

# Sustainable Growth

## Net Zero Alignment Commitment

February 2023

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We are committed to investing in a way that is aligned with a scenario which limits global temperature increases to 1.5C.

We believe the most important contribution here will be made by the companies in which we invest implementing plans to align their business with a 1.5C scenario, including investing in and supporting climate solutions. Encouraging our holdings to be ambitious in this regard is likely to be where we can have the greatest influence. We also believe that we should focus our influence on those companies that are likely to have the biggest impact on the climate.

We, therefore, commit that:

- By 2030, over 90 per cent of our climate-material holdings (see note 1) will be aligned with a 1.5C/net zero 2050 scenario. By 2040 all portfolio companies will be so aligned. New buys will have an extra two years to meet the commitment.
- Between now and 2030, on an annual basis, we will audit the portfolio and report to clients on:
  - a. The progress of our holdings in aligning with a 1.5C scenario
  - b. Our climate-related engagement with portfolio holdings.

We expect Sustainable Growth's financed emissions to decline over rolling five-year periods, thanks to the progress made by portfolio holdings. If this is not the case, we will explain why this is consistent with our commitment to investing in a way that is aligned with a 1.5C scenario.

As a reminder, the portfolio excludes companies deriving more than 10 per cent of their revenues from fossil fuel extraction and production.

Alignment will be assessed on a company-by-company basis paying due attention to the realities of specific industries and regions. We accept that overall global progress, and thus the pace of underlying company alignment, remains subject to effective policy support.

Given the flexible nature of the portfolio guidelines and the inherent subjectivity of investment analysis and decision making, there can be no assurance that this process will result either in superior investment returns, or in a positive outcome for the environment or society.

### Notes

1. We define 'climate-material holdings' as those that account for 90 per cent of the portfolio's financed emissions. We also include any holdings in the world's largest 25 companies (by value) as being 'climate-material', as they have a systemic influence on supply chains, customers and broader society. Making this materiality distinction will help focus our engagement efforts on those companies where alignment will make the biggest difference.

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**This document applies to the following vehicles:**

Baillie Gifford Worldwide Global Stewardship Fund

Baillie Gifford Sustainable Growth Fund

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