



**Baillie Gifford & Co**  
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29 January 2020

Dear Extinction Rebellion,

Thank you for your letter dated 14<sup>th</sup> January where you expressed the view that it is unacceptable to society that we profit by investing in businesses that threaten the future of the planet, singling out our investment, made on behalf of a small number of our clients, in Royal Dutch Shell.

Although we would rather not be the subject of the direct action that accompanied your letter, we are sympathetic to your concerns. We agree that the global economy needs to transition away from carbon and that the fund management industry has an important role to play in this process through engagement, voting and capital allocation.

Whilst a very small number of our clients have asked us to exclude oil & gas companies from their portfolios, the significant majority have not. For this majority we do therefore assess potential oil & gas investments. That said, our long-term growth focus has naturally skewed our portfolios away from oil & gas companies and led to substantial investments in companies that are helping the transition to a low-carbon economy. Examples include: Tesla (electric cars and renewable energy); Umicore (battery technology); and Ørsted (formerly a Danish oil company that has transitioned almost entirely to renewables). To give a sense of the scale of this skew in our portfolios, our clients currently have more money invested in Tesla alone, than they have in the entire oil & gas sector. The direction of travel is also important: in 2002 Baillie Gifford invested 6.9% of client assets in oil and gas companies, in 2012 this was 3.8%, and at the end of 2019 it was 1.3%.

Furthermore, we have been vocal and often lonely supporters of companies such as Tesla that are critical to the energy transition process. Where we do invest client monies in oil & gas companies, we try to use our influence as shareholders positively, regularly engaging with management and company boards to discuss transition strategies for lower carbon outcomes.

Sadly, we do not yet live in a society in which we can reduce fossil fuel usage to zero without incurring substantial problems, and virtually everyone has a carbon footprint. We are therefore working closely with a number of external experts and working groups<sup>1</sup> to help us to evaluate the necessary transitions that need to take place in the coming years.

One way of mitigating the impacts in the short term is to use carbon offsetting, which Baillie Gifford does doubly. We offset 100% of our emissions through an overseas reforestation programme and another 100% of our emissions by backing local woodland and peatland projects here in Scotland. However, we recognise that offsetting is not a panacea and we know that it is better to not produce carbon emissions than to offset them, so we continue to work towards that end. We have a target of reducing our carbon footprint per employee by 50% in the next 5 years and we are putting in place detailed plans to try to achieve this.

Baillie Gifford has a strong sense of social and environmental responsibility. We support a large number of local environmental projects and we are assisting with the establishment of a pledge which would see businesses across Scotland looking to materially reduce their emissions. It is sad that you picked out one element of what we do to characterise us negatively, and indeed that you targeted our firm when we are trying harder than most to bring about change for the better. It is our obligation, as it is everyone's, to keep improving and we are committed to doing so.

Yours sincerely,



Andrew Telfer  
Joint Senior Partner



Charles Plowden  
Joint Senior Partner

For information, please find attached our 'Stewardship Principles' which we use to guide our investment behaviours and in particular the last one on 'Sustainable Business Practices'. You will also find attached our own Environmental Policy.

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<sup>1</sup> Examples include the Global Ethical Finance Initiative, The Carbon Disclosure Project, Focusing Capital on the Long Term, CLT Global and the UK Sustainable Investment and Finance association.

14th January 2020

Dear Baillie Gifford,

The Members of Scottish Parliament are elected to represent the people of Scotland and their long term interests. Baillie Gifford manages the MSP pension fund, and votes on behalf of the Parliamentarians in shareholders meetings. As such it takes responsibility to manage the fund in a manner consistent with the MSPs' duty to the people. The pension fund currently has assets of over 85 million pounds (quarterly report, June 2019).

As a species, we are living in and hurtling ever more irrevocably into a climate crisis widely accepted to be the greatest threat to human rights, public health and ecosystems that the world has faced. Vast swathes of Australia are currently burning and the Indonesian capital Jakarta lies underwater. 2019 registered the highest CO2 concentrations on record. Global average temperatures are currently just over 1°C above pre-industrial levels, and on course for anything between 3-6°C by the end of the century. The Scottish government has declared a climate emergency, and set targets for a 75% reduction in carbon emissions by 2030, and net zero carbon by 2045.

Despite this, and despite a review called by MSPs last year over unethical investments, the pension fund continues to be invested in fossil fuel industry companies such as BHP Biliton (0.81%), Royal Dutch Shell B Shares (0.73%), Rio Tinto (0.68%) and Enquest (0.1%) (Quarterly report, June 2019). Shell is the fourth most polluting private company in the world, according to the Climate Accountability Institute, however Baillie Gifford saw fit to increase its investments from the MSP fund by +19.4% in the second quarter of 2019.

Baillie Gifford's dedication to diversity, inclusion, and fair treatment of its workers are made clear by its policies. Two of its Shared Beliefs state that 'Our actions and behaviours should support society as a whole' and 'Our firm must be an engaging and progressive place to work'. In this action, Extinction Rebellion ask Baillie Gifford to withdraw its financial support from companies profiting from exploitation of the planet, such as BHP – for the sake of the MSPs duty to act in the interests of society, for the sake of Baillie Gifford's shared belief to take a progressive stance and support society, and for the sake of our collective species.

Kind regards,

Extinction Rebellion Edinburgh