Baillie Gifford™

Year ended 31 December 2024

Investment Stewardship Activities Report

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 report was produced and approved in March 2025 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.

Stock examples

This report contains information on investments which does not constitute independent research. Accordingly, it is not subject to the protections afforded to independent research but is classified as advertising under Art 68 of the Financial Services Act ('FinSA') and Baillie Gifford and its staff may have dealt in the investments concerned.

All information is sourced from Baillie Gifford & Co and is current unless otherwise stated.

The images used in this report are for illustrative purposes only.

Baillie Gifford™

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Welcome

At Baillie Gifford, stewardship means being thoughtful, active and responsible investors on behalf of our clients.

In my first year as a managing partner of Baillie Gifford, I am pleased to present our Investment Stewardship Activities Report for 2024. Managing our clients' financial assets is a privilege, and we work rigorously to deliver sustainable returns to them by engaging with the companies we back.

In this report, you will find an outline of our stewardship approach and the pathways we have chosen to achieve effective outcomes for our clients' long-term benefit.

Building on our recent progress, we have further enhanced how we undertake our stewardship responsibilities. I want to highlight the following developments:

- We reviewed our stewardship principles to ensure they continue to reflect our practices accurately.
- We developed and published a set of remuneration principles that align with our overarching investment philosophy.
- We built on our existing in-house suite of analytical tools to support our stewardship activities by developing and implementing a central hub to record and coordinate engagements with our holdings across the firm.

These developments will strengthen our ability to be effective stewards of our clients' capital.

It would be remiss of me not to mention that towards the end of 2024, we withdrew from industry groups Climate Action 100+ and the Net Zero Asset Managers initiative. Our membership had become contested and created the risk of distracting from our core investment task. This change does not affect our commitment to consider climate-related risks and opportunities where relevant and we will always act in accordance with the preferences of individual clients.

This report's publication comes at a time of rapid change, and we are committed to remaining focused on our key purpose.

On behalf of all our partners and colleagues at Baillie Gifford, I welcome this opportunity to present our 2024 investment stewardship activities and share our plans.

Tim Campbell
Managing Partner

Introduction

Based on the 12 Principles of the UK Stewardship Code, this report sets out Baillie Gifford's stewardship approach and highlights some of the key activities and improvements we have made in 2024. For this report, we have adopted the interim reporting measures for existing Code signatories, as introduced by the Financial Reporting Council (FRC) in July 2024. As such, this report is intended to complement our 2023 Investment Stewardship Activities Report (hereafter referred to as our '2023 report') and focuses on material changes. Many aspects of our approach to stewardship remain unchanged. In line with the FRC's guidance, where our approach is unchanged we have cross-referenced to our 2023 report. An overview of how and where we evidence our adherence to each Stewardship Code principle can be found in the appendix, and our 2023 report is available on our **website**. While this report directly corresponds to the 2020 UK Stewardship Code, it also evidences our compliance with a number of global stewardship codes. See the appendix for more details.

In preparing this year's report, we have responded to client feedback to provide updates on the progress of discussions with portfolio companies, picking up on the 'next steps' outlined in the 'Engagement highlights' included in our 2023 report (pages 62-75). These updates can be found in **Our year in stewardship**.

This report includes examples of our interactions with portfolio companies throughout 2024, which are predominantly related to governance and sustainability issues. These represent only a subset of the overall interactions that we have with companies and do not capture an exhaustive list of topics discussed with companies through the ordinary course of business. We have focused this report on the issues we believe are of greatest interest to our clients.

Assets under management

As of 31 December 2024, our assets under management and advice totalled £217bn. Most of our assets remain invested in equities, with our largest client base in the UK and North America (see appendix for a full breakdown). The use of 'company' or 'corporate' throughout the report refers to listed equities, unless otherwise stated.

More detailed disclosure of how we take client and beneficiary needs into account can be found on pages 42-43 of our 2023 Report, and a breakdown of our assets under management by asset class, region and client type is detailed in the appendix.

Our clients' interests remain paramount

Without our clients, we do not exist. Clients select us for our active investment approach. Our long-term, fundamental investment philosophy aligns well with our institutional clients, who also have long time horizons. Our investment processes, from idea generation to stewardship activities with our holdings, are the result of long-termism. This is evidenced in our average ownership period of seven years.

Our annual client satisfaction survey, now in its 24th year, has continued to provide us with constructive feedback and allows us to address areas where we can improve to meet our clients' expectations. In 2024, we were pleased to see that despite a challenging performance backdrop, client feedback included positive references to our stability and culture. We understand from the survey that there is particular interest in more detailed and frequent reporting. We are already undertaking steps to enhance our abilities here through developing our Engagement Hub (**see page 18**). More details about the survey format can be found on page 12 of our 2023 Report.

Stewardship resource

As of 31 December 2024, Baillie Gifford had 176 investment professionals. This includes 154 investors and 22 environment, social and governance (ESG) research analysts embedded within some of our investment teams. The analysts and investors are supported by our central climate, voting and data functions, comprising a further 21 people. All of these individuals are responsible for the stewardship of our clients' assets.

The majority of our investment staff are based in Edinburgh, except for a small number based in our global offices. Our investment staff and ESG team remain integral to delivering effective stewardship.

As of 1 January 2025, Catherine Flockhart's role as Head of ESG transitioned to Siobhan Cleary. Siobhan served as Deputy Head of ESG from the end of 2023 and brings a wealth of experience and expertise. Catherine Flockhart remains involved through her role on the ESG Oversight Group.

In September 2024, Baillie Gifford opened an office in Singapore. This office, which includes client service staff, has two dedicated ESG analysts and will help us build on our capabilities in the region.

For more information on our resourcing, see the appendix, pages 16-19 of our 2023 Report, and our 2024 **Diversity and Inclusion Report** on our website.

As detailed in the 'Our year in stewardship' section of this report, we have continued to invest in our data and systems infrastructure to ensure that we remain well-positioned to act as responsible stewards of our clients' capital.

Our stewardship principles and approach

Our stewardship principles and approach

Baillie Gifford's overarching ethos is that we are 'Actual' investors. That means we seek to invest for the long term. Our role as an engaged owner is at the core of our mission to be effective stewards for our clients.

Where possible, we consider all asset classes within the framework of our stewardship activities. However, our stewardship principles are generally more applicable to corporate securities, recognising that these represent most of our assets under management.

Baillie Gifford's stewardship principles

Our approach favours a few simple principles rather than overly prescriptive policies. This helps shape our interactions with holdings and ensures our investment teams have the freedom and retain the responsibility to act in clients' best interests.

We seek to apply the most appropriate ownership tools to each holding to deliver our objectives.

For more information about Baillie Gifford's purpose, strategy and culture, please see pages 8-12 of our 2023 report.

For more information about how we apply these principles (overleaf), please see **Our Stewardship Principles and Guidelines**, available on our website.

For more information on the issues we may consider and prioritise for assessing investments, please see pages 44-59 of our 2023 report.

Long-term value creation

We believe that companies that are run for the long term are likely to be better investments over our clients' time horizons. We encourage our holdings to be ambitious, focusing on long-term value creation and capital deployment for growth. We know events will not always run according to plan. In these instances we expect management to act deliberately and provide appropriate transparency. We think helping management to resist short-term demands from shareholders often protects returns. We regard it as our responsibility to encourage holdings away from destructive financial engineering towards activities that create genuine value over the long run. Our value may sometimes be in supporting management when others don't.

Alignment in vision and practice

Alignment is at the heart of our stewardship approach. We seek the fair treatment of all holders alongside the interests of management. While assessing alignment with management often comes down to intangible factors and an understanding built over time, we look for clear evidence of alignment in everything from capital allocation decisions in moments of stress to the details of executive remuneration plans and committed share ownership. We expect companies to deepen alignment with us, rather than weaken it, where the opportunity presents itself.

Governance fit for purpose

Corporate governance is a combination of structures and behaviours; a careful balance between systems, processes and people. Good governance is the essential foundation for long-term company success. We firmly believe that there is no single governance model that delivers the best long-term outcomes. We therefore strive to push back against one-dimensional global governance principles in favour of a deep understanding of each company we invest in. We look, very simply, for structures, people and processes that we think can maximise the likelihood of long-term success. We expect to trust the boards and management teams of the companies we select, but demand accountability if that trust is broken.

Sustainable business practices

A company's ability to grow and generate value for our clients relies on a network of interdependencies between the company and the economy, society and environment in which it operates. We expect holdings to consider how their actions impact and rely on these relationships. We believe long-term success depends on maintaining a social licence to operate and look for holdings to work within the spirit and not just the letter of the laws and regulations that govern them. Material factors should be addressed at the board level as appropriate.

How the integration of stewardship and investment has differed for funds, asset classes and geographies

Our investment strategies operate with a high degree of autonomy and are managed in line with the mandates agreed with clients or the fund offering documents. For our strategies that have made sustainability commitments and/or are net zero aligned, we may place greater weight on environmental and/or social factors when undertaking stewardship activities.

Stewardship is vital across the range of asset classes we invest in on behalf of our clients. Our consideration of ESG issues, where these are material to the investment case, remains bottom-up and specific to the entity we are evaluating. Baillie Gifford's stewardship principles provide a guiding framework within which we consider each asset class in the context of its unique characteristics.

Our stewardship opportunities depend on the investor rights associated with the asset class under consideration. In each case, we seek to engage the most appropriate ownership tools that will be in our clients' best interests over the long term.

- In relation to our Multi Asset products, engagement is a fundamental part of our stewardship role, and we engage with the board and management where we see the opportunity for improved practice, contractual terms or enhanced disclosure.
- We have differentiated rights as a corporate debt holder, resulting in a significant pre-buy research focus.
- When investing in government debt, we see benefits in collaboratively engaging to reach desired stewardship outcomes (see our case study on **page 38** for more information on our work with the Institutional Investors Group on Climate Change (IIGCC).
- Our private company assets are often at an earlier stage of development and, therefore, may require a tailored approach to stewardship. We discuss this further on **page 39**.
- Investment research into factors such as geopolitical risk, business norms and fiscal and monetary policies may enhance stewardship across geographies.

Examples of the different integration of stewardship across our holdings can be found in the case studies included in the **Our year in stewardship section** of this report.

Our year in stewardship

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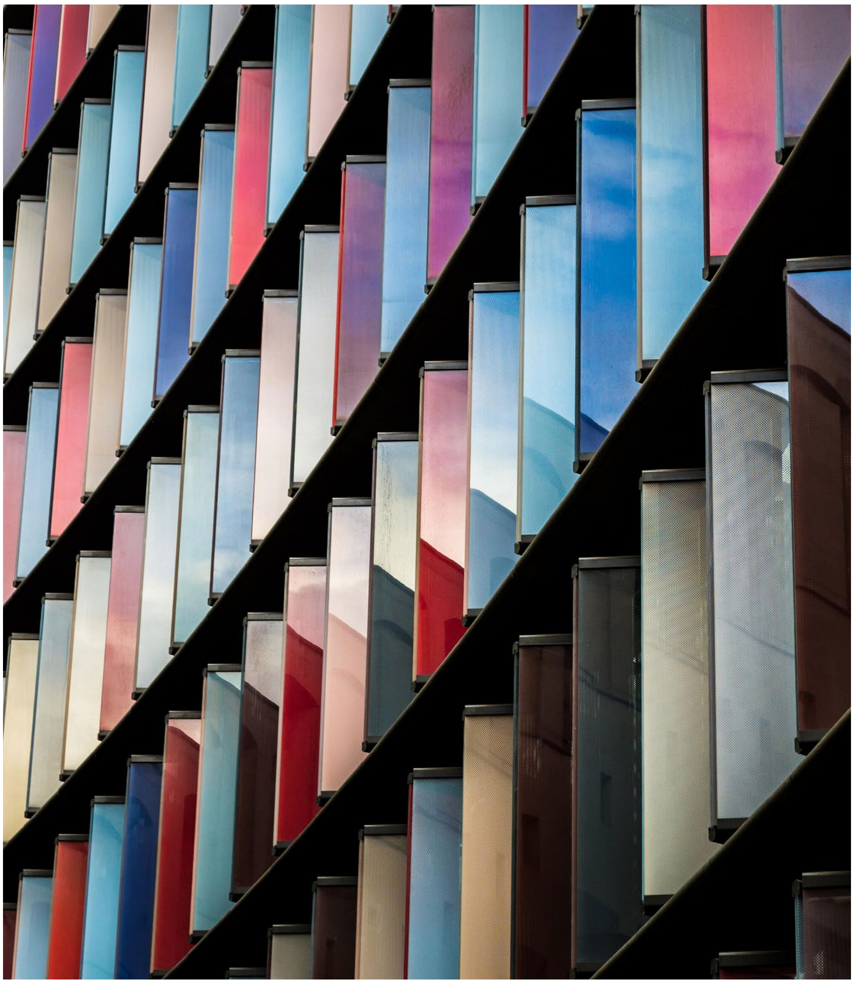
Our year in stewardship

This section of the report provides insight into the research, proxy voting and engagement activities we have undertaken during the year on behalf of our clients, guided by Our stewardship principles. Examples of our voting and engagement activities are tilted towards corporate securities, as these represent the majority of our assets under management, but we have also included examples from multi asset and sovereign assets.

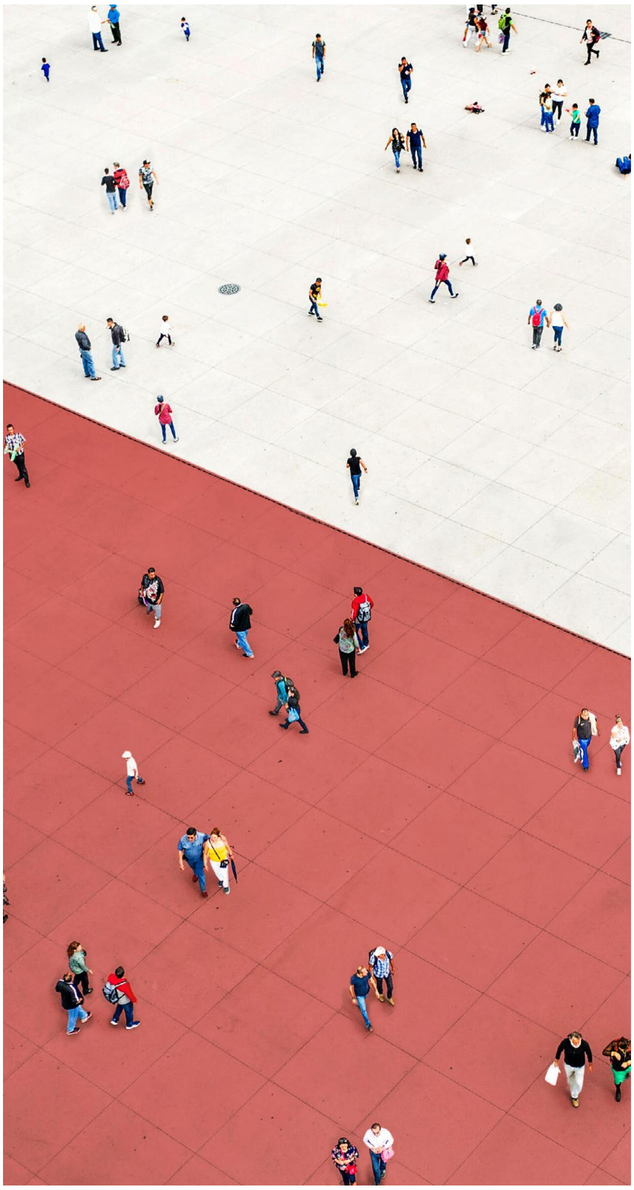
This section also sets out our work to promote well-functioning markets, which has involved engaging with a wide range of stakeholders and topics throughout 2024. We update you on recent developments, highlighting our review of our conflicts of interest policy and ongoing engagement with third-party providers whose services support our stewardship activities.



Research

As an active manager, our investors undertake fundamental bottom-up research using various information sources, from company reports and meetings to third-party research and insights from academic partners and industry experts. The factors considered through our investment research are materiality-led and can include environmental, social and/or governance topics to the extent that they are material to the investment case. In assessing the materiality of these factors, we will have regard to both the risks of value destruction and potential contribution to growth if our investment case proves to be correct. We also identify how a changing physical environment, shifting policy or emerging social expectations may impact our holdings' performance (positively or negatively) over our investment horizon. Material factors identified through the research process may inform our portfolio allocations and stewardship activities, such as priority engagements and, potentially, proxy voting decisions.

In some instances, we draw on internal research groups to tackle particular governance or sustainability topics that are global in nature or that require additional technical analysis. We are mindful that the relevance of these topics can differ by geography, industry, and other factors, but these groups have helped identify some common ESG risks and opportunities (see pages 45-50 of our 2023 report for more details). An example of the output from one of our research groups is articulated in the spotlight on our remuneration principles on **page 14** of this report.



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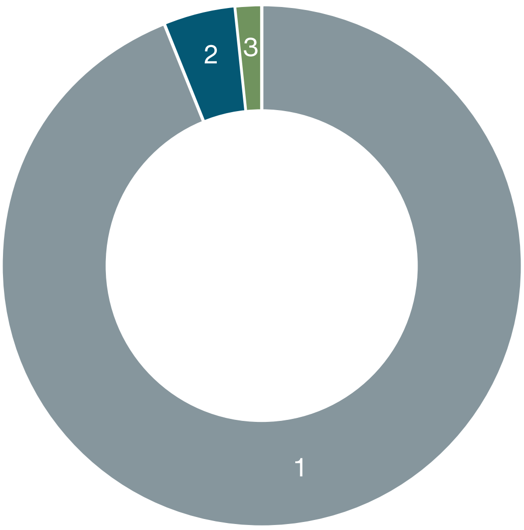
Proxy voting

Voting is integral to our role as responsible stewards of our clients' capital. Our voting analysis and decisions are driven by what we consider will promote the company's long-term prospects, thereby supporting the outcomes we aim to deliver to our clients. In line with our investment philosophy, our voting analysis is bottom-up and led by each investment case. Rather than applying prescriptive policies, we assess every resolution case-by-case. We believe that a prescriptive approach can lead to unwarranted and, in some cases, perverse outcomes which may not be in the best interests of a particular company, given its stage of development and the wider geographical and industrial context. We prefer to take direct voting responsibility for our clients to strengthen our stewardship effectiveness.

Proportion of shares voted in the past year

The following chart summarises Baillie Gifford's proxy voting activity in 2024. We voted at 1,145 company meetings out of a possible 1,188, representing 96 per cent of the total meetings we were eligible to vote at.

Baillie Gifford proxy voting activity 2024



	%
1 For management (12,115)	**94.1**
2 Against management (570)	**4.4**
3 Abstain (193)	**1.5**

Figures may not sum due to rounding.

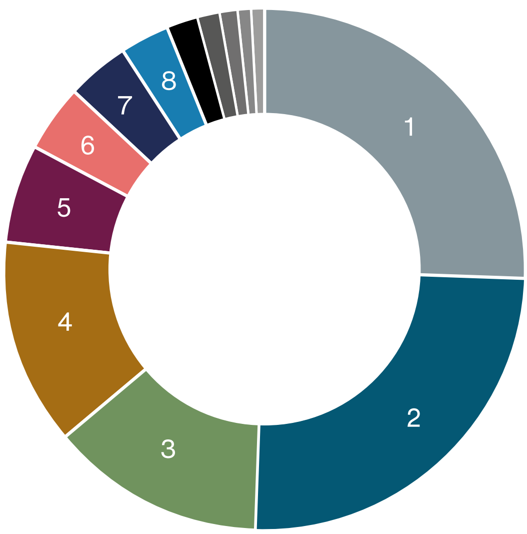
While we endeavour to vote all our clients' shares, there are occasions when we cannot vote for regulatory reasons or due to operational constraints. Since 2022, we have not voted at shareholder meetings of our remaining Russian holdings to avoid any potential breach of international sanctions connected with the conflict between Russia and Ukraine.

Unsurprisingly, as long-term owners seeking to invest in a relatively small number of exceptional companies, we generally support management. When our voting analysts review a company's general meeting agenda, they review all the relevant information before making a voting recommendation to the investment manager, who makes the final voting decision on behalf of their investment strategy. When voting against management, we endeavour to inform the company of that decision, along with our rationale. This can often lead to productive conversations with companies on strategic matters, including governance and sustainability topics.

As the chart below illustrates, our votes against management fall into five main categories: director elections, remuneration, auditor-related, capital management and voting in favour of shareholder resolutions. Many of these issues are discussed in the examples of outcomes of resolutions from 2024, detailed later in this chapter.

More information on how we exercise our rights and responsibilities, particularly regarding our approach to proxy voting, can be found on pages 91-101 of our 2023 report. Our full voting record can be found on our website.

Breakdown of votes against management



		%
1	Director Related	**25.4**
2	Remuneration	**25.1**
3	Appoint/Pay Auditors	**13.4**
4	Capital Management	**13.0**
5	Shareholder Resolutions	**6.1**
6	Articles of Association	**4.1**
7	Other Business	**4.0**
8	Routine Business	**3.0**
9	Allocation of Income	**2.1**
10	Annual Report	**1.3**
11	Climate Related	**1.2**
12	M&A Activity	**0.9**
13	Related Party Transactions	**0.6**

Data as at 31 December 2024. Figures may not sum due to rounding.

Stewardship principle spotlight – Alignment in vision and practice

Executive remuneration is a core component of a company's corporate governance. It is crucial for attracting, retaining, and incentivising key management personnel who lead our clients' holdings. We firmly believe a thoughtful, well-structured remuneration policy focuses executives on long-term value creation and aligns their interests with shareholders.

Our remuneration principles, published for the first time this year, align with our distinctive investment philosophy. They embody the attributes we look for in current and prospective remuneration policies and are supported by industry research and our experience in delivering outstanding long-term returns for clients. We analyse every remuneration plan on its own merits in the context of the specific company.

Our remuneration principles:

01. Executive remuneration plans should be radically simple.

We support the adoption of simple, easy-to-understand pay structures which emphasise long-term share price as the primary determinant of executives' rewards. We do not believe prescriptive or complex performance conditions necessarily make an incentive plan more robust or effective.

02. Equity ownership and pay duration matter.

Based on industry research, we believe equity ownership and lengthening the time horizon of executive pay are the most effective features for incentivising management and providing long-term alignment with shareholders.

03. Quantum should reflect management quality and long-term value created.

We are supportive of generous payouts when management creates significant value but do not support remuneration plans which fail to provide appropriate pay for performance, including rewards for long-term underperformance.

04. Executive remuneration should be tailored to each company's requirements.

While our research concludes that there is clear merit in simple structures such as time-based restricted share plans, there is no single optimal model for executive remuneration. We encourage our holdings to be bold and implement bespoke incentive policies that fit their culture, situation, and strategy.

The Naspers/Prosus case study detailed later in this report exemplifies how our remuneration principles have been applied at one of our holdings.

Proxy voting case studies and outcomes

United Parcel Service

United Parcel Service (UPS) is a package delivery and logistics company. Its efforts on climate-related matters have been a key focus of our engagements over several years. One of the company's largest customers has ambitious scope 3 reduction targets, and competitors are more ambitious regarding decarbonisation, potentially providing them with relative competitive advantage. As such, we view increased ambition on decarbonisation as a material long-term investment consideration. We have therefore been encouraging the company to set decarbonisation targets aligned with the goals of the Paris Agreement and to make progress towards its existing goals.

In addition to our direct engagement with the company, we have also voted in favour of various climate-related shareholder proposals at previous AGMs. Given what we believed was insufficient progress on this matter we voted against the re-election of the chair of the committee overseeing environmental sustainability matters.

Outcome: While the resolution passed (ie the director was re-elected), it received almost 18 per cent shareholder dissent. Following the AGM, we again met with the company to set out our ongoing concerns and encourage progress. We will continue the dialogue with the company and assess the progress made around our expectations in future years.

Naspers/Prosus

Naspers Limited is a South African multinational internet, technology and multimedia holding company, and Prosus is its Dutch-listed subsidiary. At the 2024 AGM, shareholders were asked to approve an incentive plan for the newly appointed chief executive officer (CEO) and the remuneration report for his predecessor.

We joined a pre-AGM group investor call to discuss the CEO's pay arrangements, including a proposed one-off 'moonshot' award of $100m in Naspers/Prosus shares. This would be contingent upon the doubling of group market capitalisation over time and total shareholder return (TSR) being above the 50th percentile of a peer group of global technology companies.

Looking at this through the lens of our new remuneration principles, we did not believe it reflected an appropriate alignment between pay and performance. Due to Naspers/Prosus's large shareholding in Tencent, the payout under the moonshot award would likely be driven primarily by Tencent's performance, a company outside of the scope of the CEO's control. As such, we opposed the remuneration policy.

Concerns were also noted regarding the remuneration report. The former CEO's remuneration ranked in the 90th percentile, while TSR performance was in the bottom quartile of our selected peers. Additionally, we felt the targets attached to equity awards were insufficiently challenging. We opposed the remuneration report on concerns that vesting outcomes did not reflect appropriate pay for performance.

Outcome: Both resolutions were adopted at the AGMs of Naspers and Prosus despite receiving dissent levels of between 12 per cent and 17 per cent, respectively. We have communicated our concerns to the companies and will continue scrutinising the link between pay and performance. If our concerns remain unaddressed, we may consider escalating our approach in future years.

Walt Disney

The Walt Disney Company is a US-incorporated entertainment company with worldwide operations. During 2024, Disney was targeted by two separate activist campaigns seeking to contest director elections at the company and nominate their own candidates. Both campaigns were predicated on the view that fresh challenge on the board would be beneficial, with each activist advocating for a change in company strategy. There were also concerns over succession planning following the removal of the CEO in 2022 and the subsequent return of Bob Iger, who served as CEO and Chairman from 2005 to 2020, and then as Executive Chairman and Chairman of the Board through 2021.

Ahead of voting at the AGM, we conducted a comprehensive board review, considering industry experience, committee composition and strategic opportunities. We concluded that Disney's director candidates remain well-placed to provide effective oversight. We also welcomed the recent appointment of two high-calibre candidates which reassured us regarding Disney’s approach to succession planning. Having reviewed the cases made by all parties, we supported the company's slate of nominees and withheld votes for nominees from both activist shareholders at the AGM.

Outcome: We were pleased that all management-proposed nominees were successfully elected to the board. We will continue to monitor board composition, but we are currently comfortable with the company's governance arrangements.

Intertek Group plc

Intertek Group plc is a UK-based company that provides quality assurance solutions to various industries internationally.

We have had concerns about the company’s long-term incentive plan for executives. Specifically, we do not deem the Return on Invested Capital measure appropriate, given the company’s heavy reliance on acquisitions. We have been sharing our concerns with the company since the remuneration policy was first introduced in 2021 and requested that we be consulted before future remuneration policy consultations. We opposed the remuneration policy in 2021 and the remuneration report thereafter.

Our concerns remain unaddressed, and the company did not seek to engage with us during their policy review before the AGM. Consequently, we decided to oppose the new policy, continued to oppose the remuneration report and escalated our approach to oppose the re-election of the chair of the remuneration committee.

Outcome: The three resolutions passed, with the new remuneration policy and the report receiving around 93 per cent support and the re-election of the remuneration committee chair garnering 93.7 per cent support. We have outlined our concerns and will seek to engage with the company to establish a long-term dialogue with the company.

Engagement

Engaging with assets we hold on our clients' behalf is core to our role as effective stewards of their capital and is an extension of our research process (**see page 11 for more information**). At a high level, we engage with companies to fact-find, assess and influence (explained in further detail in 2024 engagements: in numbers).

The importance of our patient approach to engagement cannot be overstated. It is integral to building relationships with companies, understanding the less tangible aspects of an entity, such as corporate culture, facilitating a two-way dialogue, and (where relevant) influencing change. We believe that ongoing dialogue between investors and companies on strategic issues can protect and enhance our clients' long-term returns, which aligns with our investment beliefs, company culture, and client needs (for more information, see pages 8-12 and 40-43 of our 2023 report).

When engaging, the topics we prioritise will vary by individual issuer and investment strategy, informed by our proprietary investment research and the issue's materiality to the investment case. Given our long-term investment horizon, issues of systemic relevance are likely to feature in our engagements.

Often, the longer our holding history, the greater our ability to engage with a realistic ability to influence. We engage with issuers of various market capitalisations, geographies and holding sizes. During 2024, we continued to meet with companies both in-person and virtually. While we value the opportunity to witness company operations directly and gain insights from interactions with management and employees, we recognise the added convenience of engaging virtually. We welcome the opportunity to have planned and ad-hoc dialogues with companies through all channels, including written communication and collaboration.

Examples of our 2024 engagements are set out later in this chapter. You can also find more information on our engagement approach in **Our Stewardship Principles and Guidelines** on our website.

2024 engagements: in numbers

As active investment managers, we frequently meet with our holdings over the course of our investment. In 2024, we had 1,939 meetings and/or calls with the companies in our portfolios. These ranged from group calls with other investors to one-on-one meetings with executives or board members to improve our understanding of our holdings and progress engagement objectives that we have set.

We do not record all of these interactions as engagements as many are routine exchanges over the normal course of business as a shareholder. We reflect an interaction as an engagement where there was a specific intent: **to fact-find** on a specific topic, be that a material governance, strategic, and/or sustainability matter; **to assess** a company's progress in a certain area, such as in relation to targets it has set or an area for improvement we have previously engaged on; or **to influence** on an issue where we feel the company needs to change or improve.

Using this definition, we had 948 engagements with companies over the course of 2024. The topics covered in these engagements are broken out by category in the table below. The spotlight and engagement highlights that follow provide more detail around engagements, outcomes and next steps. As we often discuss multiple topics during each engagement, the total in the table below is larger than the total number of engagements.

Summary issue	Times discussed in 2024
Governance (including Strategy)	875
Environmental	257
Social	138

Engagement highlights

Since 2022, our Investment Stewardship Activities Reports have presented case studies of active engagements undertaken throughout the year. We have chosen these examples to showcase the range of topics we might engage on, how our focus will differ given differences in geography and asset type, and the outcomes that might result from an engagement. Where applicable, we have sought to be explicit when an engagement reflects the views of a specific investment strategy.

Spotlight on: Our Engagement Hub

We must have the appropriate infrastructure to be effective stewards on our clients' behalf. To this end, we continue to evolve our suite of in-house tools, enhancing our ability to exercise our rights and responsibilities for our clients.

We have developed and implemented a proprietary system (our Engagement Hub) which provides a firmwide view of the details and status of engagement objectives. This is the result of a multi-year project involving internal consultation and refinement to deliver a solution that best supports our approach to stewardship.

The platform allows investment strategies to record engagement priorities, anticipated timelines, desired outcomes and track progress over the lifecycle of engagements. We envisage two overarching benefits to be realised from this tool. First, the holistic view of engagement objectives will enable better coordination, transparency and collaboration across the investment floor, supporting more effective coordination of our stewardship activities. Second, we anticipate that having more detailed tracking of engagement objectives in a central database will support us in producing more effective reporting on engagement outcomes in future years. The project entered its pilot phase in the second half of 2024 and has already supported us in providing more detailed quarterly reporting to clients on several data points, including types of engagements and how these are progressing against objectives. Looking ahead to 2025, we will continue to build out the usage of the Engagement Hub and consider how we can harness the platform to continue to improve our engagement reporting to clients.

UltraTech Cement

© iStockphoto/Sean Pavone.

Engagement priorities

- **Better understanding of the interplay between social and environmental factors in cement use in emerging markets**
  - Cement underpins much-needed physical infrastructure development in emerging markets. However, the cement industry is carbon-intensive, bringing additional costs and potentially affecting affordability. We undertook research looking at the interplay between social and environmental factors in cement use in emerging markets and whether we should think the same about a ton of carbon for housing in India versus a ton of carbon elsewhere. India recently established regulations for a planned compliance carbon market, with carbon pricing coming in 2026. India is also looking at environmental standards for cement in public procurement processes for infrastructure.
  - UltraTech has high-level emissions reduction targets. It committed to achieving 'net zero' concrete by 2050 and the Global Cement and Concrete Association (GCCA)'s 2050 roadmap.
  - In the face of an evolving regulatory environment, our engagement has focused on assessing how it achieves its targets and adopts industry best practises while remaining competitive.
- **Consider whether the board provides effective, objective oversight and challenge to help align strategies with long-term shareholder interests**
  - Independent board directors provide objective oversight and challenge and help align strategies with long-term shareholder interests.
  - UltraTech is part of the Aditya Birla Group, with Kumar Mangalam Birla heading the board as the non-executive chairman. Our engagement has focused on the board and audit committee's independence and the risk of director 'over-boarding.'

Fact-finding | **Assessing** | **Influencing**

Background

UltraTech is India's largest cement producer and is well-placed to meet growing demand, within India and more broadly. Across India, new and improved roads, metros, airports, irrigation systems, housing and manufacturing sites contribute to the rising demand for concrete and cement: 70 per cent of cement in India is used in housing and infrastructure development projects. Only 25,000 km of 80,000km of planned roads are currently built. As a core ingredient in traditional concrete, cement is one of the most widely used materials on the planet. As low-income economies develop and urbanise, cement use tends to grow.

Through a social lens, it has many benefits, such as making houses safer and stronger, contributing to healthier societies and improving living standards.

But it also comes with environmental costs. The global cement industry is responsible for approximately eight per cent of all greenhouse gas emissions annually. This poses a risk to the business as policy makers seek to regulate carbon markets and introduce carbon pricing. Demand for more sustainable buildings contributes to the demand for innovation and new lower-carbon products, presenting a potential growth opportunity.

2024 activities and update

We met the CFO in March and September 2024 and had a video call with its recently appointed chief sustainability officer. We have seen progress on emissions intensity and clarifications of plans for achieving targets, alongside further board committee independence.

However, we questioned whether its high-level environmental commitments have contributed to actual changes in practices, affordability and profitability.

UltraTech has achieved a 12 per cent reduction in emissions intensity since 2017 against its commitment of a 27 per cent reduction by 2032. The company has validated its emission reduction targets with the Science Based Targets initiative and has committed to net zero pathways in line with the Global Cement Association.

Emissions in the production of ‘clinker’ for cement (representing about 65 per cent of emissions) are the hardest to eliminate. UltraTech has a higher clinker factor than other Indian cement companies due to its high proportion of infrastructure projects, the type of cement used and required for those projects and the materials available. However, it has significantly improved the clinker-associated emissions over the past five years. UltraTech is also investing in calcinated clay cement for a lower carbon option and renewable energy. Whilst carbon capture and storage is not currently commercially viable in India, the company is involved in some pilot projects.

Discussions with the company helped us to understand how it thinks about the links between investments in renewable energy and low-carbon transport, and improved cost controls and profitability.

We challenged the company about what appeared to be a low internal price of carbon compared to others. Management shared views on scenarios used at the time of implementation and perspectives on anticipated carbon markets in India, which informed the company's chosen price. Positively, using an internal carbon price has helped the company appraise capital expenditure proposals to consider environmental aspects and potentially hidden opportunities and risks for future investments. We asked for clarification on the capital expenditure required for UltraTech to achieve its 2032 targets, which the CFO noted for inclusion in future disclosures.

In the governance realm, we have been pleased to see the company address our concerns about the independence of the audit committee. In 2022, we opposed the re-election of a director (the vice-chair) due to his non-independence and role on the audit committee. In 2024, the audit committee was fully independent. We have raised concerns about the multiple board duties of some of the directors. We are mindful that Indian corporate governance is evolving as it seeks clearer distinctions in liability between executive and non-executive directors.

Finally, given the recent accident at an acquired plant, we discussed its approach to ensuring safe operations and building a shared safety culture in new acquisitions. The company noted a problem with an original design and has taken action to review safety procedures, any potential gaps for contractors versus employees and oversight mechanisms.

Outcome and next steps

UltraTech's commitment to decarbonisation and alignment with international standards shows leadership in India. Our discussions with the company gave us insight into how it plans to achieve its commitments. UltraTech needs to balance cost and pricing pressures, and our discussions provided further insights into where the company's sustainability investments will also contribute to cost optimisation and potential profitability.

We will monitor and continue to encourage the adoption of best practices. The company has set industry-leading targets, positioning it well to benefit from India's growing demand and respond to evolving policies. Achieving those targets relies on future technological improvements and will be affected by the cost of carbon in India.

We will also continue to encourage further enhancement of board independence and composition.

Grab Holdings Limited

Credit:HughMitton/AlamyStockPhoto.

Engagement priorities

- **Support Grab in promoting best practice in the gig economy**
  - Baillie Gifford's Positive Change strategy invested in Grab in early 2024 following regular meetings with the company (dating back to 2019) and extensive review of the company's impact. Given the importance of gig workers (and the social risks often associated with this type of employment) to the success of Grab's business model and, ultimately, our investment case, we want to understand how the company views its partnership with drivers, and to support the company in adopting best practice regarding workers' rights within the gig economy.

Fact-finding Assessing Influencing

Background

Grab is sometimes called the 'super app' of Southeast Asia. Based in Singapore and listed on the Nasdaq, the company operates a diverse platform of services across eight countries, ranging from ride-hailing and food delivery to digital payments. These platforms are valuable tools for the more than six million micro-, small-, and medium-sized enterprises (MSMEs) registered with Grab, helping them promote their businesses, especially those operating in restaurants and grocery.

Before investing in Grab, our Bailie Gifford Positive Change strategy engaged 60 Decibels, an impact consultancy to undertake on-the-ground surveys in Grab's key markets of Indonesia and the Philippines. This was to help us understand whether the financial services offered via digital platforms truly drive better development outcomes. The results were striking – of the 1,600 MSME owners interviewed, 80 per cent noted improved financial resilience from accessing these products.

Grab relies on over six million driver-partners to operate its taxi and food delivery services. There has been much controversy surrounding driver-partners' status as gig workers in other companies with similar models (eg, Uber and Lyft) due to concerns about worker exploitation, lack of benefits and job security, the potential for discrimination, and challenges to traditional labour regulations and protections. However, drivers may also benefit from these platforms' flexibility and the supplementary income that these platforms provide. Grab has flagged that:

- 59 per cent of its drivers earn higher average monthly incomes after joining Grab.
- 30 per cent of its drivers were not earning an income before joining Grab.
- One million of its drivers have benefited from Grab's training.

Additional considerations are that much of the labour force in Southeast Asia operates in the informal economy. Women are increasingly entering the workforce and many women rely on the gig economy to provide a viable employment option.

To improve our ability to have informed discussions with the company about its gig economy practices, in May 2024, the team collaborated with Fairwork, a project coordinated by the Oxford Internet Institute and the WZB Berlin Social Science Center. Fairwork is focused on how digital trends affect the labour force and has developed an evaluation framework for companies operating in the gig economy. This was coupled with a meeting with the company to better understand what it has done to date and how it views the relative challenges and opportunities.

2024 activities and update

We had an introductory call with Grab's ESG team to understand how it approaches its relationship with drivers and where the tensions are.

Grab started by noting the importance of driver feedback, including the many forums for drivers to communicate their views, from surveys and direct interaction at Grab centres to user engagement sessions. Although drivers appreciate how well the platform works, pricing tends to be a primary source of tension: drivers want higher pricing, while consumers want lower fares. A key question for Grab is – how does the company balance customers' and drivers' wishes?

Grab discussed its efforts to lower drivers' costs by improving route efficiency and batching jobs. The company stated the challenges in ensuring living wages for all drivers, given the multiple factors that affect income (hours worked, selecting journeys), but views working on increasing driver earnings as key.

We also discussed safety and took particular note of Grab's efforts to improve conditions for disabled workers, who are particularly vulnerable to customer abuse. Grab also noted its specialised onboarding training for women and its work to help female drivers overcome stigma and build their confidence.

Outcome and next steps

This call demonstrated that Grab has put considerable effort into providing economic opportunities for its driver partners and understands that basic measures such as hourly wages are highly complex in a gig economy context. It also highlighted the tension between serving customers and drivers.

We will continue to engage with Grab and Fairwork to explore the opportunities to implement relevant elements of Fairwork's principles related to working conditions and enhanced driver opportunities.

DSV

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Engagement priorities

- **Encourage ambition to continue to uphold high standards of human and labour rights in the supply chain**
  - DSV contracts with networks of third-party providers to transport freight for its customers. To maintain its reputation for excellence, DSV must ensure that its suppliers (freight carriers) and logistics partners meet and uphold its supply chain standards and human rights commitments. In late 2023, the company announced a joint venture to provide logistics for a major Middle East construction project, heightening the risk of exposure to human and labour rights concerns. We wanted assurance from the company regarding steps taken to uphold existing standards.
- **Seek reassurance of effective governance practices in the context of CEO succession**
  - Jens Bjorn's role as DSV's CEO was terminated before his term ended, and initial corporate announcements regarding the decision lacked detail and clarity. We wanted to understand why CEO succession was initiated early and how it was managed.

Background

DSV is a Danish-headquartered transport and logistics company that operates through three segments: Air and Sea, Road, and Solutions. A combination of market share gains and a successful acquisition strategy has driven its growth to become one of the world's largest buyers of freight, serving thousands of customers across over 80 countries. We have been shareholders since 2009 and have forged a strong relationship with its management.

Fact-finding **Assessing** **Influencing**

In 2023, DSV announced a $10bn exclusive logistics joint venture to support the development of the ambitious projects taking shape in NEOM, Saudi Arabia. The services and infrastructure provided through the joint venture will potentially employ up to 20,000 people and involve contracts with many third parties. We are concerned that this project's location and scale could expose DSV to human and labour rights risks. The human rights organisation Freedom House warns that foreign workers in the region have "limited legal protections and remain vulnerable to trafficking and forced labour [and] face discrimination, including lower wages."

We raised this with DSV's sustainability and investor relations chiefs in December 2023, and they explained some of the protections management has put in place to manage these risks.

DSV also announced changes to its executive board in 2023, including that the CEO would be stepping down before the end of his term. The initial company announcement presented his departure as retirement. However, it subsequently emerged that he had been asked to step down – a fact which became apparent in a remuneration report that referred to the CEO's eligibility for termination benefits.

2024 activities and update

In early 2024, we wrote to the board to inform them that we believed that the aforementioned joint venture represented "an unusually high-risk project" and that we felt that it was important for DSV to demonstrate that it is upholding international human and labour rights. We arranged a follow-up engagement to discuss our expectations with the board chair. During this meeting, we also raised concerns over the communications around CEO succession and discussed how this was managed. During this meeting we were reassured that the joint venture is being run according to DSV's comprehensive Code of Conduct and Human Rights Policy. DSV will appoint the project's managing director, its staff will be responsible for daily operations and it is implementing a framework for daily operations oversight and risk mitigation. We communicated our expectation for DSV to appoint a third-party auditor to assess compliance.

We additionally fed back that we appreciated DSV's receptivity to shareholder concerns, the access to the chair, and management's support of a shareholder proposal on human and labour rights reporting submitted at the 2024 AGM by a Danish public pension fund.

On the question of CEO succession, we learned that CEO succession had been a regular agenda item at the board and nomination committee meetings. Part of the rationale for enacting the succession plan early was that the successor, Jens Lund chief operating officer (COO), had been leading a detailed strategy review, considering ways to reinvigorate the commercial organisation to recover market share and the board felt that he should own the delivery of this.

Outcome and next steps

Our engagement with the board chair reassured us there were robust oversight and mitigation measures to address the human and labour rights risk attached to the joint venture. The chair accepted that communications around CEO succession had been poor, and we received additional context behind the CEO succession process that helped us understand how the board operates and the reasons behind the decision. We were pleased to see the board willing to take decisive action.

We will monitor DSV's related disclosures as part of its 2024 reporting cycle in 2025, in which we expect to see additional detail on its implementation of its Code of Conduct and Human Rights Policy.

Richemont

Engagement priorities

- **Assess board effectiveness in the context of the founder's significant ownership and tenure as board chair[1]**
  - The combination of the founder's ownership and his role as executive chair represents a high concentration of power on the board, as well as a key person risk. Constructive and purposeful boards are essential to a company's long-term resilience and sustainable growth, so we have focused on testing board dynamics to ensure appropriate governance oversight and sought reassurances around the existence of robust succession planning.

Fact-finding | **Assessing** | **Influencing**

Background

Richemont is a Swiss holding group of 'maisons' (i.e. brands) specialising in luxury goods. These maisons, including high-end jeweller and watchmaker Cartier, are recognised for their craftsmanship, creativity and excellence. The investment case is based on the enduring length and value of its prestigious luxury brands, with Cartier's origins dating back to 1847.

In 2023, we outlined our concerns in a letter to the board regarding what we perceived as a lack of challenge and evidence of robust succession planning for the executive chair.

2024 activities and update

In 2024, we had two meetings as part of our ongoing governance engagement: in January, we met the appointed representative of minority 'A' shares, and in May, we met the CFO.

The aim of our meeting with the shareholder representative was to understand board dynamics better. It was partly prompted by unsatisfactory previous engagements with the lead independent director and executive chair. We highlighted the importance of objective input into succession planning and flagged that the executive chair also being chair of the nomination committee potentially undermined this. We were assured that a succession planning process is well underway and were directed to the ongoing board changes as one indication.

We later discussed with the CFO the subsequent appointment of a group CEO, with new responsibilities and reporting lines for the major jewellery maisons and the CFO. Previously, these reported into the executive chair.

This altered leadership structure represents a significant governance development. We also noted the appointment of an independent deputy chair as a positive signal based on his ability to bring independent challenge to the board. His predecessor lacked this, given the positions he also held as a director on the boards of the founder family's investment vehicles.

Outcome and next steps

We view the governance developments at Richemont, including the appointment of the new group CEO, as incrementally positive. Our governance engagement with Richemont is ongoing. The positive developments we observed indicate that the potential for influence exists despite the company's founder voting control. We have outstanding concerns about executive remuneration that we intend to raise with the new remuneration committee chair and lead independent director once they are appointed in 2025.

[1]Richemont has a controlled capital structure, as the founder has a controlling voting stake of 51 per cent and owns roughly 10 per cent of the shares. He also occupies the executive chair role, which he has held almost consistently since 2002.

Petrobras

© AFP, Getty Images

Engagement priorities

- **Monitor and assess the company's operational emissions targets and company strategy in relation to Brazil's energy transition and global climate goals.**
  - As a major oil producer in an emerging market, Petrobras has a complex role at the nexus of the climate and energy transitions. Our long-standing engagement with the company aims to learn while encouraging ambition. In 2021, Petrobras set a goal of net-zero operational emissions by 2050. As Brazil has restored and ramped up its climate commitments, the company will need to increase operational decarbonisation alongside ensuring effective capital allocation for new projects to ensure it remains competitive. Our expectations include full emissions disclosure and a clear plan for reducing operational emissions, with a focus on any fugitive methane. We are also interested in the interplay between social and environmental factors in Brazil's energy transition.
- **Monitor governance given the Brazilian government's majority voting control and significant economic interest[2]**
  - Despite positive developments after a corruption scandal in 2015, progress has not been smooth, and the risk of political intervention remains. As a minority shareholder, it is important that the governance of the business respects the interests of all holders.

Fact-finding **Assessing** **Influencing**

Background

Petrobras is Brazil's national oil and gas company. The government holds just over 50 per cent of the voting shares and has a direct economic stake of just under 30 per cent. Held in our Emerging Markets funds since 2016, where investment is underpinned by the quality of the company's upstream asset base. The Emerging Markets team has been leading on engagement with the company.

Petrobras' Santos pre-salt oil discoveries are the world's lowest-cost supply source of scale outside the Middle East. They are unusually productive, with relatively low decline rates and carbon intensity levels. While Brazil has one of the lowest carbon grids in the world, fuels provided by Petrobras still play an important role in the country's primary energy system (particularly when hydro is not operating) and its economy. It is a significant contributor to government revenue and supports employment across a long value chain. Moreover, a proportion of pre-salt exploration royalties must go specifically to fund health and education[3].

The full potential of Petrobras' asset base has been held back historically by political interference and poor governance. In the wake of the 'Lava Jato' corruption scandal in 2015, a range of improvements were put in place in Petrobras and Brazil for state-owned enterprises. By-laws now reduce political interference and there are more gate keepers for decisions. Costs were cut, capital spending was optimised and growth returned.

[2]Brazilian law requires that the Brazilian federal government owns the majority of voting stock and has the power to elect a majority of the board members and, through them, executive officers, who are responsible for day-to-day management. The government holds just over 50 per cent of the voting shares and has a direct economic stake of just under 30 per cent.

[3]Reference: https://www2.camara.leg.br/legin/fed/lei/2012/lei-12734-30-novembro-2012-774705-publicacaooriginal-138258-pl.html

The company has sought to reduce its operational emissions, setting a net zero operational emissions target in 2021. It has achieved an overall 41 per cent reduction in total operational absolute Greenhouse Gas emissions between 2015 and 2023 and has also met its intensity target of 15 kg carbon dioxide equivalent per barrel (CO_2e/barrel) of oil.

2024 activities and update

In August 2024, we met with the heads of governance and climate in Brazil followed by a meeting with the chief financial officer (CFO) in London in September. This meeting was to discuss our engagement priorities in the context of the company's updated business plan. Updated in November 2023 the plan shows continued commitment to oil and gas exploration and development alongside new opportunities. Petrobras has increased its allocated capital expenditure for operational decarbonisation[4].

The company is focusing on efficiency gains, identifying opportunities to eliminate flaring further and improve energy consumption and supply. Petrobras has one of the largest carbon capture and storage (CCS) programmes globally in the context of offshore oil and gas production, and this expertise is now being explored for new onshore CCS hubs that would link with adjacent emitting industries (such as chemicals and cement).

Capital expenditure on low-carbon projects has also increased from six per cent to 11 per cent of total. The company is looking at small investments in solar and onshore wind, where it can be profitable, along with Sustainable Aviation Fuels (SAF) and hydrogen.

With any change in political leadership in Brazil, it is important to monitor changes to corporate governance. Since we invested in 2016, Petrobras has had nine chief executive officers (CEOs), and the latest change occurred in May 2024. There are always concerns that a new government would bring new interventions and that a new CEO and board will have differing views, but as of the end of 2024, all seems to be going well with the latest CEO.

Outcome and next steps

The meetings with Petrobras and other experts in Brazil helped us better understand the company's governance and operations within the context of the global energy transition, and Brazil's particular opportunities and potential. We are supportive of the company’s approach and continue to encourage and challenge the company to be more ambitious in managing its direct, operational impacts. The company demonstrates strategic awareness and is willing to debate the shifting options for capital allocation that may unfold between oil and gas, new energies and shareholder dividends.

The complexities surrounding Petrobras’s role in Brazil reinforce the need for some nuance regarding oil and gas exposure. As the energy transition unfolds, there may be periods of outperformance within the sector.

Given the important role that Petrobras plays in Brazil, owning Petrobras means working in partnership with the Brazilian government, which brings opportunities and risks. We will continue to monitor progress and engage with the company on these topics where appropriate.

[4]Areas of particular focus include the electrification of new floating production, storage and offloading (FPSO) vessels and delivery of its near-zero methane emissions target for 2030.

Beijing United Information Technology (BUIT)

(sold in 2024)

Engagement priorities

- **Assessing company transparency, the effectiveness of the audit committee and its preparedness for regulatory change following the regulatory inquiries and investigations at the company**
  - While we believed BUIT had a strong core business and growth opportunity, our conviction reduced on its poor disclosure. Not disclosing who its top clients were led to media reports speculating on significant related party transactions (RPTs). This led to increased regulatory inquiries and inspections, and volatility in its share price. Improving disclosure is critical for the company to manage downside regulatory risks.
  - Our focus on the audit committee was to evaluate whether the company could prevent further accounting problems arising. We wanted to assess whether the audit committee and lead auditor were suitably positioned to support this and safeguard shareholders'.
  - In a changing regulatory environment, the company must maintain open communications with the regulators so it can understand and meet their expectations. We sought to understand the company's response and whether it has identified any opportunities for increased efficiencies that would help the company remain compliant.

Fact-finding | **Assessing** | Influencing

Background

BUIT is a business-to-business (B2B) ecommerce platform for industrial products. The company improves the efficiency of industrial supply chains by connecting longtail customers directly to manufacturers. While the company has delivered solid revenues and earnings growth over our holding period, there has been significant valuation derating from several rounds of regulatory inquiries and investigations.

BUIT received two regulatory inquiries on RPTs and the accounting disclosure issue from the Shanghai Stock Exchange (SSE) in 2022 and 2023. In August 2023, the SSE completed its inspection and closed the case by issuing disciplinary actions and warnings to the senior management and the audit committee chair at the time. The market considered this resolved, and the stock price remained stable for several months until the China Securities Regulatory Commission (CSRC) initiated a fresh investigation into the company over the same issues. We engaged with the company following this announcement and were informed that, based on SSE's previous inspection, the company anticipated further disciplinary action.

In February 2024, a new Chairman of the CSRC took office. He was clearly determined to reshape the stock market ecosystem through strengthened supervision and enforcement. The regulatory case was not closed and remained open at our exit in 2024.

2024 activities and update

We initiated a follow-up meeting with the board secretary to assess the progress of the CSRC inspection and review our investment case.

The board secretary updated us on the inspection concerning the significant discrepancy between the projected and actual revenue, resulting from a change in the revenue recognition policy. Despite a presentation to regulators and an on-site inspection involving accounting, IT and several senior managers earlier this year, the case remains unresolved, contrary to the company's expectations.

The company hired external auditors to conduct a thorough review and found no evidence of accounting fraud, except for a late disclosure already penalised in the previous SSE inspection. We discussed the business models and the reasons behind the change in revenue recognition methods.

The importance of an independent director leading the audit committee was also highlighted. This role was previously held by an individual who was penalised and had their position terminated in May 2023. The new lead auditor is a US-certified public accountant with extensive experience as a CFO in other companies. With the introduction of new rules for independent board directors, she is expected to fulfil the role better and safeguard shareholder interests.

The board secretary acknowledged the need to strengthen government relations due to the evolving regulatory environment. The company has established a specialised government relations team and hired experienced personnel. The board secretary and the CEO are also responsible for engaging with regulators in Beijing and Shanghai.

Outcome and next steps

There has been some progress, but we did not gain as much insight as we expected. The possible outcome of the CSRC inspection remained vague. However, our direct access to management helped us understand the predicament and the challenges they faced better. We appreciated the frankness of our discussions and acknowledged their greater awareness of the importance of disclosure, government relations and concerns regarding the independent director chairing the audit committee. Being a long-term investor, we were able to have open such discussions as a result of the trust and respect built up through our previous meetings with management.

Our research, insight from third parties and due diligence providers, and discussions with management did not lead to any hard evidence of accounting fraud. However, we became increasingly concerned that the outcomes were no longer solely dependent on management's actions, and its ongoing efforts to resolve the situation may be insufficient to affect the eventual outcome. Consequently, the investment case's risk-reward ratio is now far more complex given the breadth of possible outcomes. In the worst case, the company could be delisted from the stock market.

After 18 months of active engagements leveraging our access to company management, due diligence by a trusted service provider and our local regulatory connections, the shift in expected outcomes and lack of visibility prompted us to sell the holding in 2024.

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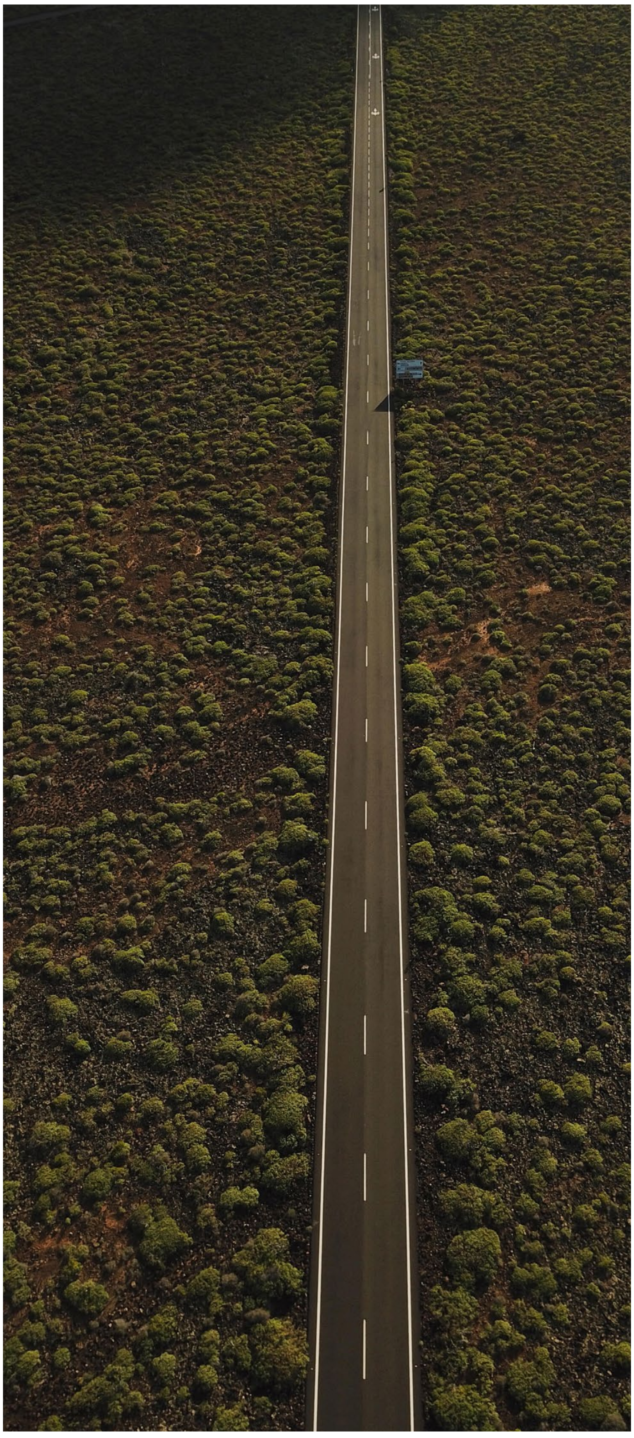
Case study follow-ups

The following pages provide an update on how engagements at a selection of case studies from last year's report have progressed this year[5].

Not all of the engagements progressed as anticipated during the year. For example, we have not provided an update on CreditAccess Grameen which was included as an engagement highlight in our 2023 report as this engagement remains ongoing. We will relay any material developments in future reporting.



[5]Our 2023 engagements referred to follow-up examples as 'focus areas'. This year we have referred to our engagement priorities to ensure consistency across all our engagement examples.

Ryanair


BasieB/iStockphoto.

Engagement priorities

- **Assess the feasibility of the company's ambitions to achieve its long-term objective of lower carbon operations**
  - The company has set industry-leading targets with clear milestones to achieve its long-term decarbonisation objective. However, this relies heavily on future technological improvements and the greater availability of sustainable aviation fuel (SAF). Getting this right could give Ryanair a significant competitive advantage.

Next steps outlined in 2023

- Ongoing monitoring of the company's progress in signing further SAF agreements with suppliers and integrating it into its fuel blend.
- Validating its targets by the Science Based Targets initiative (SBTi) and the ongoing decarbonisation of the business in line with its 2026 and 2030 goals.

2024 activities and updates

In September 2024 we met the head of sustainability at Ryanair's headquarters to discuss the company's decarbonisation strategy. This relies on targeted emissions reductions via fuel efficiency, SAF, adoption of emerging regulation and carbon offsetting. We covered each of these areas in detail.

Some of these decarbonisation initiatives have dependencies outside of Ryanair's control (eg, delays in new jet deliveries from Boeing). However, we were encouraged by the company's progress in securing SAF supplies. The team was candid regarding potential obstacles and lengthy timelines for regulatory reform and we were impressed by the company's proactive approach.

Fact-finding | **Assessing** | Influencing

Outcome and next steps

It is too early to predict whether Ryanair will meet its 2030 emissions targets, but our meeting confirmed our view that these targets remain credible. Its broader decarbonisation efforts are industry leading. We will continue to monitor this, but over the long term, we believe this should strengthen Ryanair's competitive advantage and support market share gains.

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Ambu

Engagement priorities

- Assess the company's growth strategy.

Fact-finding

Assessing

Influencing

Next steps outlined in 2023

- We will continue to engage with Ambu on its growth potential, providing support and networking with supranational buyers if needed.

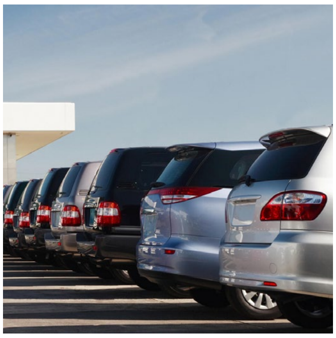
2024 activities and updates

Following our research that suggested that Ambu may see a market fit for its products in emerging markets, Ambu began exploring the establishment of a function committed to overseeing its geographic expansion. During 2024, management updated us that it was actively recruiting for the role.

Outcome and next steps

We are pleased that Ambu appointed a dedicated leader for Emerging Markets (Q3 2024) and is increasing its focus on expanding access to its portfolio. With the new leader onboarded, we expect the company to start engaging directly with entities such as the World Health Organisation (WHO) and the World Bank.

CAR Group



Engagement priorities

- Monitor for board renewal and learn more about how CAR Group works to ensure independent challenge on the board.

Fact-finding Assessing Influencing

Next steps outlined in 2023

- Previously identified concerns regarding board independence have shown some improvement over the course of our investment. We agreed with the company to engage again on this topic.

2024 activities and updates

During this year's monitoring, we were pleased to see a new independent director join CAR Group's board. In late 2023, we met the company's chair to hear about the board's renewal planning. This meeting, along with it introducing a new independent director in 2024, assuaged our previous concerns about board independence.

Outcome and next steps

Based on the above developments, we consider this engagement successfully closed.

Amazon

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Engagement priorities

- Consider the company's approach to AI governance.
- Continue to assess transparency in supply chain decarbonisation, and its approach to human capital management.

Next steps outlined in 2023

- Advanced computing and AI governance will be a particular area of focus for the coming year, alongside encouraging greater transparency in supply chain decarbonisation and employee relations management.

2024 activities and updates

During 2024, we met with the company's ESG team to discuss AI governance, supply chain decarbonisation and employee relations management. We deem all of these material to long-term financial success. Consistent with the feedback we provided at a roundtable in December 2023, we supported six related shareholder resolutions at the AGM.

We were pleased to hear that Amazon is engaging with governments on AI regulation with inter-operable international standards. It has established internal principles for responsible AI use and has board oversight. The recent appointment of Andrew Ng, the co-founder of Google Brain, DeepLearning.AI and Coursera has strengthened this.

However, we are still unsure how AI will be deployed within Amazon's retail business. We have encouraged the company to continue acting as a thought leader in transparency and educating retail customers to reduce the risk of public misperceptions.

Fact-finding | **Assessing** | **Influencing**

Amazon intends to disclose new supply chain standards. Having supported a related shareholder resolution at the 2024 AGM, we see this as an opportunity to expand the company's boundaries for supply chain decarbonisation. We were encouraged by the company's increased adoption of low-carbon transportation fuels and influence to help establish alliances that support demand for nascent technologies.

Given its substantial workforce, we were also pleased to hear of its workplace initiatives that allow direct employee feedback to translate into measurable action. Challenges persist regarding allegations of Amazon's adherence to its stated commitment to workers' freedom of association and collective bargaining rights. We supported a shareholder resolution at the AGM and continue monitoring this.

Outcome and next steps

The above topics form part of an open engagement with the company.

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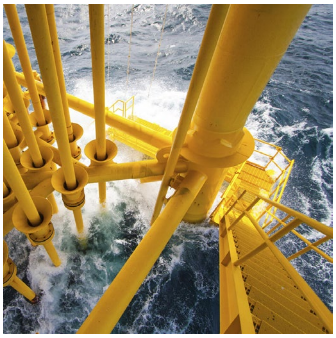
EnQuest



Engagement priorities

- Monitor the company's approach to managing climate risk, in terms of governance and operations.

Fact-finding

Assessing

Influencing

Next steps outlined in 2023

- We will continue to monitor progress and engage with management on these topics.

2024 activities and updates

We discussed board changes (off the back of new executive and non-executive appointments), strategy and the evolving business model to support the group's renewable energy and decarbonisation ambitions.

Although EnQuest operates in a challenging industry (oil and gas), we are encouraged by its focus on repurposing existing infrastructure to support its renewable energy and decarbonisation ambitions. Establishing the subsidiary Veri Energy to provide dedicated management of the group's new energy and decarbonisation projects adds credibility to its efforts, aligning with its stated purpose to provide creative solutions through the energy transition.

Progress is being made regarding EnQuest's operational carbon reduction targets, and we welcome the commitment to widen its emissions disclosure.

Outcome and next steps

Overall, we are satisfied with EnQuest's direction of travel and note that its efforts have been recognised by an improved Carbon Disclosure Project score from D (2021) to B (2023).

Engagement highlights: Multi Asset, Fixed Income (MAFI) and sovereign assets

Sequoia Economic Infrastructure Income Fund (SEQI)

SEQI is a private loan provider to infrastructure companies and projects in the transport, power, energy and telecoms sectors. In 2024, we sought to encourage the manager's CEO, head of portfolio implementation, and new chairman to disclose greenhouse gas emissions for the first time to the market in the upcoming accounts publication. This was part of several discussions with management during which we strongly expressed a preference for incomplete portfolio emissions coverage over non-disclosure. The consideration of climate risk is important for infrastructure assets given their potential exposure to transition risk and asset life span. We therefore think it is important for the company to provide emissions disclosure as it will help us assess the materiality of climate risk in relation to the asset. We were later pleased to see emissions included in the Fund's disclosure.

American Tower

American Tower is a leading independent owner, operator and developer of multitenant communications real estate. In H1 2024, we explored the impact of rising insurance premiums and the management of climate physical risks on a selection of Real Estate Investment Trusts (REITs). Following this review, in Q3 2024, Multi Asset's property investment lead and ESG Analyst met with members of American Tower's sustainability team, including their Chief Sustainability Officer. We discussed the impact of climate physical risks on the business. On average, 30 to 40 sites are impacted a year by climate-related events at a cost of three to five million dollars per annum to address (pre-insurance). This presents an operational challenge but is not yet considered financially material to the business. The discussion was useful to understand how the company considers the impact of physical climate risk across its portfolio through a financially material risk lens.

Foresight Environmental Infrastructure

Foresight Environmental Infrastructure is an investment company focusing on environmental infrastructure projects across the UK and Europe. Its first green hydrogen investment was made through HH2E, a German project developer, in early 2023. This was a development-stage asset for which success depends on regulatory timelines, securing off-take agreements, and substantial capital investment. In this case, these risks became increasingly apparent and by mid-2024, Foresight's Board and management stepped back from the project. The subsequent collapse of HH2E raises some important questions for Foresight's governance and risk oversight and our engagement with the investment manager in Q4 2024 was focused on exploring these. We expressed to the manager our disappointment with the outcome and shared concerns that this is coming at a challenging time for the Investment Trust sector. Our governance discussion addressed: (i) Valuation and impairment: as of June 2024, HH2E was still held at cost. Given the clear financing challenges, should this have been flagged earlier? The valuation process may need tighter scrutiny for assets with significant downside risks (ii) Scenario planning: while risks were acknowledged upfront, more detailed downside analysis might have better prepared Foresight for delays in regulation and funding shortfalls, and (iii) Exposure to development-stage risk: HH2E was the only development-stage investment in the portfolio, and its failure highlights why such projects need heightened oversight. While HH2E's failure is disappointing, it is worth putting this in context. Foresight's portfolio remains well-diversified and the Board has reaffirmed its FY25 dividend target with healthy dividend cover, supported by asset disposals and a share buyback program. However, as a result of the challenges the multi-asset team reduced the position size recognising the weakness in capital allocation and the questions surrounding oversight from the board.

Edge Finco PLC (EVRi)

EVRi is a UK logistics company that primarily delivers parcels for online retailers. Formerly known as 'Hermes,' it rebranded in March 2022 due to poor customer satisfaction and negative publicity. We own the bond in several of our Fixed-Income strategies. The company was recently acquired by private equity, which necessitated additional scrutiny. EVRi's use of self-employed couriers was previously linked to poor service, which was another key focus of our engagement.

EVRi acknowledges its troubled past with customer satisfaction, which has been a recent focus for the business. Following its acquisition, the company has made significant investments in parcel tracking at its hubs and collects customer feedback to assess courier performance. These measures help prevent theft at hubs and doorsteps, which had been an issue of concern for investors. Additionally, EVRi conducts background checks on its couriers to ensure adequate due diligence is performed on its workforce. Couriers are monitored through the EVRi app, which requires proof of delivery within a specified time. EVRi expects that these initiatives will help reduce the risk of missing parcels while also improving customer satisfaction. We discussed the regulatory environment with EVRi, as we were concerned that its self-employed courier structure posed risks to the business's sustainability, given the potential for tighter regulation in this area. The UK's rules for self-employed workers are not as advanced as those in the EU, posing potential risks to EVRi's business model should this change in the future. EVRi has introduced improved courier frameworks, providing couriers with enhanced benefits. As part of this revised framework, EVRi worked closely with couriers, the GMB union, HMRC, and the UK Pensions Regulator to ensure their practices were satisfactory to all stakeholders. EVRi is confident that the benefits its couriers are now receiving will exceed any future regulatory requirements that may arise.

Overall, following its acquisition, we feel reassured by the measures EVRi has implemented to prevent theft and improve delivery services, which should enhance customer satisfaction. EVRi's self-employed model offers better protections for couriers compared to similar companies. After our discussions, we are more confident that EVRi can adapt to any future changes in self-employment regulations in the UK.

Institutional Investors Group on Climate Change (IIGCC)

We continued participating in the sovereign bonds and country pathways working group over 2024, operating under the IIGCC. Building on progress made in 2023, the group established and published guidelines for integrating sovereign bonds into net zero investment strategies. This work fed into the development of the **Net Zero Investment Framework 2.0**, guidance that exists to help investors who wish to align their portfolios and investment activities with the goals of the Paris Agreement.

Spotlight on: Our engagement with private companies

Our 2023 report (pages 57-58) articulates how Baillie Gifford thinks about our stewardship responsibilities for private company investments. Building on this, our support can be summarised under three headings: capitalisation, governance and network.

Capitalisation

As a trusted long-term shareholder, we support companies in structuring their share capital by leading and shaping equity financing rounds with stage-appropriate economic and voting rights. We assist with debt financing by reviewing terms and facilitating lender relationships. We support companies in preparing for an initial public offering (IPO) by offering a differentiated long-term opinion around the many decisions companies must make concerning their capitalisation and governance. This support may continue once they are publicly listed through investing primary capital in IPOs and follow-on offerings.

Governance

One of the significant challenges a private company faces is building an independent-led board suitable for public markets with operationally and strategically experienced directors who can serve as mentors and advisers to the founders and management teams. We help companies in this transition by drawing on the experience and expertise of our governance specialists and by creating connections and facilitating relationships between management teams and board members of private and public companies. Additionally, we support companies on environmental and social matters, which are material to the investment case. This can include helping them navigate the changing disclosure requirements in preparation for IPO, considering share and voting structures and remuneration policies. Over recent years, we have prepared and distributed papers to help leadership teams cover a variety of such topics, which has been well received by many of our holdings.

Networking

For a growing private company that is seeking introductions to potential board members, investors, customers or simply people who have faced and overcome similar challenges, access to our network can be an extremely valuable part of their international expansion.

We have organised and hosted events focused on the demands of being a public company. Recent examples of these events include a three-day forum entitled ‘From Private to Public Perpetuity,’ which we hosted in autumn 2023 in Scotland for around 30 CFOs from both private and public companies. This format will be repeated with another CFO forum in spring 2025. In autumn 2024, we hosted a three-day forum for founders of private companies and experienced private and public board members entitled ‘Building a Board’. Here, we discussed the transition from investor to independent-led boards and good governance in the public markets.

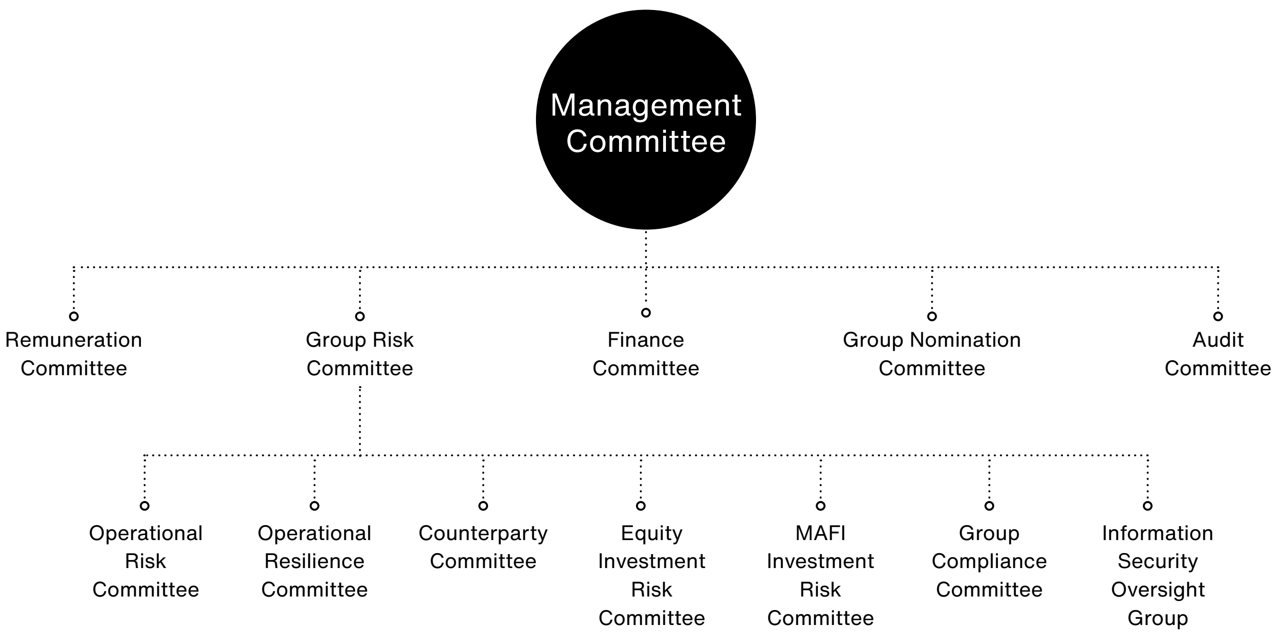
We also introduce private portfolio companies to our internal public equities teams as potential future shareholders on the public markets. This connection can be valuable to the company over the long term.

Promoting well-functioning markets

Identification and response to market-wide and systemic risk(s)

Baillie Gifford operates a group-wide risk management framework. This includes a Risk Appetite Framework and Group Risk Policy, and several committees responsible for ensuring that risks are managed effectively and internal control processes are operating as required. The framework aims to focus risk management activity on the strategic aims of the business and provides a high degree of confidence that unexpected risk events will not interfere with the strategy. It provides a means of expressing the firm's attitude to risk and forms a framework for risk decision-making. This includes market-wide and systemic risks to the business.

The Management Committee of Baillie Gifford is responsible for overseeing the overall strategy and risk profile of the firm and approves the Risk Appetite Framework. The key governance committees in respect of risk management are set out in the diagram below:



We identify broader market-wide and systemic risks and themes by combining bottom-up company research and portfolio management. Oversight is provided by several groups, including our Investment Risk, Analytics and Research Department, and the firm's Equity and MAFI Investment Risk Committees. These groups help ensure that portfolio investment risk levels and concentrations are consistent with client expectations. Baillie Gifford's Business Risk and Compliance functions, assisted by other functions such as Legal, Finance and Human Resources, support these groups and committees. This 'second line of defence' provides policy direction and oversees and monitors the risk framework to determine whether all key risks are being identified, assessed and controlled by management commensurate with Baillie Gifford's applicable risk appetite and regulatory needs.

2024 analysis of portfolios has explored risks related to:

Equity duration

Our focus on companies with long-term growth characteristics naturally tilts portfolios towards stocks with higher equity duration. With the backdrop of rising interest rates and increasing term premia, this remains a focus for our risk analysis. Analysis of duration and company lifecycle characteristics has been updated regularly for all equity strategies, as has bespoke performance analysis. Further investigation into the evolution of the duration factor during different market conditions and macroeconomic environments remains a research priority. This extends into exploring various duration and company lifecycle models in terms of their ability to measure the sensitivity of a stock to changes in discount rates, cash flow growth, expectations of long-term competitive advantage and return on capital accretion.

Valuations and growth rates

Analysis of company and portfolio valuations, in absolute terms and relative to portfolio benchmarks, remains a key tenet of our risk oversight and engagement with investment teams. The ongoing operational progress of many companies stands in sharp contrast to the fall in company valuations. Analytical tools such as the heat maps developed by the Investment Risk team are one way the team engages with investors to identify potential opportunities for superior long-term returns.

Behavioural risk and portfolio construction

Our Investment Risk team's behavioural analysis provided feedback on decision-making patterns for many of our strategies. This included analysing purchasing patterns and sell discipline, supporting investment teams in improving their decision-making processes and portfolio construction.

Financial resilience

The Investment Risk team analysed company quality, resilience, and cash runways in response to banking industry stresses in early 2023. This analysis has been extended into 2024 and has been incorporated into regular portfolio monitoring for several strategies. This remains timely against an economic backdrop of more scarce and expensive capital and shifting macroeconomic conditions.

Assessment of market-related and systemic risks

Climate and Environment

Climate change and global efforts to mitigate and adapt to its impacts present risks and opportunities materially relevant to our task of delivering long-term investment returns for clients. Such risks and opportunities can manifest within individual holdings or at the market-wide and systemic level. As active investors, we focus on identifying and assessing these risks and opportunities. More information can be found in our **Statement of climate-related intent and ambition** and our **TCFD-aligned Climate Report**, available on our website.

To help us assess market-wide and systemic climate-related risks, we have developed a set of climate scenarios describing three possible ways in which climate change and the transition may play out globally in the coming years. These are not forecasts; the aim is to challenge ourselves to explore alternative versions of the future and consider the implications for the holdings we invest in on behalf of clients.

The scenarios are described in much greater detail in our Climate Scenarios Project report. They cover three plausible futures, in line with the regulatory guidance from the UK's Financial Conduct Authority (FCA):

- An 'orderly' transition where global net zero emissions are reached around 2050, limiting global warming to less than 1.5C above pre-industrial averages by the end of this century.
- A 'disorderly' transition which ultimately keeps average temperature rises to less than 2C by the end of this century.
- A 'hothouse' world scenario with at least 2.5C of warming above pre-industrial levels by the end of the century.

We worked with two separate organisations to help us develop these scenarios. The first is the Deep Transitions project, a joint endeavour by Utrecht and Sussex universities, led by Professor Johan Schot. The second is Independent Economics, where we engaged with Dr John Llewelyn (ex-Organisation for Economic Co-operation and Development) and Dr Dimitri Zenghelis (ex-head of the Stern Review team at the Office of Climate Change and now at the Bennett Institute at the University of Cambridge). We are also collaborating with others in the financial and academic sectors, including the University of Exeter, and the UK's Institute and Faculty of Actuaries.

Over the course of 2024, our central Climate team has introduced many of our largest investment strategy teams to these scenarios and helped them consider the implications for their investment portfolios. Some of this work flows through into our fund-level TCFD-aligned climate reports that are a regulatory requirement for our UK-managed investment funds. These reports can be found on our website's relevant fund literature pages.

Additionally, during 2024 we have completed a Deforestation Audit across our holdings. Through the audit we have reviewed our top 50 investments by AUM, all companies identified by Global Canopy's Forest 500 initiative, and those companies we have identified as having 'leading' climate targets through our Climate Audit. The audit has expanded our understanding of what both minimum standards and best practice looks like for companies exposed to deforestation-related risks. We have also begun to integrate screening processes for increased likelihood of material exposure to physical climate change, water and deforestation risks into the firmwide Climate Assessment process. Given the complexities of these issues at the company level, our approach so far has been led by bottom-up research and shared across investment teams. More information about our Climate Audit framework can be found in our **TCFD-aligned Climate Report**.

Geopolitical risk

As part of our risk framework, the Group Risk Committee assesses and monitors geopolitical risks, including those impacting investments, clients and our operations, and any action required. Geopolitical risk remains a prominent feature. Several military conflicts that erupted in recent years have persisted in 2024 and have had a range of consequences for economies and societies globally. We continue to monitor the situation and ensure our compliance with international sanctions. Beyond military conflict, mistrust and heightened tensions continue to define the relationship between the world's largest economies. Our Investment Risk team supports our strategies to reflect on developments and consider their relevance for individual investment strategies.

Working with stakeholders and industry associations

We seek to set a positive example as an investor, as an employer and within our communities. We aim to uphold and promote the highest standards of service and professional behaviours and to enhance the reputation of the investment industry. This also encompasses a responsibility to promote well-functioning financial markets. We are members of several groups and industry bodies to support this, as set out below.

Membership organisations	Start date
International Corporate Governance Network (ICGN)	2001
Carbon Disclosure Project (CDP)	2002
Asian Corporate Governance Association (ACGA)	2005
UN Global Compact (UNGC)	2006
United Nations Principles of Responsible Investing (UNPRI)	2007
Investor Forum	2015
Council of Institutional Investors (CII)	2015
Institutional Investors Group on Climate Change (IIGCC)	2016
Investor Stewardship Group (US Stewardship Code, ISG US)	2018
Focusing Capital on the Long-Term (FCLT) Global	2018
Taskforce on Climate-Related Financial Disclosures (TCFD)	2020
Farm Animal Investment Risk and Return (FAIRR)	2020
UK Centre for Greening Finance and Investment (CGFI)	2021
EM Investor Alliance (EMIA)	2021
Taskforce on Nature-Related Financial Disclosures (TNFD)	2021
International Sustainability Standards Board (ISSB)	2021
Investor & Issuer Forum	2024

After careful consideration, towards the end of 2024, we decided to withdraw from industry groups Climate Action 100+ and the Net Zero Asset Managers initiative as these memberships had become contested and created the risk of distracting from our core investment task.

The following examples provide more detail about how we have contributed to these groups to advocate for well-functioning financial markets and improvements in corporate governance and sustainability regulation.

European Fund and Asset Management Association (EFAMA)

Baillie Gifford is a member of EFAMA, which represents the European investment management industry. As part of our membership, we are part of the ESG & Stewardship Standing Committee. In 2022, a manager in our Compliance Department was re-appointed as Vice-Chair of the committee until September 2024, recognising the importance of sustainability regulatory developments coming out of Europe. As committee members, we are involved in the review, discussion, and collation of legislative developments and issues facing the industry from a sustainable finance perspective.

Investment Association: Sustainable and Responsible Investing Committee

The Investment Association (IA) is a trade association representing the UK investment management industry. In 2024, Baillie Gifford's Head of ESG, Siobhan Cleary, was appointed as a member of the Sustainability and Responsible Investment Committee, which comprises representatives from across the investment industry. Meeting periodically throughout the year, the committee has supported the IA's efforts to help member firms navigate and respond to a range of sustainability-related commitments and regulatory requirements as part of their stewardship responsibilities. Looking to 2025, the committee will continue to support members in engagement with UK and EU regulators on the implementation of the Sustainability Disclosure Requirements (SDR) framework and Sustainable Finance Disclosure Regulation (SFDR), maintain a watching brief on developments relating to biodiversity, nature and the Taskforce on Nature-Related Financial Disclosures (TNFD) and how this will impact member firms and continue to engage with the UK government on behalf of its members on the regulation of ESG data and ratings providers.

The following table includes a non-exhaustive selection of consultations which we have responded to during 2024, either directly or through the groups that we are members of.

China stock exchange consultation on draft guidelines on sustainability disclosure	Consultation	Feb-24
FCA CP23/31 – Primary Markets Effectiveness Review: Feedback to CP23/10 and detailed proposals for listing rules reform	Consultation	Mar-24
Singapore Stock Exchange consultation on sustainability reporting	Consultation	Apr-24
Consultation on Hong Kong voluntary code of conduct for ESG ratings and data product providers	Consultation	Jun-24
UK Government's Pensions Investment Review	Call for evidence	Sep-24
International Accounting Standards Board (IASB) consultation on climate-related and other uncertainties in the financial statements	Consultation	Nov-24

Membership of such groups and industry bodies also enables us to keep abreast of developing market-wide and systemic risks, ensuring that our policies and procedures remain relevant. We recognise, however, these risks can sometimes rapidly change and the impact this can have on businesses. Some of the case studies detailed in the engagement examples on pages 18-36 of this report demonstrate how we have sought to influence issuers to manage and respond to market-wide and systemic risks.

UK Government's Pensions Investment Review: Call for evidence

In 2024, Baillie Gifford actively engaged in the UK government's review of the pensions system, which was launched to "boost investment, increase pension pots and tackle waste in the pensions system."[6] As the largest active manager of local government pension scheme (LGPS) assets[7], and with client relationships dating back over 35 years, we believe we have offered a distinctive perspective on this review. We have articulated that we support the pooling process, participating in all previous consultations and working with many of the pools to support their establishment since 2015, helping them deliver on their stated aims of improved governance and cost savings.

This review has launched with a call for evidence, asking stakeholders to respond to specific questions related to defined contribution (DC) and LGPS funds, such as scale and consolidation, costs versus value, and investment in the UK to support economic growth. In our response, we explained that investment in the UK should be achieved through incentivisation rather than mandating and that it is unlikely to be achieved simply through scale. We encouraged the UK government to support investment for growth within UK-listed and domiciled companies, recognising their potential as a key driver of UK growth. We believe that the investment process within the LGPS is efficient but deep structural issues within the DC market lead to poor capital allocation and outcomes for savers. We indicated that we believe that significant reform to the current process would be costly, time-consuming and ultimately detrimental to underlying clients and beneficiaries.

We remain actively engaged with this review as it progresses and maintain that any change to the LGPS' investment focus must be approached carefully, respecting fiduciary duty and working with the existing structure to ensure positive outcomes for our clients and the market more broadly.

[6] Pensions Investment Review: Call for Evidence - GOV.UK

[7] We manage assets for seven of the eight LGPS Pools and over sixty administering authorities across the UK and are among the top five active managers in the defined contribution (DC) pension market.

Assessment of effectiveness in responding to market-wide, systemic risks

In addition to our role as an asset manager, we recognise our responsibility to participate in the safeguarding and promotion of well-functioning financial markets. Resilient global financial markets are less prone to shocks and can more effectively facilitate long-term growth, which determines long-term investment returns. We engage in developing regulatory frameworks and industry-wide standards to safeguard the long-term interests of the clients invested in our funds. To do so effectively, we commit sufficient time and resources across all levels of the firm, to actively contribute to the groups and industry initiatives we are part of.

Fundamentally, we believe that the asset management industry's role is to act as an active and responsible capital allocator towards assets that add economic value over the long run. This is often forgotten amid the increasing complexity of financial markets. We make active capital allocation decisions to companies, countries and asset classes that we believe will prosper over the long run. We do this primarily through buying and holding the listed equities of responsibly run businesses. We think our fundamental analysis, active management and focused business are our best lines of defence against systemic risks, and how we can best promote well-functioning markets.

As a bottom-up, long-term asset manager, our focus tends to be on individual investment cases and issues related to the assets in which we invest. Market-wide and systemic risks are incorporated as relevant to specific portfolios, and we have increased our focus on these in our group-wide risk discussions.

Other developments in 2024

Updated Conflicts of Interests Policy

Our Conflicts of Interest disclosure is available on our **website**. In terms of stewardship, the disclosure specifically references proxy voting and is directly referred to in **Our Stewardship Principles and Guidelines**.

Baillie Gifford maintains a firmwide Conflicts of Interest Policy and risk register. It identifies potential conflicts of interest within the group and the procedures and controls adopted to prevent or manage them. More detail on how this has been applied to our stewardship is on pages 23-27 of our 2023 report (Principle 3). As explained in our 2023 report, our Voting team maintains a proxy voting conflicts of interest policy. It details potential scenarios in which a conflict of interest could occur and the action to be taken in the best interests of our clients. We reviewed the policy in 2024, clarifying some conflicts of interest scenarios, management and actions, and aligning the language with the firmwide policy. There was no material change to the situations we deem a potential conflict, nor were any resulting actions taken.

Case study: ESG analyst on the nomination committee of a holding.

On behalf of our clients, Baillie Gifford is a shareholder in Schibsted, a media company founded in 1839 and headquartered in Oslo, Norway. In Norway, the nominations committee is commonly comprised of representatives from a company's largest shareholders and should promote the common interests of all shareholders.

In 2023, one of our ESG analysts in our Global Alpha investment strategy, Kieran Murray, was appointed to sit on Schibsted's nominations committee. He remained a member of the committee at the 2024 AGM. As the position is not a board position, and the right to be on the committee stems from shareholding rank on the share register, we do not deem this a conflict of interest. However, given our shareholding and the position held, we recognise the increased risk of a conflict occurring. To manage this, we have procedures to ensure we do not discuss resolutions related to his nominations committee work with him. For example, we will not discuss the election of nominees to the nominations committee, board elections or non-executive director fees.

Using and Monitoring Service Providers

As discussed under principle 8 of our 2023 report (pages 77 and 78), part of ensuring we are good stewards of our clients' capital involves monitoring managers and service providers. We use a range of service providers to support our research and stewardship activities, including data and research providers. Our providers are listed in the appendix.

In May 2024, the activities of our Third-Party Oversight team were subsumed into a Vendor Risk team within our Business Risk Department. The team is responsible for supporting the business in overseeing external service providers and suppliers. Each of our providers has a named relationship manager internally responsible for ensuring that the provider offers the level of service we require and ongoing due diligence, including dealing with any ad-hoc issues that arise. MSCI is our primary source of raw ESG data for internal research, mandate compliance and reporting purposes. As our primary provider, we established quarterly service calls during the year with MSCI to give us a forum to discuss any queries that emerge. We have found the regular cadence of meetings helpful in establishing an improved understanding of developments at the supplier, in addition to quick resolution of any queries that have arisen with the data. We had no significant concerns with any providers used to support our stewardship activities in 2024.

Separately, during the year, we launched a project to implement a managed data service for ESG data. By utilising the service from Rimes, we will enhance the structure and delivery of ESG data to our systems. This will allow for more efficient processes to support our investment research and stewardship activities and our client and regulatory reporting requirements better. We expect the project to be completed in 2025.

Our priorities for the year ahead

Our priorities for the year ahead

Looking ahead to 2025, we seek to capitalise on the foundations laid over the last twelve months. Operationally, implementing our Engagement Hub has helped our investment strategies prioritise engagements and track progress against stewardship objectives. We anticipate it will deliver further benefits in 2025 relating to reporting on engagement outcomes, most importantly, to our clients and wider industry stakeholders.

We will continue to develop our sustainability risk oversight alongside our investment risk capabilities, building on work undertaken in previous years. We will also enhance our work on physical climate risk, building out internal frameworks and understanding holdings' business model resilience and adaptability. Where it makes sense, we will look to partner with others in this work. We will also further embed our climate scenarios and remuneration principles into our work.

We have made great strides in how we capture and deliver ESG and other financial data and expect to realise further benefits in the year ahead as we complete our ESG data project.

We will also continue to evolve our stewardship approach to ensure we are meeting the needs of our diverse client base, while retaining our thoughtful approach to stewardship.

Finally, at the time of writing, the Financial Reporting Council (FRC) is consulting on the future of the UK Stewardship Code. We have been actively engaged in this process, providing our views on proposed changes through multiple forums. We anticipate this work will continue throughout 2025, and we will remain engaged with the FRC and wider industry to ensure that good stewardship is at the heart of the UK asset management industry.

We hope that this report has provided some insight into the range of activities undertaken during the year as part of our responsibility as stewards of our clients' assets. While we undertake these activities against a more complex backdrop, we look forward to 2025 with great optimism.

Appendix

Appendix

UK Stewardship Code Principle		Reference
1.	Purpose, strategy and culture	Full details on our adherence to Principle 1 can be found on pages 8-12 of our 2023 report. Details of the principles that guide our stewardship activities are on pages 6-8 of this report. An assessment of efficacy in serving the best interests of clients and beneficiaries is on page 3 of this report (introduction – client survey results).
2.	Governance, resources and incentives	Page 4 of this report provides an update on resourcing for 2024. For more information on how we adhere to principle 2, see pages 13-22 of our 2023 report.
3.	Conflicts of interest	Our conflicts of interest disclosure is available on our website. More details on how this is applied to our stewardship activities can be found on pages 23-27 of our 2023 report. As discussed on page 49 of this report, we reviewed our proxy voting conflicts of interest policy during the year. There was no material change to the situations we deem a potential conflict nor were any resulting actions taken. A case study that illustrates how our policy is applied is on page 49.
4.	Promoting well-functioning markets	Details of our adherence to principle 4 are on pages 40-48 of this report.
5.	Review and assurance	Details of the work undertaken relating to principle 5 are page 38-39 of our 2023 report, available on our website.
6.	Client and beneficiary needs	Details of our assets under management, client type, asset class and investment regions as at 31 December 2024 are on page 57-58 of the appendix. We make vote reporting available to institutional clients and we also publish high-level voting information on our website. More information can be found on pages 42-43 of our 2023 report, available on our website. As noted for principle 1, an assessment of efficacy in serving the best interests of clients and beneficiaries is on page 3 of this report (introduction – client survey results).
7.	Stewardship, investment and ESG integration	Our adherence to principle 7 is evidenced throughout this report and our 2023 report. Our approach to stewardship is articulated through our stewardship principles as set out on pages 6-7 of this report. Details of issues that we prioritise for assessing investments can be found on pages 46-50 of our 2023 report. We explain how integration of stewardship and investment has differed for funds, asset classes and geographies on page 8 of this report. The 'Our year in stewardship' section of this report (pages 10-50) includes case studies evidencing how we have integrated stewardship and investment to align with the investment time horizons of clients and/or beneficiaries, and the outcome(s) of this.

8.	Monitoring managers and service providers	Page 50 of this report provides an overview of our adherence to principle 8. We include the list of service providers we worked with in 2024 on page 56 of the appendix.
9.	Engagement	Pages 17-39 of this report evidences our adherence to principle 9. Reference is also made to evidence provided against principle 1 and 6 within our 2023 report (pages 8-12, 40-43). Details of our engagement with companies during the year can be found on pages 18-30. Updates on engagements included in our 2023 report are on pages 31-36. For examples of how our engagement efforts informed escalation, see our voting case studies.
10.	Collaboration	On pages 44-47 of this report, we provide details of our work with stakeholders and industry associations. We have included a spotlight on a selection of collaborative activities undertaken in 2024.
11.	Escalation	We evidence our adherence to principle 11 through the voting and engagement case studies on pages 15-17 and pages 19-30.
12.	Exercising rights and responsibilities	Full disclosure of how we adhere to principle 12 can be found on pages 91-101 of our 2023 report. Evidence is also provided throughout this report, with details of our voting and engagement activity in the 'Our year in stewardship' section (page 10-50).

List of service providers

Research vendors	Brief description of purpose
BoardEx	Relationship-mapping tool
CDP	ESG data tool (climate, water, forestry)
Glass Lewis	Proxy advisory firm
Equilar	Executive compensation platform
IIAS	Proxy advisory firm for the Indian market
ISS	Proxy advisory firm
MSCI	ESG research and data and restriction screening
RepRisk	ESG and business conduct risk research and quantitative solutions
Sustainable Investments Institute (Si2)	Research provider for US environmental and social shareholder proposals
Sustainalytics	ESG research, restrictions screening (e.g. controversial weapons, UNGC)
ZD Proxy	Proxy advisory firm for the Chinese market
Technology enablers	**Brief description of purpose**
Bloomberg	Financial and ESG data tool
LSEG Workspace (Eikon)	Financial and ESG data tool
FactSet	Financial and ESG data tool

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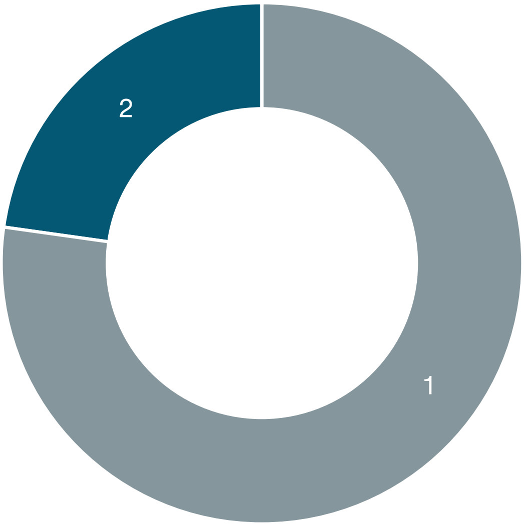
As at 31 December 2024, our assets under management and advice totalled £217bn. Further details split by client type, asset class and investment region are below:

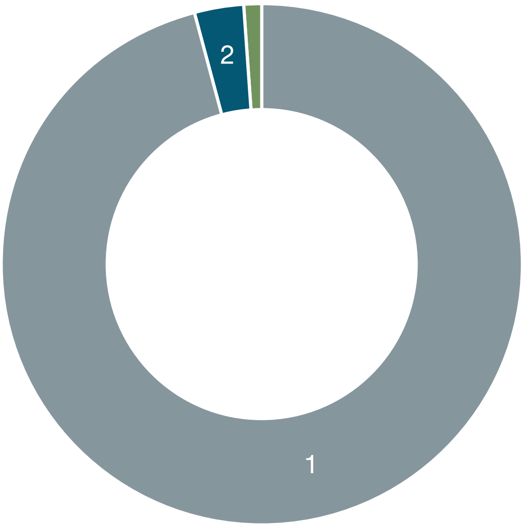
AUM by client type



Client type	%
1 Institutional	78.9
2 Retail	21.2

Figures may not sum due to rounding.

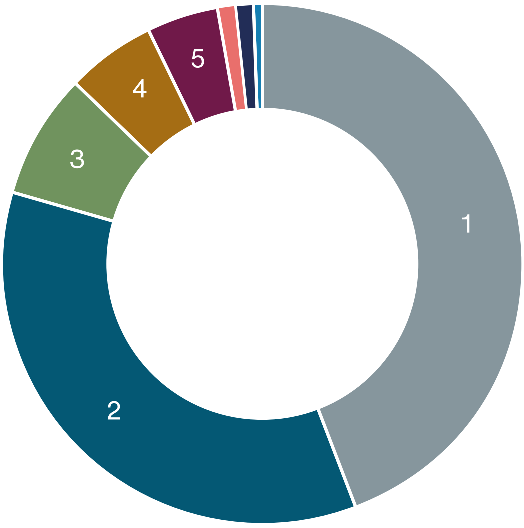
AUM by asset class



Client asset class	%
1 Equity	96.0
2 Balanced and Multi Asset	3.1
3 Fixed income	0.9

Figures may not sum due to rounding.

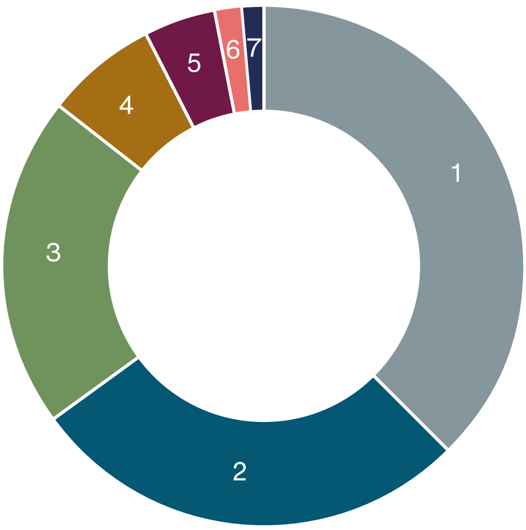
AUM by client region



Client region	%
1 North America	**44.4**
2 UK	**35.2**
3 Asia	**7.8**
4 Australia	**5.6**
5 Europe	**4.4**
6 Middle East	**1.1**
7 Latin America	**1.0**
8 Africa	**0.5**

Data as at 31 December 2024. Figures may not sum due to rounding.

AUM by invested region



Invested region	%
1 North American Equity	**37.7**
2 Emerging Markets Equity	**27.3**
3 European Equity	**20.8**
4 Developed Asia Equity	**6.8**
5 UK Equity	**4.6**
6 Fixed Income	**1.6**
7 Cash and other	**1.2**

Data as at 31 December 2024. Figures may not sum due to rounding.

Statement of international stewardship code adoption

This annual report is a response to the 2020 UK Stewardship Code. We are signatories to a number of other country-specific, regional and global stewardship codes that support our commitment to active ownership in a manner appropriate to the markets we invest in. These are:

- Japan's Stewardship Code
- Investor Stewardship Group (ISG) Principles
- European Fund and Asset Management Association (EFAMA) Stewardship Code
- International Corporate Governance Network (ICGN) Principles

While this report directly corresponds to the 2020 UK Stewardship Code, it also evidences our compliance with the Japan Stewardship Code, ISG, EFAMA and ICGN codes and principles.

Important information

Baillie Gifford & Co and Baillie Gifford & Co Limited are authorised and regulated by the Financial Conduct Authority (FCA). Baillie Gifford & Co Limited is an Authorised Corporate Director of OEICs.

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South Korea

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South Africa

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Baillie Gifford International LLC is wholly owned by Baillie Gifford Overseas Limited; it was formed in Delaware in 2005 and is registered with the SEC. It is the legal entity through which Baillie Gifford Overseas Limited provides client service and marketing functions in North America. Baillie Gifford Overseas Limited is registered with the SEC in the United States of America.

The Manager is not resident in Canada, its head office and principal place of business is in Edinburgh, Scotland. Baillie Gifford Overseas Limited is regulated in Canada as a portfolio manager and exempt market dealer with the Ontario Securities Commission ('OSC'). Its portfolio manager licence is currently passported into Alberta, Quebec, Saskatchewan, Manitoba and Newfoundland & Labrador whereas the exempt market dealer licence is passported across all Canadian provinces and territories. Baillie Gifford International LLC is regulated by the OSC as an exempt market and its licence is passported across all Canadian provinces and territories. Baillie Gifford Investment Management (Europe) Limited ('BGE') relies on the International Investment Fund Manager Exemption in the provinces of Ontario and Quebec.

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Singapore

BGAS is regulated by the Monetary Authority of Singapore as a holder of a capital markets services licence to conduct fund management activities for institutional investors and accredited investors in Singapore. BGO as a foreign related corporation of BGAS, has entered into a cross-border business arrangement with BGAS, and shall be relying upon the exemption under regulation 4 of the Securities and Futures (Exemption for Cross-Border Arrangements) (Foreign Related Corporations) Regulations 2021 which enables both BGO and BGAS to market the full range of segregated mandate services to institutional investors and accredited investors in Singapore. The information contained in this presentation is meant purely for informational purposes and should not be relied upon as financial advice.

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