

Baillie Gifford & Co Limited

Principal Adverse Impact Statement for the reference period from 1 January to 31 December 2022



Erklärung zu den wichtigsten nachteiligen Auswirkungen von Investitionsentscheidungen auf Nachhaltigkeitsfaktoren

Finanzmarktteilnehmer: Baillie Gifford & Co Limited (N22C6FNZ44MX4YZS4L75)

Zusammenfassung

Baillie Gifford & Co Limited (N22C6FNZ44MX4YZS4L75) berücksichtigt die wichtigsten nachteiligen Auswirkungen seiner Investitionsentscheidungen auf Nachhaltigkeitsfaktoren. Bei der vorliegenden Erklärung handelt es sich um die konsolidierte Erklärung zu den wichtigsten nachteiligen Auswirkungen auf die Nachhaltigkeitsfaktoren von Baillie Gifford & Co Limited.

Diese Erklärung zu den wichtigsten nachteiligen Auswirkungen auf die Nachhaltigkeitsfaktoren bezieht sich auf den Bezugszeitraum vom 1. Januar 2022 bis zum 31. Dezember 2022.

Baillie Gifford & Co Limited hat das Portfoliomanagement an Baillie Gifford & Co und Baillie Gifford Overseas Limited delegiert und die Richtlinie zur Sorgfaltspflicht bei den wichtigsten nachteiligen Auswirkungen (Principal Adverse Impacts Due Diligence Policy) von Baillie Gifford übernommen, um die Vorgehensweise bei der Berücksichtigung der wichtigsten oder potenziell wichtigsten nachteiligen Auswirkungen von Investitionsentscheidungen auf Nachhaltigkeitsfaktoren festzulegen. Jede Anlagestrategie kann einen anderen Ansatz bei der Berücksichtigung der wichtigsten nachteiligen Auswirkungen verfolgen. Wir verpflichten uns zum Ausschluss umstrittener Waffen im Einklang mit der Ausschlusspolitik, die in unseren ESG-Grundsätzen und -Leitlinien beschrieben ist. Eine Untergruppe unserer Investmentfonds ermittelt und mildert die wichtigsten nachteiligen Auswirkungen qualitativ durch die Anwendung spezifischer Ausschlüsse, die mit bestimmten Ertragsströmen des Unternehmens verbunden sind. Einzelheiten zu den fondsspezifischen Ausschlüssen sind den jeweiligen Fondsunterlagen zu entnehmen.

Als zusätzliche Indikatoren haben wir (i) Investitionen in Unternehmen ohne Initiativen zur Verringerung der CO₂-Emissionen in Übereinstimmung mit dem Pariser Abkommen, und (ii) die Anzahl der Fälle von schwerwiegenden Menschenrechtsverletzungen und sonstigen Vorfällen ermittelt. Diese zusätzlichen Indikatoren wurden ausgewählt, da sie auf Themen ausgerichtet sind, die als wesentlich für das langfristige Wachstumspotenzial von Investitionen angesehen werden. Darüber hinaus stehen diese beiden zusätzlichen Indikatoren in Verbindung mit zwei der zehn nach Eintrittswahrscheinlichkeit und Auswirkung größten globalen Risiken (Versagen von Klimaschutzmaßnahmen und Lebensunterhaltskrisen) gemäß dem Global Risk Report des Weltwirtschaftsforums für 2021.

Die Einbeziehung und Überwachung von Investitionen, die wir im Namen unserer Kunden tätigen, ist ein integraler Bestandteil unseres Anlageprozesses und ein zentrales Element bei der Wahrnehmung unserer Stewardship-Verantwortung. Weitere Einzelheiten zu unserem Ansatz sind in unseren ESG-Grundsätzen und -Leitlinien dargelegt. Wir nutzen den Globalen Pakt der Vereinten Nationen (UN Global Compact), um potenzielle Probleme bei den Unternehmen, in die wir investieren, zu ermitteln. Auch prüfen wir unsere Beteiligungen im Hinblick auf damit zusammenhängende Standards, einschließlich der Leitlinien der Organisation für wirtschaftliche Zusammenarbeit und Entwicklung für multinationale Unternehmen und der Leitprinzipien der Vereinten Nationen für Wirtschaft und Menschenrechte. Unser Klimabericht (Climate Report) enthält Einzelheiten zu unseren Plänen und Verpflichtungen in Bezug auf den Klimawandel. Diese Pläne und Verpflichtungen beruhen auf unserem Engagement für das Ziel des Pariser Abkommens, die globale Erwärmung auf deutlich unter 2°C und idealerweise auf 1,5°C zu begrenzen. Baillie Gifford ist auch Mitglied der Net Zero Asset Managers Initiative (NZAM).

Die Bewertung der nachteiligen Auswirkungen erfolgt auf der Grundlage von Daten Dritter und unserer eigenen Analysen. Die Daten Dritter, die zur Quantifizierung der nachteiligen Auswirkungen anhand verschiedener Indikatoren verwendet werden, beruhen entweder auf rückblickenden Analysen oder auf Schätzungen (z. B. Verwendung von Proxy-Daten und/oder Annahmen). Daher hängt die Qualität und Zuverlässigkeit dieser Indikatoren davon ab, ob die Unternehmen diese Informationen offenlegen. Die Datenverfügbarkeit variiert nicht nur je nach Anlageklasse (d. h. Aktien versus Unternehmensanleihen), sondern auch je nach Markt (z. B. Industrieländer versus Schwellenländer). Zwar gehen wir davon aus, dass die Datenverfügbarkeit für bestimmte Anlageklassen/Märkte (Unternehmensanleihen, Private Equity und Schwellenländer) kurz- bis mittelfristig durch verschiedene Bestrebungen zur Vereinheitlichung der Offenlegung nachhaltigkeitsbezogener Informationen (einschließlich dieser Indikatoren für nachteilige Auswirkungen) zunehmen wird, für bestimmte Anlageklassen (z. B. Währungen, Derivate) erwarten wir jedoch, dass diese Probleme erst auf längere Sicht gelöst werden können. Die in diesem Bericht offengelegten Kennzahlen wurden in Übereinstimmung mit der in den technischen Regulierungsstandards zur EU-Verordnung über nachhaltigkeitsbezogene Offenlegungspflichten im Finanzdienstleistungssektor beschriebenen Methode berechnet. Daher können die Kennzahlen von anderen Baillie Gifford-Offenlegungen abweichen, bei denen möglicherweise eine andere Methode verwendet wurde. Umseitig findet sich eine zusammenfassende Tabelle mit den wichtigsten nachteiligen Auswirkungen, die in diesem Bericht ausführlich dargestellt werden.

Wenn keine Auswirkungen angegeben werden, liegt dies entweder daran, dass ein bestimmter Indikator aufgrund der Investitionen in die Finanzprodukte des Emittenten nicht relevant ist, oder dass keine Daten verfügbar sind. In letzterem Fall wird dies im Abschnitt über den Erfassungsbereich der Daten mit 0,0 angegeben. Aufgrund von Rundungen kann es vorkommen, dass sich die Summe der Werte nicht genau zu ihren Bestandteilen aufaddiert.

Indikatoren für Investitionen in Unternehmen, in die investiert wird

Klimaindikatoren und andere umweltbezogene Indikatoren

Nachhaltigkeitsindikator für nachteilige Auswirkungen		Auswirkung
Treibhausgasemissionen	1. THG-Emissionen (Scope 1-, 2- und wesentliche Scope 3-Emissionen in tCO ₂ e)	6.361.276,7
	2. CO ₂ -Fußabdruck (Scope 1-, 2- und wesentliche Scope 3-Emissionen in tCO ₂ e pro investierten Mio. €)	129,6
	3. THG- Emissionsintensität der Unternehmen, in die investiert wird (Scope 1-, 2- und wesentliche Scope 3-Emissionen in tCO ₂ e pro Mio. € Umsatz)	325,5
	4. Engagement in Unternehmen, die im Bereich der fossilen Brennstoffe tätig sind	4,3
	5. Anteil des Energieverbrauchs und der Energieerzeugung aus nicht erneuerbaren Energiequellen	79,4
	6. Intensität des Energieverbrauchs nach klimaintensiven Sektoren (in GWh pro Mio. € Umsatz)	1,2
Biodiversität	7. Tätigkeiten, die sich nachteilig auf Gebiete mit schutzbedürftiger Biodiversität auswirken (in % des verwalteten Vermögens)	0,0
Wasser	8. Emissionen in Wasser (Tonnen pro investierten Mio. €)	61,0
Abfall	9. Anteil gefährlicher und radioaktiver Abfälle (Tonnen pro investierten Mio. €)	1,7

Indikatoren für die Bereiche Soziales und Beschäftigung, Achtung der Menschenrechte und Bekämpfung von Korruption und Bestechung

Soziales und Beschäftigung	10. Verstöße gegen die UNGC- Grundsätze und gegen die Leitsätze der Organisation für wirtschaftliche Zusammenarbeit und Entwicklung (OECD) für multinationale Unternehmen (in % des verwalteten Vermögens)	4,5
	11. Fehlende Prozesse und Compliance-Mechanismen zur Überwachung der Einhaltung der UNGC- Grundsätze und der OECD-Leitsätze für multinationale Unternehmen (in % des verwalteten Vermögens)	74,7
	12. Unbereinigtes geschlechtsspezifisches Verdienstgefälle (Verhältnis)	11,7
	13. Geschlechtervielfalt in den Leitungs- und Kontrollorganen (% der weiblichen Mitglieder der Leitungs- und Kontrollorgane)	27,6
	14. Engagement in umstrittenen Waffen (Antipersonenminen, Streumunition, chemische und biologische Waffen) (in % des verwalteten Vermögens)	0,0

Indikatoren für Investitionen in Staaten und supranationale Organisationen

Ökologisch	15. THG-Emissionsintensität (in Tonnen pro Mio. € des BIP 2017 zu Kaufkraftparität (KKP))	235,9
Sozial	16. Länder, in die investiert wird, die gegen soziale Bestimmungen verstoßen (durchschnittliche Anzahl der Länder)	8,0

Indikatoren für Investitionen in Immobilien

Fossile Brennstoffe	17. Engagement in fossilen Brennstoffen durch die Investition in Immobilien (in % des verwalteten Vermögens)	
Energieeffizienz	18. Engagement in Immobilien mit schlechter Energieeffizienz (in % des verwalteten Vermögens)	

Weitere Indikatoren für die wichtigsten nachteiligen Auswirkungen auf Nachhaltigkeitsfaktoren

Indikatoren für Investitionen in Unternehmen, in die investiert wird

Emissionen	4. Investitionen in Unternehmen ohne Initiativen zur Verringerung der CO ₂ -Emissionen (in % des verwalteten Vermögens)	52,6
Menschenrechte	14. Anzahl der Fälle von schwerwiegenden Menschenrechtsverletzungen und sonstigen Vorfällen (gewichtete durchschnittliche Anzahl der letzten drei Jahre)	0,0

Description of the principal adverse impacts on sustainability factors

Indicators applicable to investments in investee companies

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

Adverse sustainability indicator		Metric	Impact (Year n)	Impact (year n-1)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions (tCO ₂ e)	1,230,066.1		We define material scope 3 emissions using the original definition provided by the Partnership for Carbon Accounting Financials (PCAF). This means that our version of material scope 3 emissions are those produced by holdings classified as oil & gas or mining companies. We acknowledge the updated timeline to also include Scope 3 emissions from those classified as transportation, construction, buildings, materials and industrial companies has changed from 2024 to 2023 and are working to update systems accordingly. (p51, The Global GHG Accounting and Reporting Standard for the Financial Industry (carbonaccountingfinancials.com)) In the Data Coverage Appendix, only companies within sectors classified as material in the applicable phase-in period have been counted towards Eligible Assets. These Eligible Assets will increase over time and for the statement published from 2026 will include every sector.	Climate change and the energy transition We expect companies we hold to disclose scope 1, scope 2 and material scope 3 emissions. For heavy-emitting, or systemically very large, companies, strategy and disclosure requirements will be held to a higher standard acknowledging that this may be more challenging for different countries and companies, dependent on size, location, and other factors and will consider this in the context of our stewardship activities. By 2025, heavy-emitting, or systemically very large, companies should articulate strategies that acknowledge and align with the ambitions of the Paris Agreement, including scope 1, 2, and 3 emissions and mid-term milestones, with consistent governance and capital allocation. We accept that effective alignment will vary by company, country and sector. We will conduct our own research and engagement to draw company-specific conclusions. If we feel that companies are not making enough progress, we will engage with the company to communicate our expectations and deepen our understanding of their approach and may also take voting action or ultimately divest our holdings. During the reference period, we engaged with 184 companies on climate change. Further details of our approach to climate
		Scope 2 GHG emissions (tCO ₂ e)	355,031.4			
		Scope 3 GHG emissions (tCO ₂ e)	4,776,179.2			
		Total GHG emissions (tCO ₂ e)	6,361,276.7			

Adverse sustainability indicator		Metric	Impact (Year n)	Impact (year n-1)	Explanation	Actions taken, and actions planned and targets set for the next reference period
						change can be found in our TCFD report, available on our website.
	2. Carbon footprint	Carbon footprint	129.6		Scope 1,2 & material Scope 3 emissions tCO ₂ e per €M invested.	See Climate change and the energy transition description.
	3. GHG intensity of investee companies	GHG intensity of investee companies	325.5		Scope 1,2 & material Scope 3 emissions tCO ₂ e per €M revenue.	See Climate change and the energy transition description.
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector (% of AUM)	4.3		N/A	See Climate change and the energy transition description. Additionally, we offer a number of funds which make a binding commitment to limit investment in fossil fuels. Details can be found in relevant fund documentation.
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources (%)	79.4		N/A	See Climate change and the energy transition description.
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector (GWh per €M revenue)	1.2		The figure presented is an aggregated view. Details on energy consumption per high impact climate sector are available on request.	See Climate change and the energy transition description.
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas (% of AUM)	0.0		N/A	Nature and Biodiversity The protection of biodiversity and nature should be a priority for all businesses and companies should take steps to limit the destruction of the natural environment as far as possible. We have developed an initial framework for integrating consideration of biodiversity and nature into our company evaluation process but

Adverse sustainability indicator		Metric	Impact (Year n)	Impact (year n-1)	Explanation	Actions taken, and actions planned and targets set for the next reference period
						<p>will continue to refine this over time. We are members of the stakeholder forum of the Task Force on Nature-related Financial Disclosures (TNFD) and will this membership use to develop our approach to biodiversity.</p> <p>During the reference period, we engaged 34 companies on their natural resource use and impact.</p>
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average (tonnes per €M invested)	61.0		N/A	See Nature and Biodiversity description.
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average (tonnes per €M invested)	1.7		N/A	See Nature and Biodiversity description.

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

Adverse sustainability indicator		Metric	Impact (Year n)	Impact (year n-1)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises (% of AUM)	4.5		N/A	<p>United Nations Global Compact (UNGC) and related standards</p> <p>We believe all holdings should operate in accordance with the principles and standards set out in the UNGC and related standards, including the OECD Guidelines for Multinational Enterprises. If a company fails to meet the UNGC Principles, making it a material risk to the long-term performance of their business, we will engage with management in the first instance, before considering appropriate voting action. We have a number of funds which make a binding commitment to not invest in companies which are non-compliant with the UNGC. Details can be found in relevant fund documentation.</p> <p>During the reference period, we engaged with 13 companies regarding potential violations of the UNGC and related standards.</p>
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/ complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises (% of AUM)	74.7		N/A	See United Nations Global Compact (UNGC) and related standards description.

	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies (ratio)	11.7		N/A	<p>Diversity and inclusion</p> <p>We believe that worker diversity is an important issue for all businesses, potentially impacting on the ability of a company to generate returns over the long-term, and we expect our holdings to take steps to understand and, where necessary, improve worker diversity.</p> <p>Companies should disclose their policy on diversity and inclusion with details of initiatives to improve the diversity of the workforce where required. The diversity of employees throughout an organisation is important to ensure a diverse pipeline of talent for future senior roles which we believe in turn will support the investment case.</p> <p>Reporting on the diversity of the workforce should also be provided and include details on gender, ethnicity, culture and nationality. In markets where it is required, gender pay gap reporting should be clear and unambiguous with clear actions to solve any pay gap that exists. We further expect businesses to carefully monitor and manage the culture within their organisation to ensure that all employees are treated equally and with respect in the workplace. There should be suitable policies and processes in place to ensure that inappropriate behaviour and/or discrimination is identified and addressed accordingly.</p> <p>During the reference period, we engaged with 23 companies regarding diversity.</p>
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	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members (% of board members who are female)	27.6		N/A	<p>Diversity and inclusion</p> <p>We expect boards to take the diversity of directors seriously. We consider cognitive and social diversity to be a driving feature of a high functioning board recognising that the specific mix of skills that is appropriate for a business varies widely.</p> <p>The company should comply with relevant industry recommendations on both gender and ethnic diversity, or have at least set out a clear roadmap of to how they intend to achieve this. If the board composition or that of its subcommittees is very different from these expectations, we aim to engage with the company in the first instance.</p> <p>We may also consider taking additional voting action against appropriate directors, such as the chair of the Nomination Committee, if we do not believe sufficient progress has been made.</p> <p>During the reference period, we engaged with 23 companies regarding diversity.</p>
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	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons (% of AUM)	0.0		N/A	<p>Controversial weapons</p> <p>Baillie Gifford prohibits investment in companies which are involved in controversial weapons such as landmines, cluster munitions, nuclear weapons where such weapons are in breach of the Treaty on the Non- Proliferation of Nuclear Weapons, chemical weapons, white phosphorus and depleted uranium ('controversial weapons'). Baillie Gifford is not permitted to invest in companies that produce controversial weapons or in companies providing products or services that are integral to, and tailor-made for, the dissemination or use of controversial weapons. Baillie Gifford uses screens across all products and investments to ensure compliance with this policy, using data from Sustainalytics, MSCI and Pax Christi to identify and exclude companies involved in controversial weapons. In addition, where Baillie Gifford considers an investment in a company connected to nuclear weapons it shall make its own assessment of whether that company's activities comply with the Treaty on the Non- Proliferation of Nuclear Weapons.</p>
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Indicators applicable to investments in sovereigns and supranationals

Adverse sustainability indicator		Metric	Impact (Year n)	Impact (year n-1)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Environmental	15. GHG intensity	GHG intensity of investee countries	235.9		Tonnes per €M GDP 2017 PPP. This aligns with guidance from the Partnership for Carbon Accounting Financials (PCAF) stating that financial institutions shall use the attribution by PPP-adjusted GDP for sovereign debt emissions.	When investing in a country's bonds, Baillie Gifford considers GHG intensity data alongside commitments the country has made in line with the Paris Agreement. Consideration of if the country is on course to achieve Paris Agreement targets forms part of our investment analysis and will inform decisions dependent on specific investment strategy commitments. We use our position as capital providers to engage on selected issues directly and through industry bodies.
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	Absolute: 8 Relative: 10.7%		Social violations are determined using the 'Rule of Law' metric. This captures perceptions of the extent to which agents have confidence in and abide by the rules of society, in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence. The first figure is the number of unique investee countries whose metric is less than -0.4, the threshold corresponding with MSCI's categorisation of High Risk. The figure in brackets is the number of unique investee countries in this category divided by the total number of unique investee countries.	When investing in a country's bonds, Baillie Gifford believes that if a country is governed effectively, its people are respected and its natural assets are managed responsibly, there is a greater chance it will enjoy sustainable growth and development, as well as be in a better position to repay bond debt. These factors are integrated into our analytical framework, which rests on three key areas: macroeconomic sustainability, economic management and growth potential. We use our position as capital providers to engage on selected issues directly and through industry bodies.

Indicators applicable to investments in real estate assets

Adverse sustainability indicator		Metric	Impact (Year n)	Impact (year n-1)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels			N/A	We have no exposure to this Principle Adverse Indicator.
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets			N/A	We have no exposure to this Principle Adverse Indicator.

Other indicators for principal adverse impacts on sustainability factors

Indicators applicable to investments in investee companies

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

Adverse sustainability indicator		Metric	Impact (Year n)	Impact (year n-1)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement (% of AUM)	52.6		N/A	<p>Climate change and the energy transition</p> <p>By 2025, heavy-emitting, or systemically very large, companies should articulate strategies that acknowledge and align with the ambitions of the Paris Agreement, including scope 1, 2, and 3 emissions and mid-term milestones, with consistent governance and capital allocation. We accept that effective alignment will vary by company, country and sector. We will conduct our own research and engagement to draw company-specific conclusions. If we feel that companies are not making enough progress, we will engage with the company to communicate our expectations and deepen our understanding of their approach and may also take voting action or ultimately divest our holdings.</p> <p>During the reference period, we engaged with 184 companies on climate change. Further details of our approach to climate change can be found in our TCFD report, available on our website.</p>

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

Adverse sustainability indicator		Metric	Impact (Year n)	Impact (year n-1)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Human Rights	14. Number of identified cases of severe human rights issues and incidents	Number of cases of severe human rights issues and incidents connected to investee companies on a weighted average basis (weighted average number in last three years)	0.0		N/A	<p>Human rights and labour rights</p> <p>We expect all our holdings to respect internationally accepted human rights and labour rights throughout their business operations and value chain in line with the United Nations Guiding Principles for Business and Human Rights. As a minimum, this should include the maintenance of health, safety and wellbeing management systems, particularly in high-risk sectors; the management of exposure to labour and human rights risks throughout their value chain, especially human/modern slavery; and encouraging positive relationships with local communities. We have specific monitoring processes in place specifically regarding modern slavery and have conducted additional due diligence on holdings where modern slavery incidents have been highlighted.</p> <p>During the reference period, we engaged with 34 companies on human and labour rights.</p>

Description of policies to identify and prioritise principal adverse impacts on sustainability factors

Baillie Gifford & Co Limited has delegated portfolio management to Baillie Gifford & Co and Baillie Gifford Overseas Limited and has adopted Baillie Gifford's Principal Adverse Impacts Due Diligence Policy to set its approach on the consideration of material or potentially material principal adverse impacts of investment decisions on sustainability factors. This was approved by the relevant governing body in February 2023 .

Identifying principle adverse impacts

We believe that a company cannot be financially sustainable in the long run if its approach to business is fundamentally out of kilter with changing societal expectations. We consider a number of potential adverse impacts in the context of our overall focus on long-term investment performance and company impact. As a minimum, we expect all holdings to operate in accordance with the principles and standards set out in the United Nations Global Compact. When a company's performance on any material issues is significantly below what is expected, potentially impacting the long-term performance of their business, the environment and/or society, we will engage with management. We expect that all our holdings operate their businesses in a way that takes account of all relevant legal and regulatory guidelines and which is supportive of good stakeholder relations. We believe it is important that companies are seen to be operating with integrity and in a way that respects the interests of wider environment and/or society. Relevant areas of practice include responsible marketing, governance of data privacy and security, responsible taxation approaches and how the company manages product and service issues, such as product quality and integrity, complaint handling, safety recalls and compensation.

Our bottom-up research process focuses on understanding each company, the sector it operates in and their approach to material issues. The most material issues will change from company to company and will change as the business develops. We regularly engage with companies on a wide range of issues including their impact on the environment and/or wider society. Each investment strategy may take a different approach in the consideration of principal adverse impacts. Financially material ESG issues, including the potential adverse impact of a holding, are routinely considered throughout the investment process. However, for most of our funds, there are no limitations to the sectors in which we can invest. Unless otherwise stated in fund documentation or instructed by the client as part of their Investment Management Agreement with us, Baillie Gifford can invest in any companies we believe could create beneficial long-term returns for our clients which may include investments in companies which may ultimately have a negative outcome for the environment and/or society. All Baillie Gifford investment funds are however subject to the exclusion of controversial weapons in line with the exclusion policy detailed in the ESG Principles and Guidelines document. A subset of our investment funds further identify and mitigate principle adverse impacts qualitatively through the application of specific exclusions linked to specific business revenue streams which may include but are not limited to Thermal Coal; Other Fossil Fuels such as Oil and Gas; Armaments, Tobacco and Alcohol. Other commitments may include compliance with Baillie Gifford's policy on assessing breaches of the United Nations Global Compact Principles for Business as outlined in Baillie Gifford's ESG Principles and Guidelines document or commitments linked to the funds' climate intensity (e.g. carbon intensity to be lower than an index). Such commitments can lead to the identification and mitigation of a principle adverse impact. Details of specific fund exclusions can be found in the relevant fund documentation available on the Baillie Gifford website.

In identifying additional indicators for principal adverse impacts, financial market participants are encouraged to consider the scope, severity, probability of occurrence and potentially irremediable character on sustainability factors. As additional indicators, we have identified (i) investments in companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement and (ii) number of identified cases of severe human rights issues and incidents. These additional indicators were chosen as they are aligned with issues that are considered material to the long-term growth potential of investments. Furthermore, these two additions are associated with two (climate action failure and livelihood crises) of the top ten Global Risks by likelihood and impact according to the World Economic Forum Global Risk Report for 2021.

A number of our investment funds commit to investing in sustainable investments. Such investments are subject to do no significant harm (DNSH) tests which means ensuring that the investments do no significant harm to any environmental or social objective. This includes assessing principle adverse impacts of investments either as part of the investment research process, through periodic portfolio reviews or through business activity restrictions. In reviewing principle adverse impacts, consideration will be given to how the impact affects the sustainability of an investment and if any further action needs to be taken to mitigate the impact such as engagement or voting action.

Governance

The ESG Oversight Group is responsible for setting the firm's strategic approach to ESG matters in relation to investment strategies and client activities and, along with the Head of ESG, for overseeing the ESG function. It provides coordination for the firm's approach to ESG and the multiple strands of ESG activity that take place. It aims to ensure that the rapidly evolving demands of ESG from an investment, client and regulatory perspective are met.

It is chaired by the Head of ESG and comprises senior representatives from the Investment Department, Clients Department and Business Risk. The ESG Oversight Group aims to:

- Coordinate and be accountable/responsible for the implementation of the ESG strategy in relation to investment strategies and client activities and any related ESG matters.
- Empower and encourage investors to systemically consider ESG, as relevant for investment value generation, throughout the investment process.
- Create and oversee ESG professionals and ESG-related research groups to ensure Baillie Gifford has sufficient specialist knowledge and attention on key areas.
- Oversee the different components of the ESG function and ensure they continue to evolve to meet the requirements of investors, clients and regulators.
- Consider where BG group-wide coordination on ESG matters may be helpful and where that is the case to drive that coordination.
- Oversee the accurate reporting of the ESG approach of our strategies to clients.
- Oversee the ESG Regulatory sub-group in ensuring that Baillie Gifford is equipped to meet its regulatory requirements relating to ESG, monitor regulatory developments relating to ESG, and monitor and oversee the ESG commitments made by investment strategies.
- Review and recommend any key ESG disclosures for approval/adoption by the Management Committee and/or any relevant Baillie Gifford entities. This includes the TCFD Climate Report; Our Stewardship Approach Principles and Guidelines; and the Investment Stewardship Report.

This Group reports into the Equity Leadership Group, Multi Asset and Income Leadership Group and Clients Department Management Group – which include partners from investment and client facing areas. These reporting lines help ensure that our research and stewardship activities are aligned with and remain of value and relevance to our clients.

The ESG Oversight Group is also supported by the ESG Regulatory Sub-Group. It is responsible for ensuring that the firm is equipped to meet its regulatory requirements relating to monitoring and overseeing the ESG commitments made by investment strategies and monitoring regulatory developments relating to ESG. This sub-group is comprised of individuals from our ESG function, Client Department, Compliance Department and Legal Department.

Data sources

We predominantly use MSCI as a source of raw ESG data for reporting purposes. This is due to the wide range of metrics available across different regulatory reports and MSCI's transparent methodology. We implement a data quality checking process that allows us to investigate any discrepancies and raise these with MSCI where necessary. We supplement data from MSCI with data from other providers such as Sustainalytics, S&P Trucost and Bloomberg where necessary, including as part of our investment research process. We recognise the need to develop a wider pool of data sources to allow for more robust reporting. To this end, we maintain relationships with various third party data providers to allow us to monitor enhancements to the ESG reporting metrics we require. Further details of our data sources are discussed in our Investment Stewardship Activities report.

Engagement policies

Engaging with and monitoring investments we make on behalf of clients is an integral element of our investment process and core to how we discharge our stewardship responsibilities. This process draws on broad involvement from investment managers, investment analysts and ESG analysts are involved in this process. We meet with management and other executive staff, heads of divisions and non-executive board members. When engaging as a bondholder, we understand our ability to influence differs from that of a shareholder, given the contractual nature of our relationship with issuers. However, we believe corporate issuers of debt do take on board our comments and recommendations and we will also engage with sovereign representatives as appropriate. The topics we prioritise for engagement will vary by individual issuer, by investment strategy, and will be informed by our proprietary investment research, and will include engagement related to principle adverse indicators, including but not limited to:

- Compliance with UNGC and related standards, including the OECD Guidelines for Multinational Enterprises
- Climate change and the energy transition;
- Diversity and inclusion;
- Human rights and labour rights.

Often, the larger a position we hold, the greater our ability to engage. However, we endeavour to engage on key issues with all relevant issuers regardless of market capitalisation or holding size.

The issues we prioritise, the specific objectives and the likely escalation path will differ depending on the company and our detailed knowledge of the investment case. Once we have identified an issue of material relevance to the investment case, including principle adverse impacts, we will monitor progress and, if we fail to see meaningful improvement, we will escalate through a variety of means: we may take voting action, or we may suggest changes ranging from minor process improvements to a change in senior management. Ultimately, we will divest if improvements are not made in areas of material importance. A typical pathway for escalation may be:

- Research identifies an area for engagement/issue requiring attention.
- Engage with management, Investor Relations or board member.
- No progress – voting action against appropriate AGM resolution.
- Escalate engagement to Chair or Senior Independent Director.
- Collaborate with other investors or relevant industry initiatives.
- No progress and no reasonable prospect of progress – divest.

We note that there are additional escalation options, including filing or co-sponsoring shareholder proposals, attending AGMs, or articulating views publicly via different media outlets. As we have used these sparingly, we have not recorded these as a typical pathway. However, we are fully prepared to use any tool if circumstances require. Our preference is to have direct discussions with companies, which enables us to build effective relationships with boards and management teams. Regardless of the method of escalation, we will always communicate a clear objective to the company. The escalation pathway described above does not vary considerably between funds, assets or geographies. However, as our ownership rights for fixed income investments differ in legal contract from those of equities, our stewardship tools are different. In the case of a corporate bond investment, we will engage with management but, naturally, without the recourse to voting rights. So, while the conversations will differ across asset classes and geographies, the escalation path will be broadly consistent.

Given the sensitivity surrounding our escalation activities with companies, much of this occurs in private correspondence, and the public disclosure tends to take place at the more advanced stages of escalation.

Thoughtful voting of our clients' listed equity holdings is a critical part of our commitment to stewardship and is closely interwoven with our broader investment and engagement aims. We believe that voting should be investment led rather than driven by a general ESG principle: how we vote is an important part of the long-term investment process and can, at times, have a decisive impact on the company share price. Our strong preference is, therefore, to take on this direct responsibility for our clients. The ability to vote our clients' shares strengthens our position when engaging with investee companies; we can far more effectively engage for change if we have the

voting power to back up our conversations with companies. Our ESG Services team oversees our voting analysis and execution in conjunction with our ESG analysts and investment managers. Unlike many of our peers, we do not outsource the responsibility for voting to third-party agents. We utilise research from proxy advisers for information only. We exercise our own judgement based on our knowledge of the wider investment case. Further details of Baillie Gifford's approach to engagement and voting is outlined in our ESG Principles and Guidelines document available in the About Us section of our website.

References to international standards

We utilise the UN Global Compact to identify potential concerns at our investee companies. We also consider our holdings against related standards including the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (indicator 10).

Our Climate Report details our plans and commitments as they relate to climate change. These plans and commitments are based on our support for the Paris Agreement's ambition to limit global warming to well below 2°C and ideally 1.5°C. The 1.5°C target was reinforced in the 2021 Glasgow Climate Pact and reflected in the UK's 2050 net zero emissions target, which we also support. Baillie Gifford became a member of the Net Zero Asset Managers initiative (NZAMi) in November 2021. Portfolios amounting to 20 per cent of our assets under management have set climate-related targets for 2030 and 2040 that meet NZAMi's standards. We require portfolios that are managed in line with our NZAMi commitment to fulfil several elements, including:

- An interim target for 2030 consistent with a fair share of the 50 per cent global reduction in greenhouse gases, alongside the prioritisation of 'real economy' impacts
- Facilitation of investment in climate solutions
- Commitment to active engagement
- Transparency in reporting

Our NZAMi portfolio targets are focused on the robust alignment of each company with a 1.5C pathway and strategy appropriate to its industry and regions of operation.

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

As stewards of our clients' capital, our principal interaction with the risks and opportunities of the climate crisis is the investment choices we make on their behalf. We believe that the companies capable of making a significant contribution to reducing greenhouse gases will benefit from a range of growth drivers, including increasing demand for their products and services, as well as regulatory support. In contrast, companies whose business models rely on the unsustainable exploitation of natural resources are likely to face significant competition and disruption over our investment time horizon.

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

Orderly transition scenarios assume climate policies are introduced early and become gradually more stringent, supporting technologies and behaviours to reach global net zero CO2 emissions around 2050 and likely limiting global warming to below 1.5–2°C on preindustrial averages by the end of this century.

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

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

Further details of our plans and commitments in this area can be found in our Climate Report.

Historical comparison

The earliest historical comparison will be provided in June 2024.

Appendix 1 – Data Coverage

The following coverage statistics are for the current reporting period.

Baillie Gifford relies on a third party data provider (MSCI) for sufficient coverage, estimation and collation of accurate reporting by companies themselves. However we recognise that coverage of different metrics may vary and may in turn impact the data disclosed in this report. Therefore, we have included coverage figures for each metric that is used in this report in an effort to provide transparency of the data that is being used and how it impacts the overall reporting at portfolio level. We have also identified where we view the data coverage as Good, Medium or Poor and the actions we are taking to improve coverage and data quality (see below).

Coverage relative to Eligible Assets	Category	Explanation
>80%	Good	At present we view this as satisfactory coverage but expect coverage levels to continue to improve
20% - 80%	Medium	We review metrics in this group with an expectation that those at the higher end of the scale will continue to improve. For those at the lower end of the scale, we may seek to improve disclosure through corporate engagement but recognise different disclosure regimes exist globally and recognise the pace of improvement will vary across different jurisdictions.
<20%	Poor	We view this level of coverage as unsatisfactory but acknowledge that for these metrics, coverage is poor in general. As above, we may seek to engage with investee companies to encourage better disclosure.

The figure for Coverage below has been calculated based on percentage of total AUM. However the Category (Good, Medium or Poor) has been determined based on Coverage as a percentage of Eligible Assets. For example, if the figures for Coverage and Eligible Assets are the same, this means we have data for all the assets which are eligible to report that metric and therefore the Category will be considered Good.

Over the course of 2023, we are continuing to engage in work to improve our data processing capacity. This will allow us to take on additional third party sources of data to enhance the scope of our coverage. We do this while bearing in mind that methodologies differ between third parties and increased coverage may not always lead to higher quality data, but that the landscape continues to evolve and mature.

Climate and Other Environmental Related Indicators

Greenhouse Gas Emissions

GHG Emissions	Coverage	Eligible Assets	Category
Scope 1 GHG emissions (tCO ₂ e)	83.4	97.5	Good
Scope 2 GHG emissions (tCO ₂ e)	83.4	97.5	Good
Scope 3 Material GHG emissions (tCO ₂ e)	7.1	7.2	Good
Total Scope 1+2+3 Material GHG Emissions (tCO ₂ e)	7.1	7.2	Good

Carbon Footprint	Coverage	Eligible Assets	Category
Scope 1+2+3 Material Carbon Footprint (tCO ₂ e per €M invested)	7.1	7.2	Good

GHG intensity of investee companies	Coverage	Eligible Assets	Category
Scope 1+2+3 Material Intensity (tCO ₂ e per €M revenue)	7.1	7.2	Good

Exposure to companies active in the fossil fuel sector	Coverage	Eligible Assets	Category
Share of investments in companies active in the fossil fuel sector	4.2	97.5	Poor

Share of non-renewable energy consumption and production	Coverage	Eligible Assets	Category
Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	50.3	97.5	Medium

Energy consumption intensity per high impact climate sector	Coverage	Eligible Assets	Category
Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector <i>(only companies within NACE Sectors A-H and L have been counted towards Eligible Assets)</i>	38.9	48.5	Good

Biodiversity

Activities negatively affecting biodiversity-sensitive areas	Coverage	Eligible Assets	Category
Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	0.0	97.5	Poor

Water

Emissions to water	Coverage	Eligible Assets	Category
Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	6.4	97.5	Poor

Waste

Hazardous waste and radioactive waste ratio	Coverage	Eligible Assets	Category
Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	21.8	97.5	Medium

Social and Employee, Respect for Human Rights, Anti-Corruption and Bribery Matters

Social and Employee Matters

Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Coverage	Eligible Assets	Category
Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	81.9	97.5	Good
Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Coverage	Eligible Assets	Category
Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	80.4	97.5	Good
Unadjusted gender pay gap	Coverage	Eligible Assets	Category
Average unadjusted gender pay gap of investee companies	13.0	97.5	Poor
Board gender diversity	Coverage	Eligible Assets	Category
Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	82.3	97.5	Good
Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons, and biological weapons)	Coverage	Eligible Assets	Category
Share of investments in investee companies involved in the manufacture or selling of controversial weapons	83.5	97.5	Good

Other indicators for principal adverse impacts on sustainability factors

Emissions

Investments in companies without carbon emission reduction targets	Coverage	Eligible Assets	Category
Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	81.7	97.5	Good

Human Rights

Number of identified cases of severe human rights issues and incidents	Coverage	Eligible Assets	Category
Number of cases of severe human rights issues and incidents connected to investee companies on a weighted average basis	83.7	97.5	Good

Indicators applicable to investments in sovereigns and supranationals

Environmental

GHG Intensity	Coverage	Eligible Assets	Category
GHG intensity of investee countries (tonnes per €M GDP 2017 PPP)	4.2	4.2	Good

Social

Investee countries subject to social violations	Coverage	Eligible Assets	Category
Number of investee countries subject to social violations as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	4.2	4.2	Good
Expressed as a percentage of all investee companies	4.2	4.2	Good

Legal Notices

Baillie Gifford uses a combination of internal research and analysis and third-party data sources when preparing ESG-related disclosures.

Prior to using data sourced from a third-party provider, Baillie Gifford conducts appropriate due diligence on the third-party provider including validation of their methodology and assessment of their coverage and then carries out spot checks of the data periodically, escalating issues to the third-party provider where necessary.

However, Baillie Gifford cannot guarantee that such data is complete, up-to-date and/or accurate. Furthermore, information disclosed is based on data established at a specific time which may be liable to change. More generally, the coverage, standardisation, and comparability of ESG data continues to change and develop over time.

This disclosure is not intended to be used for marketing purposes and nor does it constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.

The figures in this report are aggregations and calculations which draw upon data from our external data providers, principally MSCI.

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