and Reporting Standard for the Financial Industry (*carbonaccountingfinancials.com*)).
12. The carbon footprint (or 'financed emissions') of the firmwide portfolio represents the aggregated GHG emissions per million £/$ invested and allows for comparisons of the carbon intensity of different portfolios.
13. The WACI of the firmwide portfolio represents the aggregated carbon intensities of the companies in a portfolio, scaled by size of holding. The WACI metric therefore helps measure a portfolio's exposure to high carbon intensity companies.
14. These metrics provide a guide to the level of reported vs. estimated vs. unavailable data in all emissions metrics for the firmwide portfolio.
15. In many cases, companies only report part of their Scope 3 emissions (for example business travel). This means that while there is some reported data, it does not always equate to full reported Scope 3 emissions across all Scope 3 categories covered by the GHG Protocol. Where all Scope 3 data is estimated by our data provider, it does include emissions across all Scope 3 categories. For consistency, only estimated Scope 3 data is included in carbon calculations.

Additional insights into climate-related risks and opportunities

As at 31 December 2022

Metric	Baillie Gifford	MSCI ACWI
Exposure to 'climate material' sectors[16]		
% of total AUM invested in companies in climate-material sectors	23	34
Exposure to fossil fuels		
% of total AUM invested in companies with > 5% revenues from oil and/or gas activities[17]	2.0	9.5
% of total AUM invested in companies with > 5% revenues thermal coal mining and sale[18]	0.3	0.4
% of total AUM invested in companies with > 5% revenues from thermal coal power generation	0.0	1.3
Climate 'value-at-risk' assessment[19]		
Indicative estimate of climate-related value at risk from transitional factors by 2100 under RE-MIND risk model NGFS 1.5C 'orderly transition' scenario (provided by MSCI)	-3	-4
Indicative estimate of climate-related value at risk from transitional factors by 2100 under RE-MIND NGFS 1.5C 'disorderly transition' scenario (provided by MSCI)	-14	-16
Indicative estimate of climate-related value at risk from transitional factors by 2100 under RE-MIND NGFS 3C scenario (provided by MSCI)	0	0
Indicative estimate of climate-related value at risk from physical factors by 2100 under high emission (based on RCP 8.5) scenario (provided by MSCI)	-4	-6

Source: Baillie Gifford, MSCI, FactSet.

16. Our definition of 'climate-material sectors' uses the TCFD 'carbon related assets' definition, ie any company operating in the energy, transportation, buildings and materials, agriculture, or food and forests sectors, mapped by GICS sub-industry.
17. Includes oil and/or gas distribution, retail, equipment and services, extraction and production, petrochemicals, pipelines and transportation and refining. Excludes biofuel production and sales, and trading activities.
18. Includes the mining of thermal coal (including lignite, bituminous, anthracite and steam coal) and its sale to external parties. Excludes metallurgical coal, coal mined for internal power generation, intra-company sales of mined thermal coal and revenue from coal trading.
19. To help provide an initial quantitative assessment of impacts to the portfolio under different climate scenarios, we provide MSCI's CVaR (Climate Value at Risk) metrics for both transitional and physical impacts. We believe these metrics are at a very early stage of evolution and should not be used as a guide to future performance because they do not fully capture all transitional and physical factors, especially over the longer term. We expect to provide additional analysis in future iterations of this report.

Insights into net zero alignment of holdings

As at 31 December 2022

Metric	Baillie Gifford
Baillie Gifford's assessment of holdings' net zero targets	
% of total AUM with targets assessed as 'leading'	31
% of total AUM with targets assessed as 'preparing'	23
% of total AUM with targets assessed as 'lagging'	43
% of total AUM with targets not assessed	3
Baillie Gifford's assessment of holdings' transition role	
% of total AUM assessed as 'solutions innovators'	5
% of total AUM assessed as 'potential influencers'	52
% of total AUM assessed as 'potential evolvers'	38
% of total AUM assessed as 'materially challenged'	1
% of total AUM not assessed	4

Source: Assessed according to Baillie Gifford's internal assessment framework.

Metric	Baillie Gifford	MSCI ACWI
Science-based targets[20] alignment among holdings		
% of total AUM invested in companies with targets **approved** by the SBTi	21	35
% of total AUM invested in companies who have **committed** to set targets approved by the SBTi	21	16

Source: SBTi , MSCI and Baillie Gifford.

Metric	Baillie Gifford	MSCI ACWI
Low-carbon transition score[21]		
% of total AUM with top quartile (score 7.5–10)	5	3

Baillie Gifford, MSCI, FactSet.

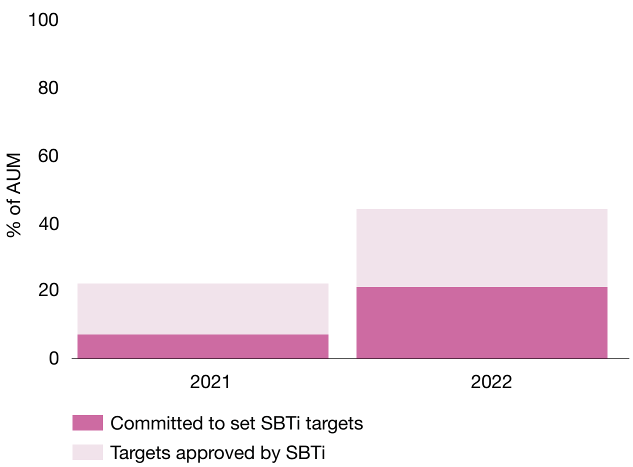
20. Using the framework and methodology developed by the SBTi. 'Approved' companies are those whose net zero targets have been validated by the SBTi. 'Committed' companies are those who have submitted a commitment letter and are in the process of setting and submitting science-based net zero targets or their targets are currently being validated.
21. Score provided by MSCI representing a multi-dimensional risk and opportunity assessment. The higher the score, the more positive the alignment with an accelerating energy transition. More details can be found on MSCI's Climate Data and Metrics webpages.

Data spotlights

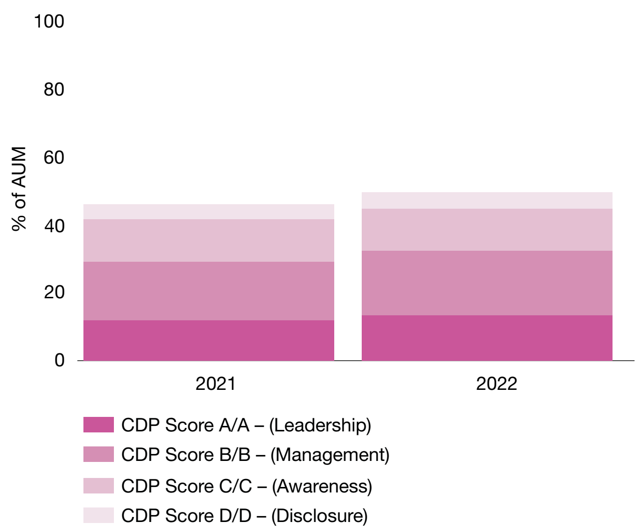
The following charts highlight some significant trends we have observed when comparing 2021 data with 2022. They are not intended to represent a full analysis of all changes to metrics across this timeframe, but have been included here to help give provide additional insight. The data used is for our equity holdings only, which equate to approximately 96 per cent of AUM.

We have seen a significant increase in the proportion of our holdings engaging with the Science Based Targets initiative (SBTi):

SBTi Commitments

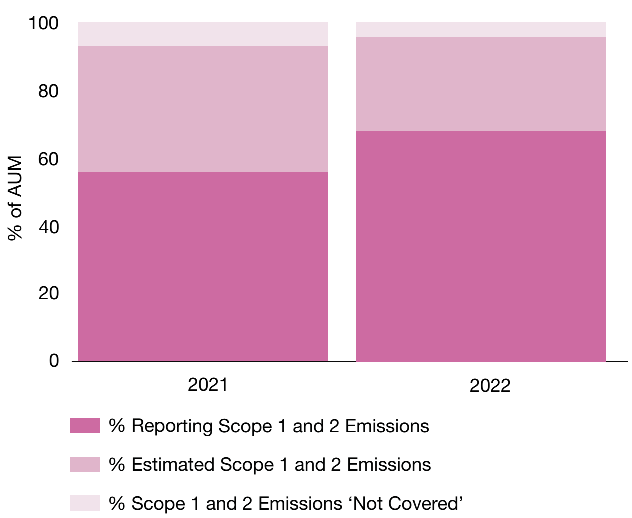


CDP Climate Leadership

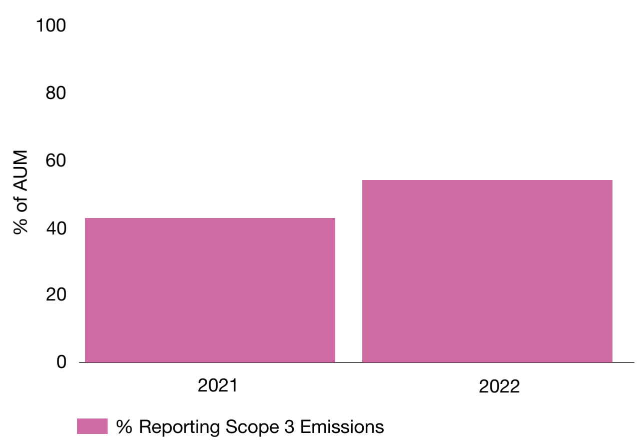


The proportion of our holdings providing reported emissions data to our data provider has increased, and coverage has also improved.

Scope 1 and 2 Emissions Reporting/Coverage Progression

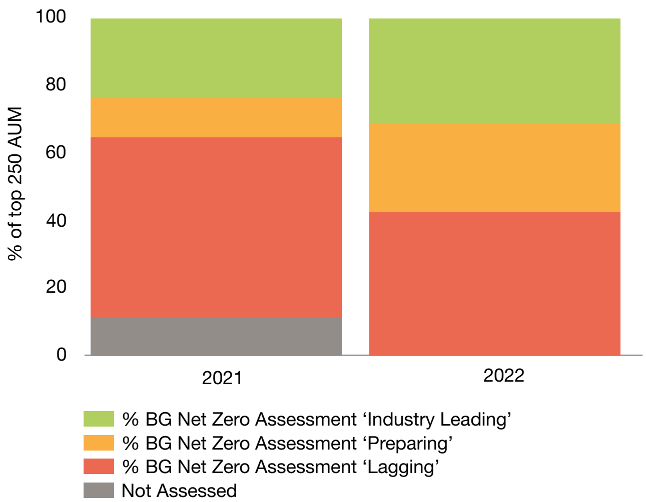


Companies reporting at least some Scope 3 categories

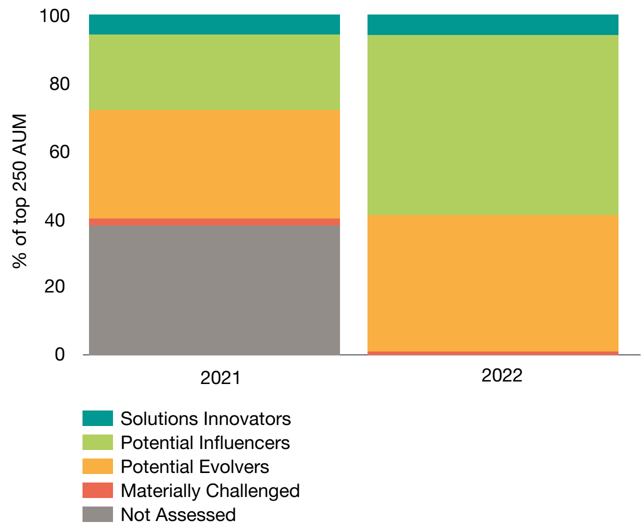


Coverage of our own Climate Audit assessments has expanded significantly across our top 250 holdings, which equate to approximately 87% of AUM.

Net-zero aligned emission reduction goals



Potential transition role



Source: Baillie Gifford.
Figures may not sum due to rounding.

Comparison of our main investment strategies

In addition to the climate metrics for the whole firm provided in the *previous pages* we have also chosen to compare some of the core climate metrics for each of our main investment strategies (representing 84 per cent of total AUM). The table highlights which funds have specific net zero-related commitments agreed as part of their overarching client mandates. We also show each strategy's fossil fuel exposure and the percentage of holdings with a top quartile MSCI Low Carbon Transition score. This score is only intended to provide an independent indicator of climate risk and opportunity in each portfolio. Clients can obtain further details of our investment teams' own views on both risks and opportunities in our product-level TCFD reports. All data is accurate as at 31 December 2022.
It is important to note that these strategies have different philosophies, objectives, commitments and regional biases, and therefore differences between them are to be expected and not necessarily an indication of enhanced or reduced climate risks or opportunities.

Investment Strategy	Total AUM ($m)	Net Zero commitment?	Carbon footprint (tCO_2e/M$ invested)	WACI/ tCO_2e/M$ revenue	Fossil Fuel Exposure	MSCI Low Carbon Transition Score
Basis			**Scope 1,2 and Material 3**	**Scope 1,2 and Material 3**	**% AUM with revenue exposure >5%**	**% of AUM in top quartile (Score 7.5-10)**
International Growth	37,037		44	50	0	3
Global Alpha	29,864	V	251	635	5	1
LTGG	27,728	Y	2	14	0	12
Scottish Mortgage	12,930		2	21	0	6
International Alpha	12,165		155	377	0	4
EM All Cap	10,278		360	736	12	3
US Equity	9,160	V	2	17	0	8
ACWI ex US All Cap	7,677		11	67	2	3
Global Alpha Paris Aligned	7,307	Y	54	140	0	1
Positive Change	6,919	Y	103	139	6	12
Balanced	6,196		168	374	2	3
EMLC	5,860		286	515	10	6
Japan All Cap	5,079		36	59	5	–
UK Core	3,526	Y	333	662	0	–
Global Income Growth	2,866	V	78	189	0	4
Europe ex UK	1,150	Y	37	176	0	6
Sustainable Growth	1,019	Y	5	28	0	8
China	996		28	76	1	6
MSCI ACWI	–	–	251	478	11	3
MSCI ACWI ex US	–	–	365	645	12	3
MSCI EM	–	–	366	626	9	3

Y = yes, V = variant/sub-fund.

Emissions from our operations

The following table covers emissions from our own operational activities (excluding investments), reported in line with the Greenhouse Gas Protocol emissions accounting standards. We also publish energy and emissions data in line with the UK's Streamlined Energy and Carbon Reporting regulations (SECR) within Baillie Gifford Overseas Ltd Annual Report and Consolidated Financial Statements.

Measure	2020/21	2022	% change
Energy consumption (kWh)			
Energy use	7,907,962	7,719,874	-2
Greenhouse gas emissions (tCO_2e)			
Total Scope 1 emissions	623	546	-12
Total Scope 2 emissions (location-based)	943	979	+4
Total Scope 1 and 2 emissions	**1,566**	**1,525**	**-3**
Scope 3 emissions from purchased goods and services	40	4,924	+12,210
Scope 3 emissions from capital goods	–	554	–
Scope 3 emissions from fuel and energy related activities (location-based)	84	427	+408
Scope 3 emissions from waste generated in operations	4	153	+3,725
Scope 3 emissions from business travel	101	5,052	+4,902
Scope 3 emissions from employee commuting and home working	1,697	1,101	-35
Total Scope 3 emissions (excluding investments)	**1,927**	**12,212**	**+534**
Intensity metrics			
Total Scope 1, 2 and 3 emissions (excluding investments)	**3,492**	**13,737**	**+293**
Scope 1 and 2 emissions per full-time equivalent employees (tCO_2e per FTE)	1.1	0.79	-28
Scope 1, 2 and 3 emissions per full-time equivalent employees (tCO_2e per FTE)	2.5	7.1	+185
Full time equivalent (FTE) employees	1,388	1,928	39

Compliance statements

TCFD Entity Report – Baillie Gifford & Co Limited

Reliance on climate-related disclosures made by Baillie Gifford group

The Baillie Gifford group provides one essential service to its clients, namely asset management. Whilst different legal structures have been established to accommodate different client types, the essential services remain the same. As such, we present climate-related disclosures consistent with TCFD Recommendations and Recommended Disclosures at Baillie Gifford group level.

The FCA rules on TCFD entity reports also require firms to ensure that any material deviations between its approach under the TCFD Recommendations and Recommended Disclosures and the climate-related financial disclosures contained within the group report are clearly explained. Although metrics for the entire Baillie Gifford group will be different (to some extent) to BG & Co Limited's metrics, we have not chosen to present climate-related metrics at BG & Co Limited level due to the following reasons: (a) although strategies are offered either as segregated accounts (managed either by Baillie Gifford & Co or Baillie Gifford Overseas Limited depending on client jurisdiction) or pooled vehicles (managed by BG & Co Limited), the decisions taken for segregated accounts and pooled vehicles are drawn from the same underlying view on the relevant stocks and (b) disclosing metrics at the level of each entity that is part of the Baillie Gifford group could lead to misleading information due to double-counting (eg assets will be included in both metrics for BG & Co Limited as well as Baillie Gifford & Co due to delegation in respect of a series of UK UCITS and NURS and investment trusts) and the rules provide exemption from the disclosure of metrics if to do so would result in disclosures that are misleading.

Public TCFD product report – unauthorised AIF

The FCA's ESG sourcebook (section 2.3.2) requires a UK AIFM that manages an unauthorised AIF listed on recognised investment exchange, including investment trusts, to include an adequately contextualised and prominent cross-reference and hyperlink to this report, in its TCFD entity report.

To meet its regulatory obligations, BG & Co Limited has prepared and published TCFD product reports for the following investment trusts covering the same reporting period as the TCFD entity report:

Baillie Gifford China Growth Trust plc
Baillie Gifford European Growth Trust plc
Baillie Gifford Shin Nippon PLC
Baillie Gifford UK Growth Trust plc
Baillie Gifford US Growth Trust plc
Edinburgh Worldwide Investment Trust plc
Keystone Positive Change Investment Trust plc
Pacific Horizon Investment Trust PLC
Scottish Mortgage Investment Trust PLC
The Baillie Gifford Japan Trust PLC
The Monks Investment Trust PLC
The Schiehallion Fund Limited (including C shares)
The Scottish American Investment Company P.L.C.

Compliance statement

The disclosures in this report, including group disclosures relied upon and cross-referenced in this report, are consistent with the TCFD Recommendations and Recommended Disclosures. Reasonable steps have been taken to ensure that disclosures, to the extent they are relevant and/or possible, also reflect sections C and D of the TCFD Annex entitled 'Guidance for All Sectors' and 'Asset Managers', respectively. We view climate-related disclosures as evolutionary and endeavour to continue to improve on our disclosures.

This statement is made pursuant to FCA's ESG sourcebook (section 2.2.7) requiring a firm's TCFD entity report to include a compliance statement, signed by a member of senior management of the firm.

Director of Baillie Gifford & Co Ltd

Print name: **Derek McGowan** Date: **31 May 2023**

TCFD Entity Report – Baillie Gifford Overseas Limited

Reliance on climate-related disclosures made by Baillie Gifford group

The Baillie Gifford group provides one essential service to its clients, namely asset management. Whilst different legal structures have been established to accommodate different client types, the essential services remain the same. As such, we present climate-related disclosures consistent with TCFD Recommendations and Recommended Disclosures at Baillie Gifford group level.

The FCA rules on TCFD entity reports also require firms to ensure that any material deviations between its approach under the TCFD Recommendations and Recommended Disclosures and the climate-related financial disclosures contained within the group report are clearly explained. Although metrics for the entire Baillie Gifford group will be different (to some extent) to BGO's metrics, we have not chosen to present climate-related metrics at BGO level due to the fact that although the group has established two entities to manage segregated accounts (BGO for non-UK clients and Baillie Gifford & Co for UK clients), the decisions taken for these segregated accounts (regardless of jurisdiction) are drawn from the same underlying view on the relevant stocks. Also, as BGO provides portfolio management services to Baillie Gifford & Co Limited, disclosing metrics both at the level of BGO and Baillie Gifford & Co Limited could lead to misleading information due to double-counting and the rules provide exemption from the disclosure of metrics if to do so would result in disclosures that are misleading.

Compliance Statement

The disclosures in this report, including group disclosures relied upon and cross-referenced in this report, are consistent with the TCFD Recommendations and Recommended Disclosures. Reasonable steps have been taken to ensure that disclosures, to the extent they are relevant and/or possible, also reflect sections C and D of the TCFD Annex entitled 'Guidance for All Sectors' and 'Asset Managers', respectively. We view climate-related disclosures as evolutionary and endeavour to continue to improve on our disclosures.

This statement is made pursuant to FCA's ESG sourcebook (section 2.2.7) requiring a firm's TCFD entity report to include a compliance statement, signed by a member of senior management of the firm.

Partner of Baillie Gifford & Co and Director of Baillie Gifford Overseas Ltd

Print name: **Anthony Tait** Date: **31 May 2023**

TCFD Entity Report – Baillie Gifford & Co

Reliance on climate-related disclosures made by Baillie Gifford group

The Baillie Gifford group provides one essential service to its clients, namely asset management. Whilst different legal structures have been established to accommodate different client types, the essential services remain the same. As such, we present climate-related disclosures consistent with TCFD Recommendations and Recommended Disclosures at Baillie Gifford group level.

The FCA rules on TCFD entity reports also require firms to ensure that any material deviations between its approach under the TCFD Recommendations and Recommended Disclosures and the climate-related financial disclosures contained within the group report are clearly explained. Although metrics for the entire Baillie Gifford group will be different (to some extent) to BG & Co's metrics, we have not chosen to present climate-related metrics at BG & Co level due to the fact that although the group has established two entities to manage segregated accounts (BG & Co for UK clients and Baillie Gifford Overseas Limited for non-UK clients), the decisions taken for these segregated accounts (regardless of jurisdiction) are drawn from the same underlying view on the relevant stocks. Also, as BG & Co provides portfolio management services to Baillie Gifford & Co Limited, disclosing metrics both at the level of BG & Co and Baillie Gifford & Co Limited could lead to misleading information due to double-counting and the rules provide exemption from the disclosure of metrics if to do so would result in disclosures that are misleading.

Compliance Statement

The disclosures in this report, including group disclosures relied upon and cross-referenced in this report, are consistent with the TCFD Recommendations and Recommended Disclosures. Reasonable steps have been taken to ensure that disclosures, to the extent they are relevant and/or possible, also reflect sections C and D of the TCFD Annex entitled 'Guidance for All Sectors' and 'Asset Managers', respectively. We view climate-related disclosures as evolutionary and endeavour to continue to improve on our disclosures.

This statement is made pursuant to FCA's ESG sourcebook (section 2.2.7) requiring a firm's TCFD entity report to include a compliance statement, signed by a member of senior management of the firm.

Managing Partner of Baillie Gifford & Co

Print name: **Andrew Telfer** Date: **31 May 2023**

TCFD reference index

The following table shows where to find the key elements of TCFD's recommended disclosures, including supplemental guidance for asset managers, within this report and other disclosures:

	Page references	Notes
Governance		
The board's oversight of climate-related risks and opportunities.	4–5	
Management's role in assessing and managing climate-related risks and opportunities.	4–5	
Strategy		
The climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	10–11	
The impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	10–11	
Supplemental guidance for asset managers: How climate-related risks and opportunities are factored into relevant products or investment strategies; how each product or investment strategy might be affected by the transition to a low-carbon economy.	12–15	Further information on individual portfolios is contained within our product-level TCFD reports, available to clients.
The resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2C or lower scenario.	9–11	
Risk Management		
The organisation's processes for identifying and assessing climate-related risks	12–15	
Supplemental guidance for asset managers: Describe, where appropriate, engagement activity with investee companies to encourage better disclosure and practices related to climate-related risks in order to improve data availability and asset managers' ability to assess climate-related risks. Describe how material climate-related risks are identified and assessed for each product or investment strategy.	12–15	Further information on risks to individual portfolios is contained within our product-level TCFD reports available to clients Additional detail on engagement statistics and examples can be found in quarterly client reporting, the Baillie Gifford Stewardship Report, and in our responses to the 2020 UK Stewardship Code.
The organization's processes for managing climate-related risks.	12–15	
Supplemental guidance for asset managers: Asset managers should describe how they manage material climate-related risks for each product or investment strategy.	12–15	Further information on individual portfolios is contained within our product-level TCFD reports available to clients.
How processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	12–15	

	Page references	Notes
Metrics and Targets		
The metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	16–28	
Supplemental guidance for asset managers: Describe metrics used to assess climate-related risks and opportunities in each product or investment strategy. Where relevant, describe how these metrics have changed over time. Where appropriate, provide metrics considered in investment decisions and monitoring. Describe the extent to which assets under management and products and investment strategies, where relevant, are aligned with a well below 2C scenario, using whichever approach or metrics best suit organizational context or capabilities. Indicate which asset classes are included.	27	Further information on individual portfolios is contained within our product-level TCFD reports available to clients.
Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	22, 28	
Supplemental guidance for asset managers: Disclose GHG emissions for assets under management and the weighted average carbon intensity (WACI) for each product or investment strategy, where data and methodologies allow. These emissions should be calculated in line with the Global GHG Accounting and Reporting Standard for the Financial Industry developed by the Partnership for Carbon Accounting Financials (PCAF Standard) or a comparable methodology. In addition to WACI, asset managers should consider providing other carbon footprinting metrics they believe are useful for decision-making.	27	Further information on individual portfolios is contained within our product-level TCFD reports available to clients.
The targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	6–8	

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