Baillie Gifford™

Stewardship Report
Year ended 31 March 2024

International Growth

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Baillie Gifford™

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Contents

Our stewardship principles

Baillie Gifford's overarching ethos is that we are 'Actual' investors. That means we seek to invest for the long term. Our role as an engaged owner is core to our mission to be effective stewards for our clients. As an active manager, we invest in companies at different stages of their evolution across many industries and geographies, and focus on their unique circumstances and opportunities. Our approach favours a small number of simple principles rather than overly prescriptive policies. This helps shape our interactions with holdings and ensures our investment teams have the freedom and retain the responsibility to act in clients' best interests. Where possible we consider all asset classes within the framework of our stewardship activities. We seek to apply the most appropriate ownership tools to each holding in delivering our objectives. For more information about how we live these principles please see our ESG integration approach, found on the Baillie Gifford **website**.

Long-term value creation

We believe that companies that are run for the long term are more likely to be better investments over our clients' time horizons. We encourage our holdings to be ambitious, focusing on long-term value creation and capital deployment for growth. We know events will not always run according to plan. In these instances we expect management to act deliberately and to provide appropriate transparency. We think helping management to resist short-term demands from shareholders often protects returns. We regard it as our responsibility to encourage holdings away from destructive financial engineering towards activities that create genuine value over the long run. Our value will often be in supporting management when others don't.

Alignment in vision and practice

Alignment is at the heart of our stewardship approach. We seek the fair and equitable treatment of all shareholders alongside the interests of management. While assessing alignment with management often comes down to intangible factors and an understanding built over time, we look for clear evidence of alignment in everything from capital allocation decisions in moments of stress to the details of executive remuneration plans and committed share ownership. We expect companies to deepen alignment with us, rather than weaken it, where the opportunity presents itself.

Governance fit for purpose

Corporate governance is a combination of structures and behaviours; a careful balance between systems, processes and people. Good governance is the essential foundation for long-term company success. We firmly believe that there is no single governance model that delivers the best long-term outcomes. We therefore strive to push back against one-dimensional global governance principles in favour of a deep understanding of each company we invest in. We look, very simply, for structures, people and processes which we think can maximise the likelihood of long-term success. We expect to trust the boards and management teams of the companies we select, but demand accountability if that trust is broken.

Sustainable business practices

A company's ability to grow and generate value for our clients relies on a network of interdependencies between the company and the economy, society and environment in which it operates. We expect holdings to consider how their actions impact and rely on these relationships. We believe long-term success depends on maintaining a social licence to operate and look for holdings to work within the spirit and not just the letter of the laws and regulations that govern them. Material factors should be addressed at the board level as appropriate.

Our process

Investment manager led research and engagement

The responsibility that comes from being stewards of our clients' capital permeates every aspect of our investment process. We do not outsource our stewardship responsibilities. Our investment managers are ultimately responsible for the outcomes of our voting and engagement, which are informed by their in-depth understanding of a company's business model, culture and growth prospects. We believe doing stewardship well contributes to delivering positive investment returns for our clients. This clarity of purpose helps us navigate the complexity of shareholder proposals, shifting societal expectations and regulatory landscapes.

Research – social licence to operate

We aim to add value for clients by being patient owners of exceptional growth companies. To do our job well, we must adhere to the long-term time horizons over which the most meaningful growth takes place. The sustainability of a business's activities should be considered within the context of that time horizon.

A useful way of considering the sustainability of a business over time is the extent to which it enjoys a 'social licence to operate'. Viewing a company in terms of its social licence to operate is helpful because it directs our analysis towards the real-world consequences of a company's activities. It also encourages us to focus on the particular context of a company. This context will comprise its size and the nature of its business model, the political and legal systems it operates in, and the local culture and values that inform and interact with the company's own culture and values. In many cases, companies operate in multiple contexts, introducing further complexity.

Engagement – long-termism and relationships

We engage with companies to improve our understanding of the world by building relationships with some of the brightest minds of our time. This helps us to understand how the world is changing over the long-term.

In this context, distinguishing too precisely between research and engagement can be unhelpful. Our research is improved by our engagement.

Our investment style of running concentrated, active portfolios puts us in the favourable position of choosing who we entrust with our clients' capital. It would therefore be strange if our meetings were filled with demands from us for holdings to radically alter what they do. The outlier companies we seek are by definition exceptional. This means that our bias is to listen and understand what is appropriate for the particular circumstances of each company and to use our experience of talking to other exceptional companies to make constructive suggestions for improvement.

Case study: Alibaba

This year we sold our holding in the Chinese e-commerce company Alibaba. The company has faced a sharp regulatory crackdown since the aborted Initial Public Offering (IPO) of Ant Group. Through multiple engagements with the company, we came to the view that this crackdown had been sufficiently scarring to change the very culture of the company. Key members of management had left and those that remained had moved from an approach of 'move fast and break things' to 'move cautiously and break nothing'. Given the regulatory environment and the size of the business that may well be the right course of action for the company but we suspect it makes the type of growth rates and outlier returns we seek far less likely. At the same time we observed that competitors, several of which we own, have not lost aggression or ambition. Consequently, we took the decision to sell this long-standing holding.

International Growth’s approach to stewardship

For International Growth, stewardship comprises two ideas. Our role as a responsible owner, and the role of the companies in which we invest as responsible operators. Good stewardship is about having clarity around these two roles and aligning expectations.

As responsible owners – what companies can expect from us

When we appear on a company’s shareholder register, they should know that as a responsible owner, they can expect the following from us:

We are long-term and engaged owners

We are long-term because we believe it is the best way for us to add value for our clients.

We are engaged because every investment decision is based on in-depth research and an abundance of choices—we don’t have accidental or incidental holdings. Every interaction with us should demonstrate our care and commitment. We are not operators, so we cannot tell a company what to do, but we are not ignorant, so we can share an educated perspective.

We invest in holistic businesses

We invest in businesses, and those businesses are more than their financial statements. They are actual things, out in the world, having impacts and consequences. They delight customers, out-compete rivals, and catch the attention of regulators. They grow and they fail, in a way that is captured after the fact in the accounts. Understanding how holistic businesses grow and succeed in the long term is crucial to our ability to add value for our clients.

We lean into uncertainty and trade-offs

The further you turn your attention towards the future, the greater the uncertainty you must contend with. That is our greatest challenge and our most profound opportunity. One of the ways we navigate this is by identifying trade-offs. We cannot spend our time on everything, and we cannot be everything to all people. The important thing is to be upfront about those trade-offs, and consistently pragmatic about the uncertainty inherent in our role as investors on our clients’ behalf.

As responsible operators – what we expect from companies

They are long-term, deliberate, and thoughtful

Companies that are run for the long term are more likely to be better investments for our clients' time horizons. When you have a long-term time horizon you see that as the situation changes the best course of action will change. Sometimes the right choice is to invest for growth, sometimes it is to cut costs, and sometimes to issue equity. The important thing is that whatever the decision, it is deliberate and thoughtful, meaning they haven't had their decision tree trimmed by external short-term agents.

They conduct themselves as holistic businesses

The ability for a company to grow and generate value for our clients is reliant on a network of interdependencies between that company and the economy, society and environment it operates in. Responsible conduct means being attentive to these relationships and fostering mutually beneficial dynamics that are resilient in the long term.

They seek to always increase alignment with our clients

Alignment is more than shareholding and agency costs. It is about perspective. How you calibrate what is vital from what is negotiable. Having a bias to growth, experimentation, and being counter-consensus. Where the opportunity presents itself, we expect companies to deepen alignment with us and our clients rather than weaken it.

These are fundamental expectations which characterise our approach to stewardship. But they are contours, not content. The precise detail of how these expectations are lived will differ depending on the company in question. They will also change for a given company as it grows and thrives.

Crucially, all of this is about delivering returns for our clients, it is the impetus for our stewardship and ultimately the measure of our success.

Long-termism and relationships

Case Studies from 20 years of International Growth

Since the inception of the International Growth strategy over 20 years ago, we have worked to build long-term relationships with the companies we invest in and to provide support through our engagements whenever we think our insight might be relevant and helpful. In the case studies below, members of our Portfolio Construction Group reflect on a significant engagement that they are proud of because it reflects International Growth's long-term approach to stewardship, which is relentlessly focused on delivering returns for the clients we serve.

Lawrence Burns

Lawrence Burns – Kinnevik

I currently Chair Kinnevik's Nomination Committee. In Sweden and Norway, this committee is not a sub-committee of the board but comprises the company's largest shareholders. The Nomination Committee provides an important governance layer, and its primary function is to propose candidates for the post of Chair and other members of the Board, as well as fees and other remuneration to each member of the Board at the Annual General Meeting.

This year, the committee helped expand the size of Kinnevik's Board from five members to seven to address concerns around perceived conflicts of interest and further enhance the composition of the Board. In addition, we persuaded the principal family shareholder and former Executive Chair, Cristina Stenbeck, to rejoin the Kinnevik Nomination Committee. We believe this is an important step to improving stewardship and has been received warmly within Sweden.

A secondary benefit of Chairing a Nomination Committee is that it provides us a ringside seat to the work of company Boards. The role of Boards in shaping companies can be material, but it is a layer of interaction that is often distant and unfamiliar to investors. I believe this experience will help us better understand the role of boards, their impact, and their challenges, improving our understanding of governance far beyond this individual holding.

Brian Lum

Julia Angeles

Brian Lum – Mobileye

We believe that the long-term relationships we form with our portfolio holdings allow us to support them through periods of uncertainty and change in the business. In the case of Mobileye, a leading developer of advanced driver-assistance systems (ADAS) and self-driving systems, we first took a holding following its first IPO in 2014 and had already established a strong relationship with the management team before Intel purchased the company in 2017.

The history of our support for the company enabled us to resume a strong relationship almost immediately when the company became public for the second time in 2022, and we acted as an anchor shareholder in the IPO process at a time of great uncertainty and volatility in public markets.

I think this helpfully demonstrates that at any given moment we can't know precisely how our holding will evolve as a company changes. However, this lack of predictability does not diminish the importance of being supportive of a company in a moment of uncertainty. If anything it increases the return on effort by giving us opportunities like Mobileye's second IPO.

As the business continues its journey as a public company, we have been asked for advice on how to approach its Environmental, Social and Governance (ESG) communications to investors, including the setting of emissions targets.

Julia Angeles – Argenx

The type of support that we can provide to companies as long-term shareholders will often vary depending on the stage of the company's evolution. A good example of this is the Belgian biotechnology company Argenx. We first took a holding in Argenx in 2019 by providing them with primary capital on our clients' behalf. We have acted as the lead investor in several rounds of subsequent fundraising, which have allowed the company to accelerate its commercial pipeline and achieve key strategic milestones much more quickly than they might have done without our primary capital.

This established our relationship with the company as supportive long-term shareholders. As the company evolved into a large-scale commercially successful operation, we were able to offer advice and support on key strategic decisions, including the selection of executive personnel and commercial partners in China. We have since connected Argenx with other portfolio companies that are earlier on in their growth phase so that Argenx can share some of the lessons it has learned on board composition and making important strategic decisions at different stages of an organisation's evolution.

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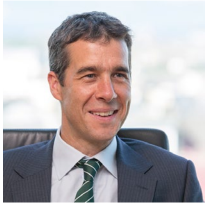


Tom Coutts

Tom Coutts – Atlas Copco

To be provocative, for investors like us active engagement is in many cases the result of an investment failing. The best companies have deliberate growth plans, a clear sense of their competitive strengths, a strong culture, and an ability to adapt to changing circumstances. That's what we look for when deciding to invest for our clients. So if we do a good job of selecting companies in the first place our engagement supports them along a path they have already chosen.

All our engagement activity needs to answer the question 'how does this help improve client returns?' and to consider the opportunity cost of engagement with a particular company relative to other things we could be doing. We are not turnaround specialists nor are we activists. So sometimes the right thing is not to engage with a company that is struggling – particularly if its struggles undermine our original investment thesis – but to sell. We are long-term, active investors, but our support cannot be unconditional.

Atlas Copco is a great example to my mind of engaging in order to observe and learn and encourage. I believe our presence on the share register over many years has been helpful, but I would be fooling myself if I thought that our support had been a huge factor in the company's success. But observing Atlas closely, and occasionally challenging them to think about certain long-term possibilities (such as the potential for energy prices to drop dramatically over the long term) may occasionally have helped the management team's thinking and it has certainly helped us become better analysts and investors.

There are several examples of serious engagement with companies in these pages, engagement that we should be proud of and which has helped – or will help – improve client returns. But sometimes the most valuable engagement has no specific output but quietly helps the compounding of knowledge and the building of insight.

Engagement examples 2024

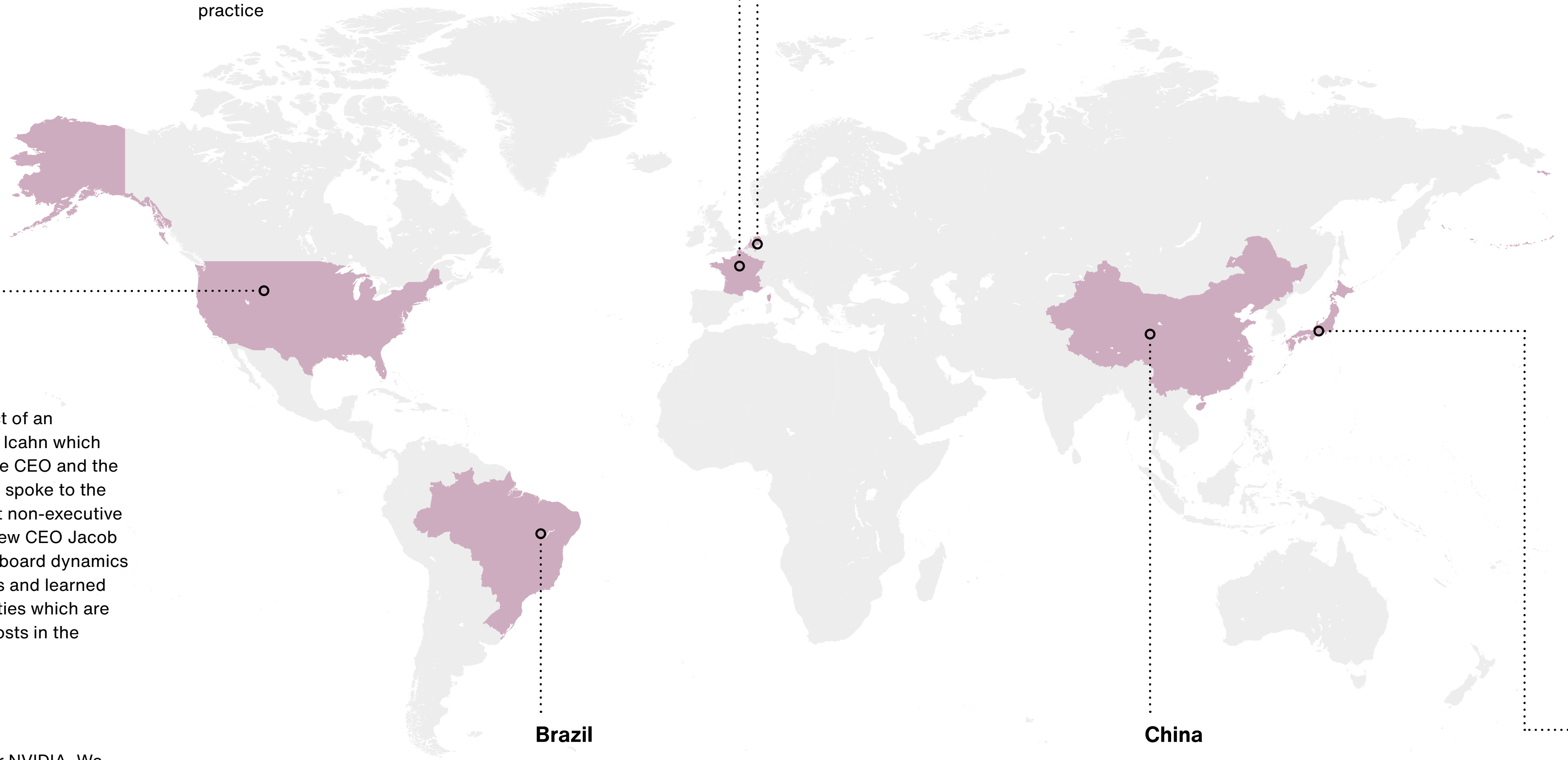
We use our stewardship principles to frame our engagements. The map below contains examples of how we apply the principles in practice across regions and ESG topics.

1 Long-term value creation

2 Alignment in vision and practice

3 Governance fit for purpose

4 Sustainable business practice



France

Kering 1 3

We met with members of Kering's senior management team several times over the course of the year. We learned more about the rationale for changes that management have made to the senior personnel at the group and brand levels, including Francesca Bellettini, CEO of Yves Saint Laurent, becoming deputy CEO in charge of brand development. These appointments are expected to enhance execution by the various luxury brands in the Kering Group through closer monitoring, challenge, and support.

Netherlands

Adyen 1 2

After a notable share price drawdown in August, management asked for our feedback on improving market communications. We advised that they strike a better balance between the long-term and near-term in their communications. This should reduce misinterpretation and market extrapolation without interfering with their resolutely long-term focus.

ASML 1 3

Following the announcement that the CEO and CTO would retire in April 2024, we engaged with the company to learn more about its plans for leadership changes. ASML has been engaged in succession planning for the past five years and so is well prepared for the change. The company is focussed on having an adequate range of competencies in its leadership to reflect business needs, which include an emphasis on a broader range of products and the optimisation of systems.

USA

Illumina 2 3

In 2023 Illumina was the subject of an activist proxy campaign by Carl Icahn which resulted in the resignation of the CEO and the appointment of a new chair. We spoke to the new chair and four independent non-executive board directors as well as the new CEO Jacob Thysen. We gained insight into board dynamics following the extensive changes and learned more about Mr Thaysen's priorities which are to focus on growth and lower costs in the core business.

NVIDIA 1 2 3

During an extraordinary year for NVIDIA, We met with CEO Jensen Huang and CFO Colette Kress in New York to learn more about how the company's management style enables it to consistently deliver next-generation products into the market sooner than anyone else. Our discussion was useful in understanding that NVIDIA's prowess is not solely a function of Huang's astute decision-making and widespread respect for his vision – it is also thanks to the strength of the company's organisational culture and its genuinely non-siloed structure.

Brazil

MercadoLibre 2 4

This year the company's sustainability team met with us to discuss their initiatives to make MercadoLibre's business model adaptive to climate change. Increasingly, we are finding sustainability topics an area where we can assist by sharing learnings across the portfolio.

China

PDD 2 4

We held a discussion with PDD's Head of Capital Markets and talked about its ESG-related strategies. PDD emphasised its commitment to openness in engaging with consumer protection authorities in the US, UK, and EU. We were encouraged to hear how the company takes a proactive stance towards regulatory and media inquiries, with a system in place to remove dubious products, leveraging their Chinese supply chain knowledge.

Japan

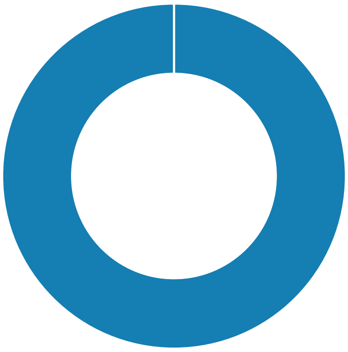
M3 1 2 4

In a meeting with CEO Itaru Tanimura we discussed how M3 manages the trade-offs between the needs of pharmaceutical companies, physicians, and patients. We were given valuable insight into the thinking of one of Japan's most exciting entrepreneurs. Tanimura-San said he appreciated the discussion and suggested he would consider establishing some form of internal stakeholder review board to ensure these ideas are robustly discussed.

Proxy voting

Examples

Elect Director(s)

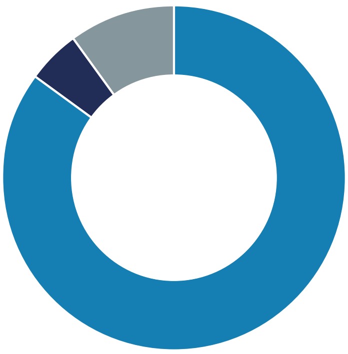


●	For	100%
●	Against	0%
●	Abstain	0%

Directors – Elastic

Elastic is a data analytics company. Each year we review our voting record against the actual result at AGMs, where the information is available. This year the election of non-executive director Caryn Marooney at Elastic received a significant level of dissent. We understand some shareholders may take issue with Elastic's board being elected on a staggered basis. We voted in favour of Caryn Marooney's election because we believe good governance is about each company selecting the governance processes that are most appropriate for their business. We are comfortable that staggered elections are appropriate for Elastic given its current size and scope.

Remuneration

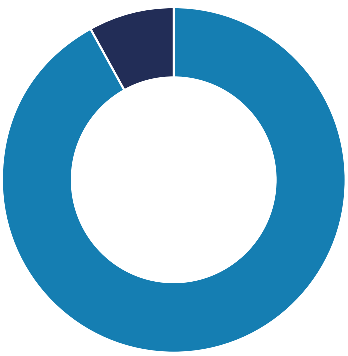


●	For	85.3%
●	Against	4.1%
●	Abstain	9.8%

Remuneration – Kering

Kering owns and manages a number of renowned houses in the fashion and luxury space. We voted against three resolutions related to executive remuneration due to concerns with the stretch of the ESG targets, and our determination that the remuneration committee did not sufficiently take into account the Balenciaga controversy that occurred during the year under review. Given the importance of brand equity to our investment case for Kering, we felt this escalation was appropriate.

Capital authorities



●	For	92.2%
●	Against	7.8%
●	Abstain	0.0%

Capital Authorities – L'Oréal

L'Oréal manufactures and sells cosmetic products globally. We voted against a resolution to grant the board authority to issue shares without pre-emptive rights up to 40%. While we believe L'Oréal is an exceptional business run by impressive individuals, we did not find the rationale for the authority to be compelling and determined it would not be additive to our clients' interests.

International Growth and climate

International Growth's research framework includes a scenario-based approach to valuation, with a deliberate emphasis on the scale and probability of different outcomes. Scenarios allow us to think about the range of possible futures rather than a specific linear path. They enable us to incorporate uncertainty into our analysis without being paralyzed by it, increasing our chances of finding, buying, and holding the few exceptional companies that we believe will deliver outlier returns for our clients.

Climate Scenarios

During the year under review, International Growth took part in a pilot project arranged by Baillie Gifford's climate team to host climate scenario workshops with independent industry experts. The purpose of the workshops was to consider how different possible climate futures might affect the companies we invest in. The possible futures were:

- *A hot house world*: A scenario where society fails to limit global average temperature increase to below 2C.
- *An orderly transition*: A scenario where global average temperature increase is limited to 1.5C due to early interventions that become steadily more stringent, enabling a just transition.
- *A disorderly transition*: A scenario where global average temperature increase is initially on a pathway to a hot house world, but comparatively late interventions enable a successful transition; however, the process is more rushed and economically inefficient.

Considering climate in terms of scenarios fits naturally with our investment research process. The scenarios challenged us to explore varied but plausible futures to discover new ideas and questions to ask as we consider the growth prospects of individual companies. As with our standard investment process, the purpose is not to pick one future and trace a linear progression to it, but to explore the range of possible futures with a view towards finding exceptional growth businesses. For some companies, climate will not be the most important element of their valuation scenarios, but for others, climate will be absolutely vital. A critical element of our task is correctly judging the materiality of climate change to the investment case and successfully integrating it into our assessment of potential investment outcomes. These workshops were another helpful step on our journey to upskilling on climate to better deliver returns for our clients.

Case study: Wizz Air

New buy Wizz Air is the only company in the portfolio that we currently classify as 'materially challenged' in our firm-wide Climate Audit. Prior to taking a holding, our research process involved a scenario analysis of the potential financial implications of an increase in carbon price and/or an increased requirement for sustainable aviation fuel. Our working thesis is that the airline industry is very likely to have its carbon externalities internalised within our investment horizon, which could present a risk to our investment in the company. On the other hand, Wizz Air should be well positioned to take advantage of such a scenario, since it operates one of the youngest and most fuel-efficient fleets in the industry which has the lowest reported CO_2 per passenger kilometre among global airlines (52 grams in Fiscal Year 2024). A tougher operating environment might play to their strengths and compound their edge. We therefore decided that the spread of possible outcomes is wide and, while climate transition risk might lead to a downside outcome in one scenario, there is also a plausible scenario where it leads to significant upside for our clients.

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Key metrics

As at 31 March 2024

Total carbon emissions[1] from assets held by the portfolio	Portfolio	Benchmark
Total scope 1 and 2 emissions (tCO_2e)	18,435	N/A
Total scope 1,2 and material[2] scope 3 emissions (tCO_2e)	191,795	N/A
Total scope 3 emissions (tCO_2e)	336,650	N/A
Total scope 1, 2 and 3 emissions (tCO_2e)	355,085	N/A

Source: Baillie Gifford, MSCI, FactSet

Carbon footprint[3] (emissions/$m)	Portfolio	Benchmark
Scope 1 and 2 emissions (tCO_2e) per $m invested	6	82
Scope 1, 2 and material scope 3 emissions (tCO_2e) per $m invested	63	505
Scope 1, 2 and 3 emissions (tCO_2e) per $m invested	117	587

Source: Baillie Gifford, MSCI, FactSet

Weighted average carbon intensity (WACI)[4] of the portfolio	Portfolio	Benchmark
Scope 1 and 2 emissions (tCO_2e) per $m revenue	26	169
Scope 1, 2 and material scope 3 emissions (tCO_2e) per $m revenue	197	858
Scope 1, 2 and 3 emissions (tCO_2e) per $m revenue	392	1,119

Source: Baillie Gifford, MSCI, FactSet

Our assessment of holdings' net zero targets[5]	Portfolio
% of total AUM with targets assessed as '**Leading**'	40
% of total AUM with targets assessed as '**Preparing**'	12
% of total AUM with targets assessed as '**Lagging**'	47
% of total AUM with targets not assessed	0

Source: Assessed according to Baillie Gifford's internal assessment framework. Benchmark used is MSCI ACWI ex US.

1. 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
2. We define material Scope 3 emissions in line with the recommendations of the Partnership for Carbon Accounting Financials (PCAF). Material Scope 3 emissions are the Scope 3 emissions from entities operating in sectors where such emissions are particularly significant. In the 2022 reporting year this covered the oil and gas and mining sectors, however from the 2023 reporting year it also includes the transportation, construction, buildings, materials and industrial activities sectors, per PCAF guidance. Material scope 3 emissions are therefore very likely to be higher for the 2023/24 reporting years vs. the 2022 reporting year.
3. 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.
4. The WACI of the portfolio represents the aggregated carbon intensities 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.

Our assessment of holdings' transition role[5]	Portfolio
% of total AUM assessed as 'Solutions innovators'	3
% of total AUM assessed as 'Potential influencers'	47
% of total AUM assessed as 'Potential evolvers'	50
% of total AUM assessed as 'Materially challenged'	1
% of total AUM not assessed	0

Source: Assessed according to Baillie Gifford's internal assessment framework.

Note on data availability

Data for some holdings is currently unavailable from our data supplier. The metrics presented in this section may therefore not relate to the entire portfolio. You can find details of the percentage of the portfolio for which data is reported, estimated or unavailable in the 'Emissions data availability and disclosure from holdings' table below.

Emissions data availability and disclosure from holdings in the portfolio	Portfolio	Benchmark
% of total AUM invested in holdings where **reported** scope 1 and 2 emissions data is available from our data provider	75	93
% of total AUM invested in holdings where **estimated** scope 1 and 2 emissions data is available from our data provider	17	7
% of total AUM invested in holdings where scope 1 and 2 emissions data is **not available** from our data provider	8	0
% of total AUM invested in holdings where **estimated** scope 3 emissions data is available from our data provider	92	100
% of total AUM invested in holdings where scope 3 emissions data is **not available** from our data provider	8	0
% of total AUM invested in holdings disclosing to CDP annually	62	84

Source: Baillie Gifford, MSCI, CDP, FactSet. Benchmark used is MSCI ACWI ex US.

5. More details of this assessment process can be found in the **Baillie Gifford & Co TCFD Climate Report**. In some cases, portfolios with higher proportions of unlisted or smaller companies may contain a greater proportion of holdings assessed as 'lagging'. This may be due to the relative immaturity of some of these companies' disclosure and net zero alignment strategies, when compared to more established listed and larger companies.

Conclusion

This report presents a snapshot of our current processes and outcomes. However, we see this as an ongoing effort to evolve and improve in order to best deliver value for our clients in the long term. The benefit of a document like this is it gives our clients a touchstone for what to expect from us, but this shouldn't be a one-way conversation. We benefit from discussing our thinking and learnings as they arise. If a conversation on this would be helpful to you, please get in touch. We can get better at this together.

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