Stewardship Report
Year ended 31 December 2024

Long Term Global Growth

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Risk factors

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Potential for profit and loss.

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

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

All data contained in this report is to 31 December 2024, unless stated otherwise

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Introduction

Today's news suggests that we are living through a period of unprecedented turmoil and unrest. Headlines on tariffs, wars, inflation, interest rates, subsidies, regulation, and a cacophony of other events put the fear into stock markets.

Compounded to this, you have just lived through 2024, the warmest year ever recorded in human history. Our planet is now 1.5C warmer than pre-industrial times. That might of course be an aberration, so we should be wary of lazy extrapolation. Nevertheless, to put that temperature increase into context, signatories of the 2015 Paris Agreement aimed to contain the temperature rise to ideally 1.5C by the end of the century, i.e. 85 years after signing, and yet the planet has reached that figure within just 10 years. The big picture here is that Earth is now well on route to the extreme 3C warming it experienced during the Pliocene period three million years ago, a scenario which could in future see cities such as New York, Shanghai, Tokyo and London sit below sea level. At the same time, humanity is using natural resources around 1.7x faster than the planet's biocapacity can regenerate.

Meanwhile, shifting societal tides in several parts of the world are shaking the foundations of the post-World War II system of international institutions and co-operation among nation states. Many companies now face the fraught challenge of trying to adapt to these changing societal expectations while seeking to satisfy their customers, conserving their long-term business strategies, and ensuring operational resilience.

So far, so bleak. But if one zooms out from the daily newsflow and instead takes a 5 to 10-year perspective, it becomes clear we are also living in an age of wonderous progress and opportunities, whose pace and scope often goes unnoticed by news headlines.

Consider the following, for example:

- When LTGG made its initial investment in Amazon in 2004, bricks and mortar stores still dominated global retail consumption with a market share in excess of 98 per cent. In the subsequent 20 years, however, e-commerce penetration of global retail would grow 10-fold to a 20 per cent share (and still growing), unlocking an era of greater consumer convenience, lower prices, and more choice than could be imagined a generation ago.
- Since LTGG's inception in 2004, five different administrations in the US have resulted in ever-changing energy politics and the country joining, leaving, re-joining and again leaving the Paris Agreement. Nevertheless, Texas now has more utility-scale solar energy capacity than California, accounting for nearly a third of its energy grid capacity. At the global level, as solar energy costs have declined by roughly 90 percent over the past couple of decades, solar installations have risen by roughly 1,000x. Meanwhile, the cost of a lithium-ion battery pack has more than halved over the past decade. Against this backdrop, electric vehicles sales grew by around 25 per cent in 2024 – yes, that is slower than prior years, but it is still miles ahead of the 2 per cent growth experienced across the auto market as a whole. The energy revolution is well underway.
- One multi-decade shift that is now dominating headlines is the emergence of the AI era. For illustration, just one of NVIDIA's Blackwell B200 GPU chips, launched in early 2024, is more than 250 times more powerful than the world's most powerful supercomputer back in 2004. This is moreover just the beginning. Change is happening exponentially. No one in human history has ever experienced a revolution of such scale or speed.

Deep transitions such as the examples provided above are leviathan and exceptionally difficult to dislodge. Everything will be reshaped within the coming decades. For the few companies pioneering and/or disproportionately benefitting from such transformations, the potential payoffs for patient investors can be extreme.

So what does this all mean for how we think about stewardship in the context of your LTGG portfolio?

As a reminder, LTGG's aim has remained unchanged since the inception of the strategy over 20 years ago and it is singular. We seek to generate exceptional long-term returns for our clients by investing in a concentrated portfolio of what we consider to be the world's most compelling growth companies. By virtue of our long investment horizon of 5 to 10 years (some companies such as Amazon and Hermès have been held for more than 20 years!), we must consider which environmental, societal and governance factors – many of which may be irrelevant for short term investors – could materially enhance, or derail, our investment thesis for a company over time.

How might evolving societal expectations over the next decade affect consumers' appetite for the leather goods produced by Hermès? How might climate change affect the river basin in China upon which liquor company Kweichow Moutai's future growth is entirely dependent? How might new leadership at ASML affect its business opportunities following the recent departures of its co-presidents, one of whom had been at the company since its creation 40 years ago? What might greater unionisation initiatives mean for Rivian's and Amazon's business models over the next decade? To what extent could PDD do more to publish information about its corporate structure and supply chain, such that investor sentiment may be rekindled? And so on.

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You can group and label these sorts of issues however you like. Oftentimes they're referred to as ESG, responsible investing, or sustainability factors. You can build tools and industries around them, promote them, challenge them, politicise them, and/or replace them with some other name. For us, however, what matters is that we continue to consider and integrate such concepts into our analysis where we judge they may be material to the long-term returns for a company in which we invest on your behalf. Failure to do so would undermine our ability to deliver upon our single objective. It would be akin to ignoring other core aspects of the companies in which we invest, such as competitive advantage, management quality, capital allocation or valuation – all of which are of course essential to our fundamental company research.

Integration of such 'ESG' issues where they may be material is therefore not new for the LTGG strategy. The examples in the following pages date back through the 20-year history of LTGG. It has always been part of our investment process and always part of our stewardship on behalf of our clients.

Any determination of what is likely and unlikely to materially affect an investment case over a 5–10 year period cannot be based on tick-box approaches and rankings. Like all other aspects of an LTGG investment case for a company, we must be sensitive to the complexity and nuance, eschew over-simplifications, and avoid over-anchoring to the quantitative. Above all, we must continue to draw upon a mosaic of different sources of insight, both internal to Baillie Gifford and external, because we do not pretend to have all the answers ourselves and we do not believe that they reside within the narrow confines of the investment community.

We therefore continue to seek ways to improve in our role as long-term investors. We do this by developing our in-house expertise, harnessing the minds of academics and external experts, enhancing our toolsets, expanding our data feeds, and – crucially – striving to ensure we ask the right questions of the companies in which we invest on your behalf.

A reminder of our approach

Concepts of governance and sustainability are integrated into our 10 Question Stock Research Framework (see below), on both a pre-buy and post-buy basis. Such considerations are therefore researched on an equal footing with all other facets of the investment case, not as an afterthought. They may be relevant when answering any of the 10 Questions, but are typically directly relevant to **Questions 2, 4, 5 and 8**. In particular, Question 5 ensures we consider which societal issues may be most likely to enhance, or erode, our investment case.

Engagement is essential in developing our investment thesis for a company. It may take the form of fact-finding, monitoring, supporting or influencing. And it takes time. Our long-term investment horizon means we can afford to be patient and focus on the aspects which are potentially material over the next five to ten years or more, rather than be distracted by short-term news and noise.

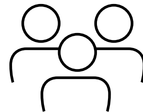
Voting is integral to our role as responsible stewards of our clients' capital. Where our clients have granted us voting discretion, we assess every resolution on a case-by-case basis.

Exceptional long-term opportunity	Q1.	Is there room to at least double sales over the next 5 years?
	Q2.	What happens over 10 years and beyond?
Visionary leadership and adaptability	Q3.	What is your competitive advantage?
	Q4.	Is your business culture clearly differentiated? Is it adaptable?
Loyal stakeholders and strong governance	Q5.	Why do your customers like you? What societal considerations are most likely to prove material to the long-term growth of the company?
Financial strength	Q6.	Are your returns worthwhile?
	Q7.	Will they rise or fall?
	Q8.	How do you deploy capital?
Extreme payoffs	Q9.	How could it be worth 5 times as much, or more?
	Q10.	Why doesn't the market realise this?

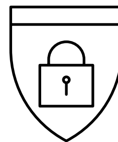
Influencing change?

We are frequently asked for evidence that our engagements have prompted change. We hesitate to make such a claim. We aren't activist investors and we believe that the few companies we invest in are very well run from the outset. We have no interest in dictating microscopic details of strategy or culture to company management teams. However, we can offer decades of experience gained across a range of businesses and geographies. We can make introductions between companies and to external experts. We can also bring our long-term perspective, which is often received as refreshing. And we can ensure companies have our support when appropriate, which has led several of our holdings to collaborate with us on their policies and disclosures.

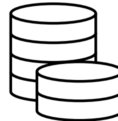
While we would refrain from drawing causal connections between our engagements and company outcomes, recent examples include:



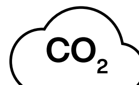
Sea Ltd has added three individuals to its board, two of whom are independent and appear to provide helpful skillsets for the company's core business areas. This is an issue on which we have been engaging with the company since 2023.



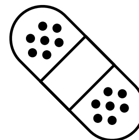
Tencent has been increasing its transparency and public disclosures on its approach to user data awareness and privacy. We have engaged the company on this issue since 2022.



Revisions to **ASML**'s remuneration policy in 2024 incorporate our prior feedback, in particular with respect to benchmarking.



Though **Coupang** hasn't yet disclosed its scope 1 and 2 emissions, the company sought our support and guidance in 2024. We expect to see published information in due course.



Amazon reported data in 2024 showing that its employee injury rate has dropped below industry average. We have been engaging on such disclosure with the company since 2016, highlighting the importance of long-term engagement.

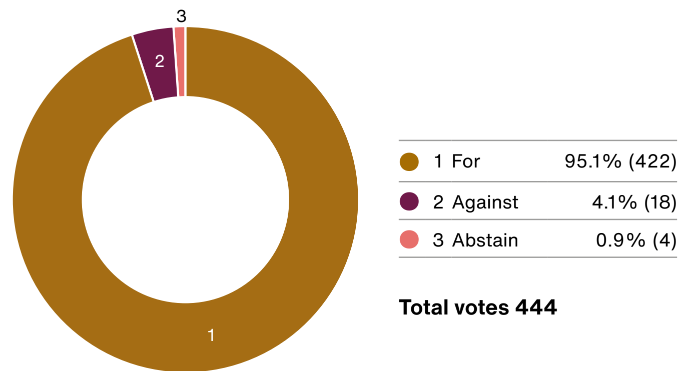
Proxy voting

Voting is integral to our role as responsible stewards of our clients' capital. Where our clients have granted us voting discretion, our voting analysis and decisions are driven by what we consider will promote the long-term prospects of the company, 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 on a case-by-case basis.

The fact we supported the majority of companies' AGM proposals in 2024 is consistent with previous years. This is unsurprising given the nature of the LTGG strategy. As a reminder, we set a very high bar for entry into the LTGG portfolio, whose concentration (typically 30-40 names) means there is significant competition for capital. By using our 10 Question Stock Research Framework to identify the very few companies in the world that we believe have the highest prospects of outlier returns, we would expect the majority of management proposals at their AGMs to be sensibly aligned with the long-term interests of shareholders and therefore warrant our support.

Proxy voting statistics

12 months to December 2024



1 For	95.1% (422)
2 Against	4.1% (18)
3 Abstain	0.9% (4)

Total votes 444

Source: Baillie Gifford. Based on a representative portfolio.
Figures may not sum due to rounding.

Notable proxy voting activity can be found in clients' quarterly reports. For further details about our approach, please see our proxy voting guidelines available **here**.

Climate

Engagements: We discussed climate-related factors with 21 LTGG holdings in 2024.

Emissions Disclosures: 83 percent of the portfolio holdings by number were reporting their scope 1 and 2 emissions by the end of 2024. This is slightly lower than the percentage at the end of 2023, due to changes in portfolio composition.

Net zero alignment: According to our assessment at the end of 2024, 30 percent of portfolio holdings by number were on an appropriate net zero pathway.

Note that we are presently undertaking a review of LTGG's climate-related commitments and expectations, which were first introduced in 2021. Further details can be found in **LTGG's 2024 TCFD report**.

Potential transition role	Lagging	Preparing	Leading
Solution innovator Key enabler of decarbonisation	Enphase Energy Joby Aviation	Tesla	CATL Rivian Automotive Inc Samsara
Potential accelerator Carbon light with a unique opportunity to significantly accelerate the transition	Horizon Robotics Inc	Nu Holdings	Atlassian Netflix Spotify Tencent
Potential influencer Carbon light with an opportunity to be part of the solution	Adyen NV, AppLovin, BeOne Medicines, Cloudflare, Datadog, Dexcom, e.l.f. Beauty, Intuitive Surgical, Roblox, Symbotic, The Trade Desk, Titan Co	Moderna Inc Shopify	BioNTech Workday
Potential evolver Environmetally challenged with opportunity to be part of the solution	Coupang Kweichow Moutai, Meituan, MercadoLibre, PDD Holdings, Sea Ltd	Advanced Micro Devices Inc, NVIDIA	Amazon, ASML, Hermès International, Moncler
Materially challenged Environmetally challenged with limited scope for adapting			

Assessment of net zero-aligned emissions reduction goal (direct and through influence)

Source: Baillie Gifford. Based on a representative portfolio. As at 31 December 2024.

Investment decisions

Given the concentrated nature of the LTGG portfolio and the low turnover associated with our long-term investment approach, there may typically be only few trading decisions in any specific period of time. Of these, ESG issues are just one facet of the 10 Question Stock Research Framework we use to examine companies, and therefore they are rarely the sole reason for our trading decisions.

With this in mind, the following are examples where such issues have been part of the mosaic of inputs we have considered prior to making an investment decision in recent times:

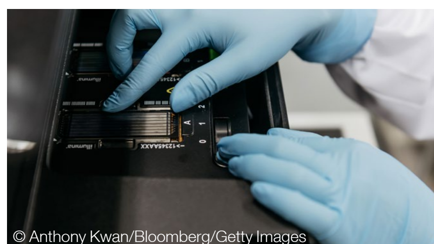
© Rivian

Rivian

Electric vehicles

Purchase

Noting Questions 2 and 5 of our 10 Question Framework, Rivian has a vast opportunity to displace historically emissions-intensive transportation. We believe it has a small but growing chance of becoming one of the iconic brands of the EV era. We made an initial investment in early 2024.



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Illumina

Genome sequencing

Sale

Management proceeded with a major acquisition without obtaining regulatory approval. The distraction of the ensuing regulatory challenges at a time when Illumina faced rising competition, led us to conclude that Illumina had become a poorly-run business. We made a complete sale in late 2023.

Sungrow

Solar energy

Avoided

The solar energy and storage systems offered by Sungrow are pivotal to the energy transition. However, following extensive due diligence, we had concerns about allegations of forced labour in Sungrow's supply chain in Xinjiang. This, together with other aspects of the business, led us to avoid investing when we examined the company in 2023.

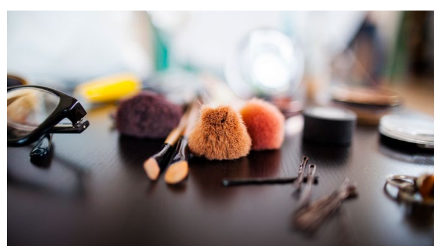
© NU

Nu Holdings

Fintech

Addition

We made a couple of additions to Nu Holdings in 2024, reflecting its impressive operational performance as it expands from Brazil to Mexico and Colombia. As a reminder, an important pillar of our investment thesis is that Nu offers a deeply attractive alternative to the high fees charged by the incumbent banking industry.



e.l.f. Beauty

Cosmetics

Purchase

e.l.f. is growing rapidly thanks to the rising popularity of its low-priced, cruelty-free cosmetics. These are essential aspects of its distinctive brand for its vast social media audience. We made an initial investment in 2024.

© Future Publishing/Getty Images

PDD

E-commerce

Reduction... and addition

We made a couple of reductions to PDD's position in mid-2024, partly reflecting uncertainty about its international business Temu. Having since undertaken further due diligence, however, and considering the company's impressive operational performance, we added to the holding in early 2025.

Company case studies

Transparency

We first invested in **PDD** in 2018. This Chinese social e-commerce platform has not only upended the Alibaba-JD.com e-commerce duopoly in China; it has also expanded into over 50 countries worldwide since launching its international business Temu in mid-2022. This rapid expansion has however attracted intense scrutiny in some markets. In the US, for instance, lawmakers have expressed their concerns about Temu's relatively weak disclosures, leading to questions about the veracity of its business model and financials, as well as its supply chain due diligence.

While we have been researching and engaging with PDD for several years, we decided to commission external analysis in 2024 to examine several aspects of the business. We believed that inviting such independent analysis could help to confirm and/or challenge facets of our investment thesis.

Specifically, we commissioned six reports:

- two reports examining PDD consumer perspectives (one consisting of an online survey of 1,200 users and the other consisting of in-depth interviews of 30 users);
- two reports examining merchant perspectives (each consisting of interviews with 20 merchants);
- one report which delved into the management of the company (drawing on interviews with 20 industry insiders and regulatory authorities);
- and one report into PDD's business model and financials produced by a forensic accounting firm.

Having discussed the conclusions of these external pieces of research in the LTGG team, our core investment thesis remains intact. PDD's success is attributed to its superior and asset-light business model and impressive operational execution. It is very highly regarded by consumers and merchants alike. Political connections were found to be minimal and unconnected with the company's success. Contrary to online rumours, we found no evidence to suggest that the company was under pressure to reduce its share price in order to keep its founder, Colin Huang, out of the public spotlight.

However, one potentially material issue identified by the forensic accounting firm pertains to PDD's Variable Interest Entity (VIE) structure. For context, we have long invested in Chinese companies with VIE structures without material concerns, such as Alibaba, Tencent and Meituan. Unusually, however, PDD generates the majority of its revenue and profit in its VIE. This matters because of unrecognised tax liabilities, weak protection for minority shareholders, and risk of deconsolidation. The unusual attributes of PDD's VIE can be explained by the rapid rise of Temu in recent years, which accounts for a growing portion of PDD's total revenues. Temu's cost base is mostly paid in RMB in China, but their revenues from overseas markets in foreign currencies fall straight into the VIE. We have decided to engage with and support the company in 2025 with a view to potential changes to its VIE structure that would benefit shareholders and also reduce regulatory risk.

© Symbotic

In 2024, we explored issues relating to public disclosures and reporting with a number of other LTGG holdings.

For instance, we met with the CFO of warehouse automation company **Symbotic** in order to discuss weaknesses in the company's financial reporting (relating to the timing of expense recognition and an issue relating to cost recognition across different contract types). While actions are being taken to address these issues, the CFO shared our view that the company's revenue and cost recognition is very complicated, and she acknowledged that more needs to be done in terms of building up the company's finance team. Based on our research and engagement, the balance of evidence suggests that the weaknesses in Symbotic's financial reporting result from the combination of complexity and immaturity of the business rather than any ill intent. That said, execution risks around Symbotic's financial controls have not yet receded and we will continue to monitor them closely.

We also met with **Rivian**, the US electric vehicle manufacturer following its independent auditor's assessment of a reasonable risk of misstatements made to the market in recent years. The auditor has attributed this to a lack of clarity around responsibilities and an insufficiently developed IT system. Rivian informed us that the reason for the weaknesses was Rivian's rapid expansion in manufacturing and workforce as it scaled production, occurring faster than internal controls could keep up. We learned that the company is now benefiting from the expertise of newly-appointed managers and directors who have manufacturing and public company experience. Our discussion provided reassurance that no misstatements were made, the issues identified by the auditor were being taken seriously by the management team and the audit committee, and solutions were being worked on. However, we informed Rivian that, based on some recent research, material weaknesses solved in haste are more likely to reoccur, so we urged the company to take time to fix any weaknesses properly. We will continue to monitor Rivian's progress on this front until such issues are addressed.

Human rights

Violation of human rights, in addition to the harm they cause to victims, can damage the reputation and value of companies. At a minimum, we believe all Baillie Gifford portfolio holdings should operate in accordance with the principles and standards set out in the United Nations Global Compact (UNGC). For LTGG, we examine whether human rights issues may have a material bearing on our long-term investment thesis in our research process for every stock. For several years, we have therefore been considering allegations of human rights violations in Xinjiang, China, and their potential materiality to our investment cases for Chinese and non-Chinese holdings.

We have been encouraged by steps taken by **Tencent** in response to our engagements in recent years on this front. For context, in October 2022, the ESG research provider Sustainalytics reclassified Tencent as being non-compliant with the second principle of the UN Global Compact that businesses should ensure they are not complicit in human rights abuses. Sustainalytics reported concerns including complicity in state censorship and surveillance of the Uyghur population in Xinjiang via Tencent's WeChat social messaging app. We promptly engaged with Sustainalytics to understand its concerns, and we have been engaging with Tencent on these issues on an ongoing basis. To enhance our analysis further and provide independent challenge and insight, we commissioned a study in 2023 by leading human rights theorist Professor Jack Donnelly at the University of Denver, which we complemented with additional insights from other external experts.

Encouragingly, Tencent has been increasing its transparency and public disclosures on its approach to user data awareness and privacy. We understand that the company has at times turned down government requests for user data, albeit further details such as frequency or examples could not be disclosed to us. Tencent also claims that it insists on receiving legal documentation, such as a court order, to evaluate the necessity of such data releases. On balance, our research and engagement has led us to conclude that Tencent is taking action to the greatest extent possible to ensure compliance with domestic legislation while also attempting to align with international norms. This approach appears consistent with the UN Guiding Principles for Business and Human Rights, which state that enterprises are expected to respect the principles of internationally-recognised human rights to the extent possible in the circumstances, and to demonstrate their efforts in this regard. Tencent has moreover become a signatory to the UN Global Compact.

More recently, we have discussed with Tencent various suggestions by Sustainalytics that could support the company's re-classification from 'non-compliant' to 'compliant'. These include disclosing a policy related to human and digital rights; human rights risk assessments for operations in sensitive jurisdictions; and transparency on requests from governments relating to content removal or user-related data.

Although Tencent is the sole LTGG holding to have been deemed by Sustainalytics to be non-compliant with the UN Global Compact principles, we have engaged with several companies on their approaches to human rights. In early 2024, for example, we wrote to **PDD** to improve disclosures of the steps it is taking, if any, relating to due diligence in its supply chain in China – this remains one of our ongoing engagement priorities.

Given allegations of forced labour and human rights violations in battery supply chains, we spoke with **Tesla**'s VP of Global Supply Chain Management in late 2023 to learn about the company's supply chain management strategy in China, who informed us of Tesla's proactive measures to bolster its supply chain team, insistence on international standards for direct suppliers outside China, and ongoing engagement with its Chinese supply chain partners. In recent years, Tesla has explored alternative suppliers to reduce reliance on high-risk regions by nearshoring critical mineral procurement and setting up refining operations in the US. In 2024, facing similar human rights allegations, we discussed the context of a possible US import ban list with **CATL** the Chinese battery company. CATL reiterated its position that it has no connection to forced labour or any violations of US law and regulations. It has moreover taken action by creating its battery passport initiative – part of a broader effort by the Global Battery Alliance (GBA) to promote transparency, sustainability, and traceability in the global battery industry. The battery passport allows for precise tracking of each battery's environmental and social footprint, from raw material sourcing to product recycling.

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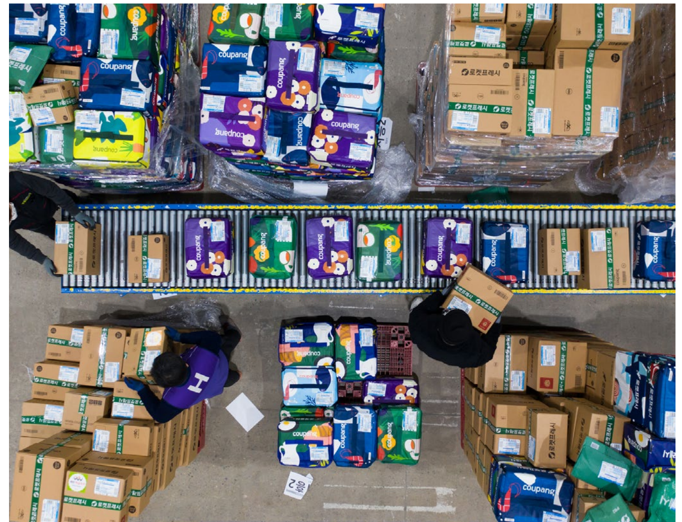
Labour rights and working conditions

In early 2024, the South Korean media alleged that a subsidiary of local ecommerce company **Coupang** had created a blacklist to prevent the rehiring of over 16,000 individuals from working at the company's fulfilment centres. The list included details about the work history of the former employees, the reasons for the reluctance to hire them, and crucially whether they were former or current unionised workers, whistleblowers, and media workers who had previously reported on labour and safety issues at Coupang. The breaking of the news led to a legal complaint against the company, brought by unions and civil rights groups, for violating the Labour Standards Act. Third-party ESG provider MSCI subsequently put Coupang onto its watchlist given concerns about the company's compliance with the UN Global Compact human rights principles.

Our engagement with Coupang revealed a very different perspective. Firstly, the maintenance of a list of former employees who have been dismissed for performance issues or inappropriate behaviour is standard industry practice in South Korea. Coupang stated that all those alleged to be on that list were determined to fit into that category. However, the list was seemingly leaked to the Korean Confederation of Trade Unions (two of whose former leaders were arrested on espionage charges stemming from receiving and following directives from North Korean officials) and then passed to media outlet MBC (which has recently been criticised for false reporting). Coupang alleges that MBC manipulated some of its data before publishing; Coupang has therefore taken legal action against the media outlet. Coupang has also filed a criminal complaint against the lawyer involved in the lawsuit against the company, who happens to be a former legal director for the Korean Confederation of Trade Unions. Meanwhile, the entire matter was investigated by the Korean Ministry of Labour, who found no adverse findings against Coupang.



© Coupang

We note that Coupang has low union representation, which the company views as a positive sign of employee satisfaction. But the company also acknowledges the challenges posed by union-driven media narratives, which often portray the company negatively.

Though we are encouraged by the findings from our engagement on this front, we note that improved Coupang disclosures could help to alleviate public pressure on the company's labour practices. Such disclosures could for instance include transparency around strategy changes pertaining to the hiring of employees, contractors and freelance workers, disclosure of safety data, and board oversight of employee and agency worker outcomes. We raised these suggestions in a discussion with the company in early 2025, and we will continue to engage.

Beyond Coupang, we have long engaged on aspects of labour rights and working conditions where we believe they may be material to our investment thesis for a company. Examples in recent years include our engagements with **Tesla** and **Amazon** to encourage greater transparency in their health and safety data, which both companies subsequently produced in their annual disclosures.

A group of food delivery couriers of Chinese online food delivery company Meituan Waimai ride electric bikes to deliver meals on a road in Kaifeng.
© Imaginechina Limited/Alamy Stock Photo

More recently, in 2024, we discussed these issues with **Rivian**'s head of labour and employee relations at an important inflection point for the company as it scales production of its expanding line-up of vehicles. We gained valuable prior experience engaging with Tesla on its working conditions during its production ramp-ups, though we are cognisant that for Rivian it has arguably been even more complicated as the company ramped production during a global pandemic and is now doing so amid global supply chain disruption. Rivian noted that it received only two Occupational Health and Safety Administration (OSHA) final citations in 2023 and no further ones by the time of our September 2024 engagement, suggesting evidence of improvement. The company's employee survey is also trending positively in terms of feedback on workplace safety. Despite adverse media reports in mid-2024 relating to worker injuries, our engagement with Rivian suggests to us that the company has made safety a top priority.

We have been following developments in China with regard to delivery rider welfare, a topic upon which we engaged with Chinese online delivery company **Meituan** as early as 2021. The company, along with other platforms, has been facing increasing pressure to make social security contributions for its riders. As the company has over 7 million riders, we noted this could have a material impact on Meituan's margins. At the time of writing, Meituan has just announced that it will contribute to social insurance for its full-time and part-time riders, effective from Q2 2025, though details (such as size of contributions, rider eligibility criteria, geographic coverage, type of social insurance, and where there is a gradual phase-in) are not yet clear. We believe it is most likely that the roll-out will take time and immediate impacts on Meituan's margins are likely to be small. The move is likely to strengthen the company's alignment with the long-term priorities of the Chinese state, while also making Meituan a more desirable place to work. We intend to engage with the company management team to learn more and assess the implications.

Executive remuneration

We believe that a thoughtful, well-structured remuneration policy focuses executives on long-term value creation and aligns their interests with shareholders. Executive remuneration is crucial for attracting, retaining, and incentivising key management personnel who lead the companies in which we invest.

At the **Tesla** AGM in 2024, we voted in favour of the ratification of the 2018 CEO performance-based stock option awards for CEO Elon Musk (echoing our original 2018 vote). As a reminder, the 2018 remuneration package, originally approved in 2018, was voided by a Delaware court in January 2024.

The targets identified back in 2018 were considered extremely stretching (if not improbable) at a time when the outcome for Tesla was far from certain. The award was moreover structured so that Musk would only be compensated if he delivered exceptional returns for shareholders. In line with Baillie Gifford's Executive Remuneration Principles (**see here**), we believe the quantum of remuneration should reflect management quality and long-term value created. While we acknowledged the deficiencies in the board's process highlighted by the Delaware judgement, we believed that an agreement struck between the majority of shareholders and the CEO should be honoured.

Though Tesla shareholders in 2024 voted in support of the 2018 remuneration package, the reinstatement did not automatically overturn the court's ruling. Tesla subsequently moved its incorporation from Delaware to Texas. At time of writing, the final resolution of Musk' compensation package remains uncertain, pending the outcome of legislative efforts and potential legal challenges.

Notwithstanding this matter, we have believed for some time that Tesla can continue to improve on its corporate governance. In a discussion with Tesla's chair Robyn Denholm following the AGM, she noted the results of the AGM and the extensive shareholder support for governance changes, which the board is considering. The board is looking for new directors to enhance independence, which we were encouraging of, and heard about the positive impact that its more recent appointees were having by mentoring Tesla's strong cohort of senior management which sits below the CEO. The other issue at hand for Tesla pertains to Elon Musk's bandwidth and focus given his broader political agenda, and associated implications with the Tesla brand. This issue grew as a concern in late 2024 and was one of the reasons for us making a complete sale of Tesla in early 2025.

Remuneration was also the focus of several other company engagements in 2024. For instance, we met with the CFO of surgical robotics company **Intuitive Surgical** ahead of its 2024 AGM to discuss our voting decisions at the previous year's AGM, including out abstention on executive pay. We discussed our concerns with the level of ambition of the relative total shareholder return targets within the long-term incentive plan. Based on this engagement, we decided to escalate our vote on pay from an abstention to a vote against. We hope in time that improvements will be made.

We were consulted by **ASML**'s remuneration committee on proposed changes to its policy, which encouragingly incorporate some of our prior feedback from previous interactions with the chair of the committee. In particular, we had encouraged ASML, when benchmarking executive remuneration, to use a list of peers more directly comparable to the company – an innovation leader in the semiconductor supply chain.

We discussed executive compensation with solar technology company **Enphase Energy** ahead of its AGM, expressing that we would like to see improvements to its long-term incentive plan, notably the introduction of operational metrics and longer performance period. As such, we abstained from the vote on this issue in the 2024 AGM and we will continue to monitor the issue.

We met with Forrest Li, the CEO of **Sea Ltd.**, seeking clarification that the company's employee remuneration is competitive. For context, the company implemented a cap on cash compensation of (only) US$ 30,000 for its top 7 executives, however this is an overhang from when salaries for these individuals were scrapped entirely to preserve cash during the period when Sea was not yet profitable; the majority of executives' compensation is in stock options.

We reiterated our concerns to several board members at **The Trade Desk** regarding the mega option grant awarded to Jeff Green in October 2021, which we voted against for those clients who have granted us voting discretion. We outlined concerns over the compensation committee's decision to grant Green an additional $25 million in options and restricted stock units in April 2023 despite expectations that the 2021 grant would be his sole equity award for its 10-year vesting period. We also discussed the company's significant use of stock-based compensation, reminding the board to be mindful that the company's shareholders bear these costs and we encouraged greater discipline in future.

We voiced similar concerns to the CEO and CFO of enterprise software company **Workday** regarding its significant use of stock-based compensation, which they agreed to relay to their board.

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Environment

As a reminder, we believe that companies that fail to effectively manage the risks and opportunities posed by climate change and the transition to a low carbon economy are likely to be at a competitive disadvantage over the long term. We therefore believe that consideration of climate-related factors and competitive positioning are inherently aligned to our investment process.

In 2024, we held two climate-related engagements with online payments company **Adyen**. The discussions focussed on the company's emissions reduction target-setting, in which we walked the CFO and sustainability team through our LTGG investment approach. The company has rolled back its trial initiative to engage customers on offsetting emissions at the point of payment, due to little customer demand. However, we believe Adyen is taking a thoughtful approach and we expect it will issue emissions targets soon.

Coupang sought our support and guidance in its efforts to disclose its scope 1 and 2 emissions. This is potentially material to the company, given that Seoul ranks among the worst cities globally for air pollution, and as a US-listed company Coupang must adhere to SEC requirements to disclose scope 1 and 2 emissions. We advised the company against setting targets until it has a clearer understanding of its carbon footprint.

During our discussion with **Intuitive Surgical**'s head of ESG, we noted its expanded disclosures to include emissions reduction and avoidance measures. As a reminder, Intuitive's robotic surgery reduces the number of days a surgical patient stays in hospital, and results in lower re-admissions and complications. We were reassured to hear about the carbon inventory across the business, whereby every unit and manufacturing site knows where it fits within the company's climate approach.

In early 2024, we engaged with **NVIDIA**'s senior director of corporate sustainability to understand the company's approach relating to emissions disclosures. We also discussed views on the implications of increased AI usage. We believe NVIDIA's upstream scope 3 ambitions are not stretching, given that many of the company's largest suppliers have already set targets. The company has also acknowledged that physical climate risk is a material concern to its supply chain.

We engaged **PDD** in early 2024 recognising the fact that the company does not make emissions disclosures, nor does it set any emissions-related targets. Without such disclosures from the company, it is difficult to assess the extent to which PDD is managing or mitigating any related impacts – particularly from its scope 3 emissions relating to its supply chain and logistics which we suspect will be significant. We would also expect such disclosures and targets to demonstrate PDD's alignment with China's 2030 and 2060 targets. We have shared our expectations with the company and since learned that it is working to report its emissions in line with regulatory requirements. We continue to monitor and engage.

Twenty years of LTGG stewardship

The examples in the following pages date back through the 20-year history of LTGG. Integration of such issues, where material, has always been part of our investment process and always part of our stewardship on behalf of our clients.

2005

September 2005

ABB – Human Rights

We spoke to VP and a member of the group executive committee of **ABB**, the multinational electrical engineering company, about its operations in Sudan. Concerns about human rights and civil conflict meant that the region was politically very sensitive for companies operating there. We learned that ABB was taking measures to manage its activities and impacts carefully. This included participation in several international initiatives, including the British Leaders Initiative on Human Rights, the UN, and Amnesty International, to ensure that ABB's business activities comply with best practice. In a letter to us, the company offered further meetings and dialogue on this issue.

Postscript: Our engagements on this topic continued in subsequent years. In 2010, for example, we learned that the company was still honouring a couple of outstanding contracts in Sudan, but had otherwise suspended any new business in the region since January 2007 based partly or wholly on human rights considerations. We eventually sold ABB from the portfolio in 2012 for unrelated reasons pertaining to business strategy and mounting international competition. Nonetheless, our experience engaging with the company on human rights issues helped to inform our subsequent engagements on human rights with other companies, such as Amazon, Tencent, Tesla and others, whereby we examined the attitudes, policies and actions taken by these companies.

2006

March 2006

Vale – Disclosures

We met with **Vale**, the Brazilian mining and transport company, to discuss the company's environmental and social policies and management systems. The company's annual report failed to disclose its policies and offered very little discussion about its social or environmental performance so we were keen to explore this area in more detail. In our meeting, we learned that the company was developing an integrated system including health, safety and environmental issues which would be implemented throughout its global operations and pave the way for improved sustainability reporting.

Postscript: Subsequent engagements with Vale addressed improvements to its sustainability reporting in line with international guidelines, worker unrest following an acquisition of a Canadian competitor, and biodiversity concerns relating to its investment in a palm oil company in the Amazon rainforest. We eventually sold Vale from the portfolio in 2013, nearly a decade since our initial purchase, because of the slowdown in demand for iron ore and other minerals as China transitioned to a less steel-intensive growth trajectory. During our holding period, Vale's share price more than quadrupled. By end December 2024, Vale remains one of the top five contributors to LTGG composite performance since the inception of the strategy.

2007

March 2007

Microsoft – Politics/regulation

We met with **Microsoft**'s Director of Corporate Citizenship amid civil society concerns about the company's presence in China. Several NGOs had called on the company to withdraw from the country given restrictions to freedom of expression. We discussed the company's newly introduced policies and procedures for dealing with requests from Chinese authorities to remove articles or blogs.

Postscript: We sold Microsoft from the portfolio later that year after three years of ownership, but for reasons unrelated to its China operations. We believed that the company had grown too large and bureaucratic to cope with the looming threats of open source software. Though the share price remained largely flat for the subsequent six or seven years, the company underwent a turnaround in 2014 under new management that then led its share price to grow by approximately 12-fold over the next decade. Microsoft remains one of our most significant missed opportunities. Nonetheless, our engagement was helpful to our thinking about other companies with operations in China, including Tencent which has faced several requests from Chinese authorities to share user data (further details are provided earlier in this report).

2008

September 2008

Petrobras – Governance

As one of the world's largest companies at the time, we expected Brazilian oil company **Petrobras** to have comprehensive systems in place to manage its wide range of social and environmental impacts. We were encouraged by our meetings with the company that it was indeed taking proactive actions on this front. For example, Petrobras compared its environmental approach and performance to large UK and US oil and gas companies, not emerging market peers, in order to hold itself to a higher standard than might otherwise be expected – and this approach helped to underpin strong share price performance. We believed that, overall, Petrobras appeared well governed but as always with a company of this nature, there were other emergent areas for improvement. We expressed that we continued to have concerns regarding the health and safety of contractors working for Petrobras and we encouraged the company to tackle this more vigorously. We also explored steps taken at the board-level to evaluate performance and focus on succession planning and we were encouraged by the steps taken by the company on that front.

Postscript: Petrobras' strong environmental record relative to Western peers continued in the years that followed. Between 2008 to 2010, Petrobras was the largest holding in the LTGG portfolio. By 2010, however, we started to grow concerned about the new government in Brazil. Our stock discussion in early 2011 mused that domestic politics may start to dominate over shareholder returns. We started to reduce the holding size before making a complete sale later that year. Despite being an ostensibly 'good' company in terms of its sustainability disclosures and processes, our decision to sell proved prescient: Petrobras later became embroiled in Operation Car Wash, the landmark 2014 anti-corruption probe in Brazil that focussed on the Brazilian federal government. During our holding period, Petrobras experienced a five-fold share price return and remains one of the top contributors to LTGG composite performance since 2004.

2009

September 2009

Vestas – Politics/Regulation

We requested a meeting with the management of **Vestas**, the wind energy company, following a sit-in by employees in response to the company's plans to close its factory on the Isle of Wight (spelling the loss of over 600 jobs). The Danish company had not considered the implications of different national employment legislation and underestimated the length of consultation and negotiations, as well as the tone of discussions, with the Isle of Wight employees. While it appeared that Vestas had learned from this experience, we noted that its operations in the US and China would likely present additional challenges.

Postscript: In the years that followed, we grew increasingly concerned about our limited access to the Vestas management team during a period of significant headwinds facing the business. This, coupled with the threat of fierce Chinese competition, led us to sell the holding in 2011. During our 5-year holding period, the share price depreciated by over 75 per cent. Since our sale, the share price has been volatile but in aggregate very strong. We revisited Vestas in 2023 in order to consider whether we should repurchase the stock but we were unable to muster sufficient conviction in the competitive advantage and the attractiveness of the returns structure in this tough industry.

2010

June 2010

First Solar – Remuneration

We expressed concerns to **First Solar** about the sign-on awards made to the recently appointed CEO. Whilst supportive of the appointment and the board as a whole, we believed that the award was not in the interests of long-term shareholders as a significant portion of it vested immediately upon appointment. We explained to the company that we would have preferred the remuneration committee to have linked a greater proportion of the options and shares to vest over a longer period and with performance criteria attached.

Postscript: Signs of short-termism in the management team remained evident in the months and years that followed. During a call with the CFO in 2011, we asserted that the degree of founder emotional investment and 'skin in the game' in businesses such as Apple and Amazon beyond any financial return were sorely lacking at First Solar (the CFO agreed). We sold the holding in 2012, five years after our initial investment, in large part due to ongoing concerns about management churn, strategic direction, and intense competition. The share price depreciated by nearly 90 per cent during our holding period. Despite the company's strong environmental mission, our investment case was materially undermined by governance and other factors.

2011

June 2011

VCA Antech – Remuneration

We opposed two resolutions at the AGM of **VCA Antech**, the operator of animal hospitals and veterinary diagnostic laboratories in the US. The resolutions were to amend the executive incentive bonus plan and to ratify named executive officers' compensation. The main reason for our decision was that there was zero connection between executive pay and company performance. Moreover, in recent years, senior management was rewarded with cash bonuses instead of shares in the company, which suggested a lack of alignment between their long-term interests and those of shareholders. Meanwhile, management – including the founder – reduced their shareholdings.

Postscript: With read-across from the governance shortcomings at First Solar, we sold VCA later in 2011 after having first invested in 2005. Our increasing unease over the misalignment between management remuneration and the interests of our clients, together with intensifying competition, led us to this decision. The company was later acquired by Mars Petcare in 2017.

2012

September 2012

New Oriental – Integrity

Further to news that **New Oriental**, the Chinese education provider, was being investigated by the SEC, and following accusations by short selling firm Muddy Waters of accounting manipulation, we met with the CEO and CFO of New Oriental and we also spoke with Muddy Waters. It appeared the prompt for the SEC investigation was corporate restructuring, which the management team believed to be in the interests of shareholders. The CEO and CFO also strongly rebutted the points raised by Muddy Waters. We determined we would await the outcome of the SEC investigation and continue to engage with the company.

Postscript: The SEC's investigation concluded in 2014 without any enforcement action. New Oriental also successfully defended itself against Muddy Waters' accusations by providing a detailed response refuting the claims. This case is often cited as an example of a Chinese company that effectively rebutted short-seller accusations while maintain its listing and reputation. The share price more than doubled during our holding period between 2009 and 2015. We sold the holding largely due to intensifying competition and slowing growth rates. Holding New Oriental during intense short-selling pressure was a valuable experience ahead of investing in Tesla in 2013, which on occasions throughout our holding period was the most shorted stock in the US.

2013

May 2013

Inditex – Supply chain

We intensified our scrutiny of Spanish clothing retailer **Inditex**'s supply chain policies and management following the Rana Plaza disaster a few weeks beforehand, when a textile factory in Bangladesh collapsed causing thousands of fatalities and injuries, Although the disaster did not relate to Inditex or its supply chain, we met with members of the management team at our Edinburgh office and explored whether Inditex could enhance its supply chain disclosures.

Postscript: Our engagement on this issue continued in the following months and years. Inditex was among the more than 200 brands and retailers that created the Accord for Fire and Building Safety in Bangladesh and took steps to improve safety conditions in the country's garment industry. We gained confidence that Inditex's vertically integrated supply chain incorporated all relevant controls, audit procedures, and improvement plans. In the years that followed, however, we grew increasingly concerned that the inherent environmental unsustainability of Inditex's fast fashion model would likely become more of a headwind to its growth. The company's attempts to adapt to these environmental challenges – though admirable – were fundamentally constrained. This was one of the reasons that led us to make a complete sale of the holding in 2020. The share price more than doubled during our 10-year holding period.

2014

December 2014

Splunk – Governance

We abstained on a resolution pertaining to executives' compensation at the 2014 AGM of **Splunk**, the big data software company. This followed the award of special equity awards to the CEO. The resolution failed to receive majority support but we were still keen to engage with the company on this issue and Splunk reached out to us to explain the steps it put in place subsequent to the resolution. Consistent with our recommendations, Splunk's Compensation Committee introduced performance-based equity awards, new stock ownership guidelines for executives and improved disclosure levels. It also adopted a clawback policy for variable pay and a majority voting standard for director elections. These measures were aimed at improving board and management accountability. Furthermore, the CEO forfeited the unvested portion of his equity incentives following the vote. This was extremely rare and demonstrated a commitment to respect for shareholder concerns.

Postscript: During a later visit to Splunk's headquarters in San Jose in 2017, we grew concerned about what we perceived to be an erosion in the company's culture. By then, its co-founders had left the company, as had the CEO who took the company public. We also detected that a significant portion of Splunk's original employees seemed increasingly dispassionate about working there. Such cultural question marks were surfacing at a time when Splunk was facing mounting competition, raising concerns for our investment thesis. We subsequently sold the holding after four years in the portfolio. It was later acquired by Cisco Systems in 2024.

2015

June 2015

Netflix – Governance

We engaged with **Netflix** ahead of its AGM in order to discuss a proposed increase in authorised share capital to accommodate a stock split. We also discussed three shareholder proposals to introduce proxy access, to adopt a simple majority voting standard, and to declassify the board. The board had previously decided not to implement such governance changes despite majority support for shareholder resolutions, considering them to be inappropriate. We also explored the unique pay practices which had been designed to support the company's culture and promote exceptional performance.

Postscript: Our multiple engagements with Netflix management over the years have underlined the fact that uncommon corporate structures and behaviours can sometimes support the success of outlier growth companies. Though Netflix has recognised that, as the business matures, its governance practices must evolve to remain appropriate, the board has been instrumental in maintaining policies and provisions for extended periods of time that are not considered 'best practice'. They believe that such measures have protected the business from short-term market pressures. We have been supportive of Netflix's approach to corporate governance throughout our holding period, during which the share price has appreciated over 14-fold.

2016

October 2016

Amazon – Working conditions

Having engaged with **Amazon** on several issues throughout our holding period since 2004, we met with the company again to discuss corporate culture, data privacy, taxation, and working conditions in its distribution centres. Amazon's rapid expansion had resulted in 'growing pains' for corporate culture. The company informed us that 70% of its managers had been recruited in just the previous two years and knowledge of 'the Amazon way' had been somewhat diluted as a result. We nevertheless encouraged the company to publish more details about its work to address labour issues and other sustainability challenges.

Postscript: We continued to prioritise such engagement topics in our subsequent interactions with Amazon. In 2019, for example, we discussed plans for its forthcoming sustainability report and requested that it improve its disclosures on working conditions and pay rates. Later in the same year, Amazon raised the minimum wage for US workers and we visited one of Amazon's distribution centres. We continued to seek more granular health and safety data. Such issues became particularly pertinent during growing demands for unionisation at some Amazon fulfilment centres. By 2022, following years of engagement, we were encouraged that the company published data showing improvements in reducing its employee injury rate over time – dropping below industry average by 2024. Meanwhile, we have also been engaging on Amazon's climate ambitions, as reported in our previous LTGG Stewardship Report. Throughout our holding period, Amazon's share price has appreciated over 108-fold to end December 2024.

2017

September 2017

Tesla – Working conditions

We met with **Tesla**'s head of environment, health and safety (EHS) at the company's Fremont factory to develop our understanding of the company's policies and practices. This was her first meeting with shareholders. She explained the various measures being taken by the company to enhance its policies and practices to make Fremont the safest car factory in the world. We learned that the company maintained a good relationship with the regulator, which recently completed a detailed review of its injury reporting framework and concluded that Tesla's procedures were appropriate.

Postscript: Tesla's efforts on this front led its global work-related injury rate to decrease significantly in subsequent years. By 2023, Tesla's Impact Report notes that the rate was less than half the industry average. Our experience of engaging on this issue also provided us with helpful reference when similar safety concerns arose at Rivian, in which we invested in early 2024. Beyond safety issues, we chose to engage on a range of issues with Tesla since first investing in 2013, including supply chain due diligence, allegations of worker discrimination, climate-related physical risks, corporate governance, and disclosures. While the company and Elon Musk were frequently the source of controversy during our holding period since 2013, at times severely testing our hold discipline, this was an exceptionally successful investment for our clients delivering a return in excess of 78x prior to the holding's sale in early 2025.

2018

November 2018

Kering – Remuneration

Kering representatives visited us in Edinburgh as part of the company's first roadshow dedicated to governance and sustainability. They sought feedback from us on previous shareholder meeting agenda items ahead of the 2019 AGM. For context, we had previously withheld support on remuneration at Kering AGMs primarily because of concerns regarding the stringency of the remuneration policy. Two years prior, the company moved from a long-term incentive plan based on one metric to a plan based on three – with a requirement to achieve positive progression on one of those three metrics. A key reason for this change was that the company had not met the target attached to the original sole metric, meaning executives would receive very limited awards. The company agreed that improvements on stringency could be made. We learned that the board was reflecting on improvements to the policy with the aim of bringing them to shareholders for approval at the 2019 AGM.

Postscript: Subsequent to our engagement and voting activity, Kering increased the target stringency in its long-term incentive plan for senior management, including the ESG-related components. This included a metric on the conversion of land linked to Kering's supply chain to more sustainable agricultural practices. While Kering continues to demonstrate leadership among its peers on sustainability issues, our investment thesis became materially challenged in the latter years given the growth headwinds facing its largest brand, Gucci, and the impending retirement of its Chairman and CEO. We therefore sold the holding in 2024 after a 16-year holding period, during which its share price increased 4-fold. The company remains among the top contributors to LTGG composite performance since the inception of the strategy.

2019

February 2019

Meta – Content moderation

We discussed regulatory pressure and public sentiment as part of a broader conversation with Facebook (now **Meta**) CEO Mark Zuckerberg and the VP of Global Policy Management. Our overall impression from our conversation was that Facebook was finally grasping issues around content and privacy. The company recognised that no single set of rules could determine which content would be acceptable and which would not, so a degree of human interpretation would be necessary (hence Facebook's 20,000 content moderators at that time). Moreover, relationships with regulators appeared increasingly advanced, open and collaborative with regard to content and issues such as terrorism. Facebook was adopting a policy of radical transparency in addressing the challenges, by publishing its rules, reporting on what was removed, and providing metrics on how offensive content was identified.

Postscript: We continued to engage on such issues with various members of Facebook management in the years that followed. Despite continued public and regulatory scrutiny relating to content moderation on the platform, including market concerns about a potential exodus of users and advertisers, the business continued to deliver robust operational performance and the exodus never materialised. The reason we eventually sold in 2022 stemmed primarily from the multiple headwinds facing its core advertising business, notably the introduction of Apple's app tracking transparency (ATT) which we posited would introduce significantly more friction to Meta's growth. During our ten-year holding period, Meta delivered a three-fold return. However, the share price has continued to deliver as Meta has proven its ability to adapt to ATT, leading us to reflect on our reasons for selling out too soon in hindsight.

2020

March 2020

PDD – Culture

Following a number of discussions with the senior management team over the years, we met with the VP of Strategy at Pinduoduo (now **PDD**) in order to deepen our understanding of the company's adaptability in the face of significant domestic competition to the business model of this radical ecommerce operator. In his words, PDD has 'grown up in the shadow of a giant' (referring to Alibaba). Through gamification, just-in-time manufacturing and expansion into agricultural produce, PDD was exploring many avenues for future growth at the time of our engagement. We believed that this adaptability and dynamism was partly thanks to the company's differentiated culture. It was striking to us that the company's 6,000 employees had an average age of just 26. Despite significant workforce growth, the company remained nimble, with a flat corporate structure that promoted an entrepreneurial culture.

Postscript: The adaptability we sensed during our 2020 meeting was demonstrated again when, in mid-2022, PDD launched its international business Temu, which went on to grow rapaciously and is now present in over 50 countries worldwide. Temu became the most downloaded app in the US in both 2023 and 2024. However, Temu's expansion has attracted the scrutiny of policymakers in the US and elsewhere who are concerned about possible cases of forced labour in the company's supply chain in China as well as PDD's general lack of transparency. We have been engaging on these issues; read more later in this report.

2021

June 2021

NVIDIA – Climate

We met with members of **NVIDIA**'s senior management to explore the company's climate aspirations and commitments. The participation of NVIDIA's CFO in our meeting highlighted the importance of environmental considerations to the company. They emphasised that the overriding aim of NVIDIA's climate approach is to improve the energy efficiency of its GPUs and data centres. One of the key questions for NVIDIA was whether it could access enough 'green' components over the next decade to satisfy the demands of its increasingly climate-aware customer base and whether this could become a point of competitive edge and/or premium pricing. Management were keen to increase reporting coverage of its value chain emissions, with expansion across upstream manufacturing and downstream product use/disposal.

Postscript: NVIDIA continues to highlight that its chips are increasingly energy efficient. However, such advances must be considered in the context of increasing demand (Jevon's paradox). Moreover, the company has recently acknowledged that physical climate risk is a material concern to its business. This is because Nvidia has operations and third-party manufacturing locations in regions that are increasingly vulnerable to extreme weather events. We continue to fact-find and monitor this issue. Baillie Gifford's Climate Team meanwhile continues to work with external experts to examine the climate implications of continued expansion of AI.

2022

May 2022

Adyen – Culture

We spent time with the founder CEO Pieter van der Does and several members of senior management at **Adyen**, the international payment processing company. When we asked van der Does what was preoccupying him at the time, it was revealing that he immediately jumped into the topic of Adyen's culture. He has been consistent on this topic over the years of our relationship. While many companies scale quickly by hiring many good but not many great employees, van der Does has concerns about creeping mediocrity, hence the requirement for every new hire at Adyen to be interviewed by a member of the senior management board. Adyen accepts that this means that scaling the workforce takes more time – the trade-off is worth it.

Postscript: Less than a year later, Adyen suffered a significant share price drawdown after the company reported a tempering of growth and continued countercyclical investment compressed margins. Thanks to our prior engagements with the company relating to Adyen's distinctly long-term management approach, we were unsurprised by Adyen's continued opportunistic hiring during a period of relatively slower growth to further strengthen its competitive position. Given the extreme market reaction to the news, the management team sought our feedback on how to improve their market communications. We advocated the company provide more directional guidance around material near-term developments, but without boxing itself in to short-term key performance indicators. Our advice was subsequently taken on board, demonstrated in part by Adyen changing the cadence of its communications from biannual to quarterly in the aftermath of the share price drawdown.

2023

March 2023

Sea Ltd – Board composition

Having identified board composition as an area for potential improvement at **Sea Ltd**, the southeast Asian consumer internet company, we spoke directly about this topic with the founder CEO Forrest Li. We outlined our belief that the board lacked independence and that the non-executive cohort did not have sufficient expertise in Sea's core business segments. If unaddressed, this has the potential to limit the board's ability to oversee management and provide constructive input to strategic decisions. Li acknowledged that the board was too small and confirmed that recruitment was ongoing.

Postscript: Sea has since added three individuals to the board, two of whom are independent and they appear to provide helpful skillsets for the company's core business areas. We believe there may be further changes to come, as Li had previously indicated his desire to expand the board to include 9 directors (there are currently 7 at time of writing).

2024

February 2024

CATL – Politics/regulation

Following moves by US lawmakers to add **CATL**, the Chinese battery manufacturer, to an import ban list on the basis of forced labour allegations in its supply chain, we engaged with the company to discuss its approach. CATL reiterated to us that there is no connection to forced labour or any violations of US law and regulations. The situation underscored the complexities businesses face when navigating geopolitical tensions, especially where supply chains are international and subject to regulatory scrutiny.

Postscript: CATL was later added to the US Chinese Military Company (CMC) list. The company asserted that its internal analysis showed that CATL's inclusion on the CMC list has had no material effect on its operations. CATL is moreover optimistic about being removed from the CMC list. The confidence comes from a robust supply chain management system which ensures compliance and safety with traceability mechanisms. It is also diversifying its raw material suppliers to mitigate geopolitical risks, including investments in mining operations. Nonetheless, as the probability of our upside thesis for the company depends in part on favourable access to the US market, we trimmed our holding in late 2024. This appears prescient given the April 2025 announcement of substantially increased US tariffs on Chinese imports.

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Conclusion

This report has illustrated our longstanding approach to stewardship by drawing on examples throughout over 20 years of LTGG history. As highlighted at the outset, consideration of issues that may be material to our investment thesis for a company over our 5 to 10-year investment horizon are embedded in our LTGG investment process. We do this not for altruistic reasons and not because it is a 'nice-to-have'. We do it first-and-foremost because it is essential to fulfilling the single objective that our clients have entrusted us to do: deliver exceptional long-term returns for their LTGG portfolios.

As mentioned in the preface to this report, we do not pretend to have all the answers. We are forever seeking to challenge our contentions and uncover new insights. So in the same way that we can have candid conversations with company management teams thanks to our longstanding investments, we always welcome similar candour in our longstanding client relationships. Please therefore keep asking questions of us and your other investment managers. Highlight to us what you believe we are doing well. Challenge us on what you believe we can improve upon.

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