

Baillie Gifford European Fund

Climate Report for the year ending 31 December 2024

Prepared in accordance with UK rules for product-level Task Force on Climate-related Financial Disclosures (TCFD) reporting.



Introduction

The European Fund has a European equity strategy that invests in companies that we believe have the potential to become outliers over the long term; these are the small number of companies which can go on to earn a return of at least two times over five years or more. Our investment approach is based upon 'bottom-up' stock selection. We pick companies based on their fundamental attractions, irrespective of their location. More information about the European Fund can be found on the relevant fund pages of the Baillie Gifford website.

This report explains the European Fund's approach to addressing climate-related risks and opportunities and describes a current view of how they may impact the portfolio. It also includes metrics to provide useful additional information. We expect the content, format and data to evolve in future versions.

Our net zero guidelines

As noted in our firmwide [statement of climate-related intent and ambition](#), we are agents of our clients and stewards of their assets. We believe a successful transition that keeps increases in global temperatures to well below 2C, and ideally to 1.5C this century offers our clients a better opportunity for strong long-term investment returns than a failed transition.

Our investment process takes into account the long-term prospects (including long-term sustainability) of an investment. We believe that consideration of climate-related factors and competitive positioning are inherently aligned to our investment process and that companies that are effectively managing the risks and opportunities posed by climate change and the transition to a low carbon economy are likely to have a durable competitive edge.

The portfolio is managed to support the goal of net zero greenhouse gas ('GHG') emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5C ("net zero"). This includes the assessment and engagement of portfolio holdings on a prioritised basis, for alignment with this goal. Such alignment will be assessed company-by-company, paying due attention to the realities of specific industries and regions. To monitor progress towards net zero, the European Fund has a guideline that 90% of the fund's direct holdings demonstrate robust strategic alignment with appropriate 1.5C/net zero pathways by 2030. New buys will have an extra two years to meet the guidelines, and we will monitor and report on an ongoing basis the extent to which the portfolio is aligned with them.

The concepts of alignment and decarbonisation pathways continue to evolve. Our aspiration and ability to align with net zero is influenced by a wide range of parties and factors that can be outside of our control, such as client mandates, industry guidance, technology and societal trends, regulation and government action. Consequently, we will periodically review our portfolio-level guidelines to take account of these factors.

In 2024, the percentage of the European Fund's AUM invested in companies with targets, strategy, and progress we deem to be leading in their alignment with appropriate 1.5C-aligned pathways reduced slightly, from 75% to 72%. The primary drivers of this change were the complete sales of a number of companies categorised as climate leaders, such as Kering and Adidas. Encouragingly, the percentage of the portfolio we consider to be "climate laggards" declined to 17%. Moreover, 80% of AUM is now reporting operational emissions, and 56% have emissions reduction targets approved by the Science-Based Targets initiative.

The European Fund divested its holding in Wizz Air in 2024, which was a climate-material holding in the hard-to-decarbonise aviation sector. The team sold it because it had lost faith in the original investment case, but our climate assessment framework had also flagged it as lagging for climate emissions strategy and 'materially challenged' in terms of potential for business model alignment. Factors that contributed to this assessment included

both financial capabilities and strategic intent. WizzAir did not have an explicit target regarding the adoption of Sustainable Aviation Fuel (SAF), and its contracting approach to access SAF supply relative to strengthening regional regulation lagged that of its arch-rival, Ryanair.

Climate-related engagement activity included a post-AGM visit to Ryanair's HQ. This provided additional insight into its decarbonisation planning and its edge in sustainability versus its Low-Cost Carrier peers, especially with regard to access to decarbonising fuels and technologies. Beyond its industry-leading target for 12.5% SAF adoption by 2030, it has entered into bilateral offtake agreements with a number of SAF suppliers that could enable potentially privileged access to SAF at key airport locations.

2024 also included a discussion with the CEO of Beijer Ref, an HVAC and refrigeration distributor, where sustainability tailwinds form part of the investment case. F-gas regulation speeds up equipment replacement cycles as part of the transition to natural refrigerants, which offer a substantially lower emissions profile. This discussion helped to develop our understanding of the company's sustainability initiatives and leadership in natural refrigerants, including a differentiated refrigeration training offering, which could offer an edge and first-mover advantage.

Additional climate-related engagements were held with the portfolio climate leaders (e.g. Moncler) and laggards (e.g. Instalco), to discuss disclosure, target setting and implementation. The purpose of these interactions is to identify key learnings from companies that have set ambitious targets and accompanying decarbonisation pathways, but also to understand the challenges and encourage progress where necessary. This also helps inform our understanding of the nuances in alignment and decarbonisation pathways across different sectors and business models.

Our governance and management of climate-related risks and opportunities

Details of Baillie Gifford's approach to governing and managing climate-related risks and opportunities across the firm can be found in the entity level [Climate Report](#) on the Baillie Gifford website. This includes descriptions of the roles and responsibilities of relevant Boards and Committees and integration into overall risk management.

For the European Fund, the management of climate-related risks and opportunities is the responsibility of the investment team. As noted in the previous section, we undertake research and engagement with specific holdings to understand climate-related risks and opportunities that could be material to the investment case, and in line with the overall portfolio objective to support the achievement of global decarbonisation.

To support the portfolio's objectives for net zero alignment, we also assess all holdings at least annually using the Baillie Gifford 'Climate Assessment' process. The results of this are reported in the metrics section of this report and further detail on the process can be found in Baillie Gifford's entity level [Climate Report](#). The assessments help to inform our analysis of potential investment materiality and any subsequent decisions about portfolio engagement priorities.

Implications of climate change for our strategy

Climate change and the world's response to it pose potential 'physical' and 'transitional' risks and opportunities for holdings in the portfolio. Physical factors can come from changes to the climate and weather patterns, while transitional factors can come from things like changing policies, technologies or consumer behaviours.

Assessing the potential influence of these risks and opportunities on investment returns is part of our long-term investment style. However, this is a complex task, and we expect our views to continue to change over time. To help us, we think through different versions of the future using a technique called qualitative scenario analysis. At present, we believe this is more useful than quantitative scenario analysis (which is dependent on numerical data and modelling) because it allows us to explore the complexities and knock-on effects of future pathways.

Baillie Gifford has developed three qualitative climate scenarios in partnership with two external organisations: The Deep Transitions project (a collaboration between the universities of Utrecht and Sussex) and Independent Economics (a macroeconomics consultancy). The scenarios are based on NGFS (Network for Greening the Financial System) 'orderly', 'disorderly' and 'hothouse' world scenarios. More detail has been added in areas of interest to us, including human behaviour, technology adoption and societal change. This is explained further in resources on the **Baillie Gifford website**. The qualitative scenarios describe three different versions of the future:

	Smooth, orderly transition (1.5C by 2100)	Volatile, disorderly transition (<2C by 2100)	'Hothouse' world (>2.5C by 2100)
Climate	Significant but managed change; resilience retained	Worsening impacts	Major challenge to resilience; regional collapses in food/water systems
Politics	Coordination and trade supports transition	Initially divided, then more united	Fractured; protectionism rises
Policies	Well-signalled and proactive; early action	Initially diverse, then higher-cost and sometimes disruptive	Fragmented; supporting incumbents then biased to adaptation
Society	Rapid shifts in behaviour; circular and 'just transition'	Uneven development; self-reliance; inequality	Individualistic; higher levels of inequality, migration and conflict
Energy technologies	Technology tipping points reached early, influencing many sectors	Fragmented energy system limits cost reductions; innovation comes later	Fossil fuel dependency extended, costs higher, late-stage radical solutions
Adaptation responses	Varied and successful; managed across the global economy	Unequal; significant fiscal drain in some countries	Critical: agriculture, water, healthcare, climate defences
Finance	Multi-lateral financial reform supports investment flows to transition	Contradictory investments; market shocks from abrupt policy change	Greater variability; insurance contracts; adaptation costs pull investment from elsewhere

The European Fund is able to use these scenarios to explore possible implications for holdings in the portfolio over the short, medium and long term, which are described below. These timeframes have been chosen because they are relevant to our investment timeframes, though we recognise that changes to the climate happen over much longer timeframes. The team has engaged in a climate scenarios workshop facilitated by Baillie Gifford's central Climate Team. This explored potential portfolio sensitivities according to different scenarios and identified associated themes. As part of this, we considered the extent to which the European fund is 'hedged' for different scenario outcomes and how these may develop across timeframes.

Short-term risks and opportunities (0-3 years)

Trends in technology, policy and markets are likely to have more of an impact on the portfolio over the next three years than physical impacts. However, climate change is already making weather events more severe and could be immediately significant for some companies. Assessing and engaging on this topic is an increasing area of focus for us.

Under orderly transition scenarios, there may be significant opportunities for holdings that are directly helping to drive the decarbonisation of the economy. Key enablers in the portfolio, including Nexans and Kingspan, should benefit. Companies showing other forms of strategic leadership, such as ASML, DSV and Novo Nordisk, may also benefit from expanding markets.

Though these opportunities will still be present in the disorderly scenario, they are likely to be more volatile and unpredictable across different regions and timeframes. Under disorderly transition scenarios, benefits may accrue to companies best able to manage the volatility, whether through a strong balance sheet, geographical diversification, or portfolio flexibility. Royal Unibrew and Assa Abloy stand out in this regard.

Both orderly and disorderly scenarios are likely to increase transition risks for companies with more highly carbon intensive products, processes or supply chains. Although the timing will vary in different markets, such companies may face higher costs or risk customer loss as emissions regulations tighten and social perspectives shift. In 2024, we engaged with holdings such as Ryanair to understand more about their plans to address these risks.

In a hothouse world scenario, there is risk for companies who have built their business models on pro-climate policy landscapes. However, we believe our particular exposure to companies driving decarbonisation, such as Nexans, is typified by businesses that are now competitive and resilient in their own right. In contrast, high emitters may find financial advantage in delaying plans to reduce emissions or diversify business models. Though we consider the resilience of holdings across scenarios, investing in companies which are actively pursuing such an approach is misaligned with the goals of this portfolio.

Medium-term risks and opportunities (3-10 years)

Over the medium term, the impacts of orderly and disorderly transitions may begin to diverge. Under an orderly transition, there are likely to be significant opportunities at a global scale for companies providing climate solutions. There will also be increased pressure on high-emitting industries to deliver decarbonisation. The industrials companies held in the portfolio, including Atlas Copco, must invest to remain competitive in such a scenario. High-emission companies able to transition with speed and efficiency will see market-expansion opportunities. We see such ambition from a diverse range of companies, from Assa Abloy to Epiroc, and actively engage when we deem ambition to be lacking.

Under a disorderly transition, the most significant risk to portfolio holdings is an abrupt and dislocating shift to the policy and regulatory landscape. Companies reliant on legacy practices or unpriced externalities may struggle to adapt to rapid change. The portfolio's exposure to the semiconductor industry, including Soitec, ASML and ASM International, is reliant on significant quantities of energy and water. Unprepared, these may become more costly and scarce.

Meanwhile, the physical impacts of climate change are expected to become more widespread, especially under the hothouse world scenario. For the portfolio as a whole, the geographical and sectorial mix of holdings may help to provide some resilience. However, some companies have more concentrated geographic exposures, such as the discount retailer Dino Polska in Poland, and others are reliant on complex international supply chains, including LVMH. For some, like the freight-forwarder DSV, helping others navigate increased transition complexity will become an opportunity.

Long-term risks and opportunities (10+ years)

Assessing risks and opportunities to the portfolio over the long term is challenging due to the uncertainties involved. However, under a hothouse world, and to some extent a disorderly scenario, it is anticipated that physical climate impacts become the main climate-related risk to returns. Impacts on people and economic activity are likely to affect most holdings in the portfolio. There may, however, be some opportunities for companies whose products and services assist with climate adaptation.

Under both orderly or disorderly transition scenarios, the risks and opportunities associated with new technologies and markets may become increasingly material to the portfolio as the 'winners' of the transition emerge, causing the old to fall away. Under a disorderly scenario, regions of the world that were delayed in their transition might need to catch up, offering new opportunities for transition-aligned companies. However, the rushed nature of this process may pose risks due to abrupt policy changes and technology shifts.

Key Metrics (as at end December 2024)

Emissions scopes and units

The global standard for measuring entities' greenhouse gas emissions is the Greenhouse Gas Protocol. It contains different 'scopes' of emissions, which are used in this report:

- Scope 1: Emissions produced directly by the entity, typically through the combustion of fossil fuels on site.
- Scope 2: Emissions that occur due to energy used by the entity, often through the off-site generation of electricity in a power station.
- Scope 3: Emissions that occur somewhere in the entity's 'value chain' as a result of its activities. There are 15 different categories including those associated with the raw materials an entity uses and the use of its sold products. Emissions from transport, distribution and business travel are also included.

All our emissions metrics use CO₂e as the unit of greenhouse gases. Carbon dioxide (CO₂) is the most prevalent greenhouse gas but there are others such as methane which have different levels of warming impact per tonne of emissions. Because of this, it is common for CO₂e to be used as a common unit to refer to all greenhouse gases emitted by an entity. Its value is equivalent to the total amount of CO₂ that would need to be emitted to achieve the same level of warming impact as the CO₂ plus other greenhouse gases emitted.

Core emissions metrics

The metrics in this section include the Total Emissions, Carbon Footprint and Weighted Average Carbon Intensity (WACI) of the portfolio as required by the UK Financial Conduct Authority's (FCA) product-level climate disclosure rules. More explanation of all the metrics used can be found in the tables themselves and footnotes. Any climate targets or objectives set by the portfolio are detailed in the earlier sections of this report.

Data availability

Data for some holdings is currently unavailable from our data suppliers. The metrics presented in this section may therefore not relate to the entire portfolio, particularly where holdings are not listed on a stock exchange. Cash and derivatives are presently excluded. For emissions data, we provide details of whether data is reported, estimated or unavailable in the 'Emissions data coverage' table. Our disclosure of metrics associated with our own assessments of holdings' targets and transition role is intended to help address gaps in data from external data suppliers, and we will continue to explore additional solutions in future.

Additional metrics

We have also included additional metrics that may be useful in assessing potential climate-related risks and opportunities to the portfolio. These include external data-points such as exposure to material sectors, fossil fuels and alignment with the Science Based Targets initiative. In addition, we show Baillie Gifford's proprietary Climate Assessments of all holdings' net zero ambitions and overall transition role.

FCA rules also require Baillie Gifford to determine if a portfolio has concentrated or high exposures to carbon intensive sectors and if so to include quantitative scenario analysis metrics. We define such portfolios as those with either: 1) a WACI (on a Scope 1 & 2 basis) above that of its respective financial performance benchmark or the MSCI ACWI index, or 2) a higher level of exposure to holdings generating more than 5% revenues from fossil fuels than its respective financial performance benchmark index or the MSCI ACWI index.

For such portfolios, we also include Climate Value-at-Risk metrics in this section, provided we can obtain data for more than 70% of the portfolio by AUM from our data suppliers. However, unless specifically required, Baillie Gifford has chosen not to provide Climate Value-at-Risk metrics for all portfolios as we believe data and methodology constraints mean they are not practicable for widespread use and potentially could be inaccurate or misleading. We also do not provide Implied Temperature Rise metrics for the same reasons. We continue to engage with data providers as these metrics evolve.

Year-on-year changes

In line with the requirements of the UK FCA, we have included values for previous years alongside the most recent values for most metrics. Where possible, we try and backdate any new metrics we include as the report evolves, but this is not always practicable. **It is important to be aware that any changes in year-on-year metric values may happen for several different reasons** including changes to the portfolio composition, data re-adjustments by our data suppliers, new data being available to our data suppliers, as well as underlying changes within the holdings themselves.

Benchmarks

Where applicable, we have provided metrics for the financial benchmark used by the portfolio for comparison purposes. The benchmark used for this portfolio is the MSCI Europe (EX UK).

Emissions metrics

Total carbon emissions from assets held by the portfolio

The total emissions of the portfolio represent the absolute greenhouse gas emissions from assets held, allocated on a proportional basis. This means a portfolio holding 1% of a company's enterprise value would be attributed 1% of the company's emissions. This metric will vary due to portfolio size and is therefore not recommended for direct comparison with other portfolios.

	Portfolio		
	2022	2023	2024
Total Scope 1&2 emissions (tCO ₂ e)	23,092	22,088	11,891
Total Scope 3 emissions (tCO ₂ e)	104,227	107,529	50,671
Total Scope 1,2 & 3 emissions (tCO ₂ e)	127,319	129,617	62,562

Source: Baillie Gifford, MSCI.

Carbon footprint of the portfolio

The carbon footprint of the portfolio represents the aggregated GHG emissions per million £/\$ invested and allows for comparisons of the carbon intensity of different portfolios.

	Portfolio			Benchmark		
	2022	2023	2024	2022	2023	2024
Scope 1&2 emissions (tCO ₂ e) per \$m invested	26	36	34	68	63	49
Scope 1,2&3 emissions (tCO ₂ e) per \$m invested	146	213	177	409	471	444

Source: Baillie Gifford, MSCI.

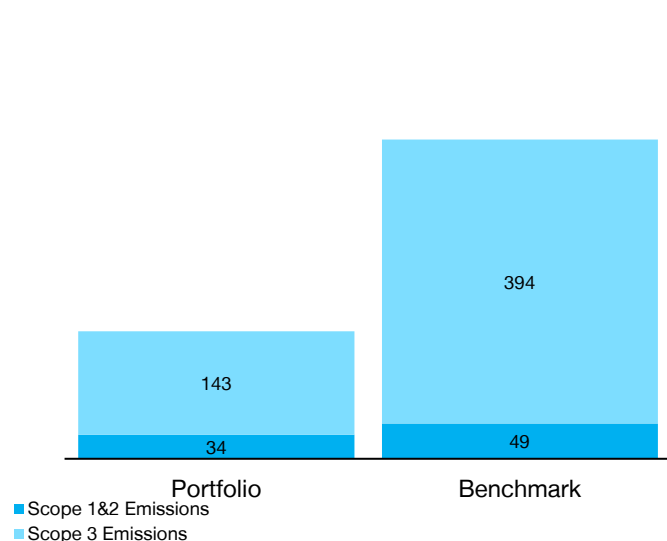
Weighted average carbon intensity (WACI) of the portfolio

The WACI of the portfolio represents the aggregated carbon intensities per \$m revenue of the companies in a portfolio, scaled by size of holding. The WACI metric therefore helps measure a portfolio's exposure to high carbon intensity companies and can be used for comparisons with other portfolios.

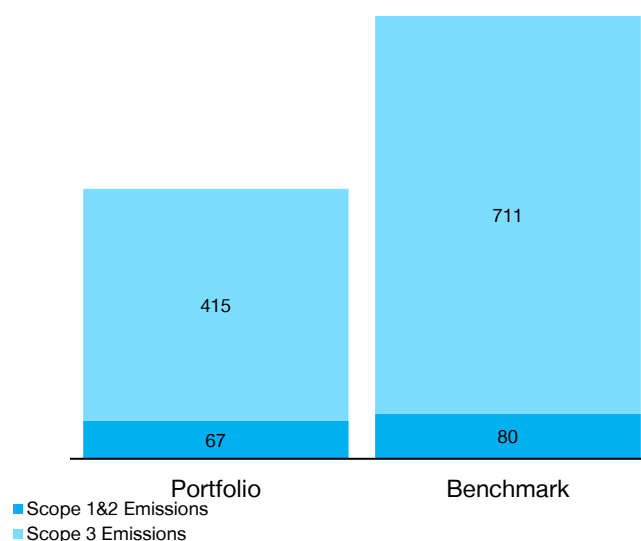
	Portfolio			Benchmark		
	2022	2023	2024	2022	2023	2024
Scope 1&2 emissions (tCO ₂ e) per \$m revenue	148	72	67	116	88	80
Scope 1,2&3 emissions (tCO ₂ e) per \$m revenue	653	471	483	756	893	791

Source: Baillie Gifford, MSCI.

Carbon Footprint of the portfolio
(tCO₂e per \$m invested)



Weighted Average Carbon Intensity (WACI) of the portfolio
(tCO₂e per \$m revenue)



All figures are rounded, so any totals may not sum.

Emissions data coverage for the portfolio

These metrics are intended to provide a guide to the level of data coverage for portfolio emissions metrics. For reasons of consistency, we source all emissions data from our data provider. The metrics show the level of reported vs. estimated vs. unavailable data for different emissions scopes for the portfolio.

It is important to note that the data we use for Scope 3 emissions is all estimated. This is because whilst some holdings do report Scope 3 emissions, this typically does not cover all emissions categories within Scope 3, meaning that reported data is not consistent across companies. Estimated Scope 3 data covers all relevant Scope 3 categories and is therefore more consistent.

For additional context, we also include the percentage of total AUM invested in holdings who disclose to the CDP which is the world's foremost voluntary climate disclosure platform.

	Portfolio			Benchmark		
	2022	2023	2024	2022	2023	2024
% of total AUM for which reported Scope 1&2 emissions data from our data provider is used	87	78	81	96	91	91
% of total AUM for which estimated Scope 1&2 emissions data from our data provider is used	7	14	9	4	9	8
% of total AUM for which Scope 1&2 emissions data is not available from our data provider	6	8	10	0	0	1
% of total AUM for which estimated Scope 3 emissions data from our data provider is used	94	92	90	100	100	99
% of total AUM for which Scope 3 emissions data is not available from our data provider	6	8	10	0	0	1
% of total AUM invested in holdings disclosing to CDP annually	62	65	65	89	94	92

Source: Baillie Gifford, MSCI, CDP.

Additional insight metrics

Exposure to 'climate material' sectors

This metric is intended to show the proportion of the portfolio invested in companies operating in sectors that are materially relevant to addressing climate change. Our 2024 definition references IIGCC material and high-impact sector guidance that now include, amongst others, activities such as oil and gas, mining, heavy manufacturing, cement, semiconductors, banking, real estate and agriculture. These sectors have material sources of greenhouse gas emissions in their value chains with a likely greater exposure to transition risk, alongside the opportunity to decarbonise the wider economy. This definition is much broader than the TCFD 'carbon-related assets'¹ definition previously used, which generally explains the higher exposures in 2024. Mapped by Baillie Gifford to GICS sub-industry.

	Portfolio			Benchmark		
	2022	2023	2024	2022	2023	2024
% of total AUM invested in companies in 'climate material' sectors	27	28	58	42	42	69

Source: Baillie Gifford, MSCI, IIGCC.

¹ Prior to 2024 our definition used the TCFD 'carbon-related assets' definition, ie any company operating in the Energy, Transportation, Buildings and Materials, Agriculture, or Food and Forests sectors, mapped by GICS sub-industry.

Exposure to fossil fuels

These metrics show both the percentage of total AUM invested in fossil fuel companies (the first metric) and the percentage of total AUM invested in companies who generate at least 5% of their revenues from different kinds of fossil fuel activities (the second, third and fourth metrics). The latter metrics are included because some companies with fossil fuel revenue generation are not always classified as fossil fuel companies by international classification systems.

	Portfolio			Benchmark		
	2022	2023	2024	2022	2023	2024
% of total AUM invested in companies classified as fossil fuel companies ²	--	--	0	--	--	2
% of total AUM invested in companies with > 5% revenues from oil and/or gas activities ³	0	0	0	8	6	7
% of total AUM invested in companies with > 5% revenues from thermal coal mining and sale ⁴	0	0	0	0	0	0
% of total AUM invested in companies with > 5% revenues from thermal coal power generation	0	0	0	1	1	0

Source: Baillie Gifford, MSCI.

Exposure to physical risk

This metric shows the exposure of the portfolio to companies classified by MSCI as having severe or significant exposure to direct physical risk such as extreme weather and coastal flooding. These metrics are in a relatively early stage of development and may not reflect actual risks to the portfolio. This is a new metric added in 2024, and as such no history is available.

	Portfolio			Benchmark		
	2022	2023	2024	2022	2023	2024
% of total AUM invested in companies classified as having severe or significant physical risk exposure	--	--	0	--	--	11
% of total AUM for which data is not available from our data provider	--	--	12	--	--	1

Source: Baillie Gifford, MSCI.

² This metric shows the exposure of the portfolio to any companies classified as fossil fuel companies using the NACE classification system, ie companies whose main activity is classified as any of the following: mining of coal and lignite; extraction of crude petroleum and natural gas; support activities for petroleum and natural gas extraction; manufacture of coke and refined petroleum products. This is a new metric added in 2024.

³ Includes oil and/or gas extraction and production, distribution, retail, equipment and services, petrochemicals, pipelines and transportation and refining. Excludes biofuel production and sales, and trading activities.

⁴ Includes the mining of thermal coal (including lignite, bituminous, anthracite and steam coal) and its sale to external parties. Excludes metallurgical coal, coal mined for internal power generation, intra-company sales of mined thermal coal and revenue from coal trading.

Transition alignment metrics

Our assessment of holdings' net zero targets through our 'Climate Assessment' process

These metrics provide insight into our own assessment of holdings' emissions reduction targets, strategy and progress towards achieving them. The metric is based on our 'Climate Assessment', which is explained in more detail in Baillie Gifford's entity level [TCFD Climate Report](#).

	Portfolio		
	2022	2023	2024
% of total AUM with targets assessed as 'Leading' (ie holdings with targets, strategy and progress in line with an appropriate 1.5C-aligned pathway)	55	74	72
% of total AUM with targets assessed as 'Preparing' (ie holdings preparing targets and strategy in line with an appropriate 1.5C-aligned pathway)	17	7	10
% of total AUM with targets assessed as 'Lagging' ⁵ (ie holdings with little evidence of preparing targets and strategy in line with an appropriate 1.5C-aligned pathway)	28	19	17
% of total AUM with targets not assessed	0	0	0

Source: Assessed according to Baillie Gifford's internal assessment framework. All figures are rounded, so any totals may not sum.

Our assessment of holdings' transition role through our 'Climate Assessment' process

These metrics provide insight into our own assessment of holdings' role in a successful transition to net zero. The metric is based on our 'Climate Audit' assessment, which is explained in more detail in Baillie Gifford's entity level [TCFD Climate Report](#).

	Portfolio		
	2022	2023	2024
% of total AUM assessed as 'Solutions Innovators' (ie holdings whose core business involves developing solutions to climate change)	3	3	4
% of total AUM assessed as 'Potential Accelerators' (ie holdings who have an opportunity to drive significant acceleration of the transition) ⁶	--	--	17
% of total AUM assessed as 'Potential Influencers' (ie holdings with relatively low emissions who are supporting the transition to net zero)	40	47	40
% of total AUM assessed as 'Potential Evolvers' (ie holdings with relatively high emissions who have potential to support the transition to net zero)	56	48	39
% of total AUM assessed as 'Materially Challenged' (ie holdings whose core business is likely to decline in a transition to net zero, with limited options to evolve)	2	2	0
% of total AUM not assessed	0	0	0

Source: Assessed according to Baillie Gifford's internal assessment framework. All figures are rounded, so any totals may not sum.

⁵ In some cases, portfolios with higher proportions of unlisted or smaller companies may contain more holdings assessed as 'lagging'. This may be due to the relative immaturity of these companies' disclosure and net zero alignment strategies, when compared to larger and more established companies.

⁶ This is a new category added to the framework during 2024, as such no history is available.

Science-Based Targets alignment among holdings

These metrics provide a view of portfolio holdings' net zero alignment targets, in addition to our own assessment in the tables above. The SBTi (Science Based Targets initiative) is the world's foremost certification body for corporate net zero targets. Companies with 'approved' targets are those whose net zero targets have been validated by the SBTi. Companies who have 'committed' are those who have submitted a commitment letter to SBTi and are in the process of setting targets or awaiting their validation.

	Portfolio			Benchmark		
	2022	2023	2024	2022	2023	2024
% of total AUM invested in companies with targets approved by Science-Based Targets initiative	35	48	56	55	61	67
% of total AUM invested in companies who have committed to set targets approved by the Science-Based Targets initiative (ie those who are in the process of setting targets or awaiting their validation)	16	15	0	19	15	10

Source: SBTi.

Low-carbon transition score

This metric shows the exposure of the portfolio to companies most positively aligned to an accelerating energy transition. The score provided by MSCI represents a multi-dimensional risk and opportunity assessment. The higher the score, the more positive the alignment. More details can be found on MSCI's Climate Data and Metrics webpages.

	Portfolio			Benchmark		
	2022	2023	2024	2022	2023	2024
% of total AUM with a top quartile score (7.5-10)	6	6	3	4	7	8
% of total AUM with a bottom quartile score (0-2.5)	0	0	0	0	0	1

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.

MSCI ESG Research	Certain information contained herein (the "Information") is sourced from/copyright of MSCI Inc., MSCI ESG Research LLC, or their affiliates ("MSCI"), or information providers (together the "MSCI Parties") and may have been used to calculate scores, signals, or other indicators. The Information is for internal use only and may not be reproduced or disseminated in whole or part without prior written permission. The Information may not be used for, nor does it constitute, an offer to buy or sell, or a promotion or recommendation of, any security, financial instrument or product, trading strategy, or index, nor should it be taken as an indication or guarantee of any future performance. Some funds may be based on or linked to MSCI indexes, and MSCI may be compensated based on the fund's assets under management or other measures. MSCI has established an information barrier between index research and certain Information. None of the Information in and of itself can be used to determine which securities to buy or sell or when to buy or sell them. The Information is provided "as is" and the user assumes the entire risk of any use it may make or permit to be made of the Information. No MSCI Party warrants or guarantees the originality, accuracy and/or completeness of the Information and each expressly disclaims all express or implied warranties. No MSCI Party shall have any liability for any errors or omissions in connection with any Information herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.
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