

# Dichiarazione sui principali effetti negativi delle decisioni di investimento sui fattori di sostenibilità

**Partecipante ai mercati finanziari:** Baillie Gifford & Co Ltd (N22C6FNZ44MX4YZS4L75)

## Sintesi

Baillie Gifford & Co Ltd (N22C6FNZ44MX4YZS4L75) prende in considerazione i principali effetti negativi delle proprie decisioni di investimento sui fattori di sostenibilità. Il presente documento costituisce la dichiarazione consolidata sui principali effetti negativi sui fattori di sostenibilità di Baillie Gifford & Co Ltd.

La presente dichiarazione sui principali effetti negativi sui fattori di sostenibilità riguarda il periodo di riferimento dal 1° gennaio 2023 al 31 dicembre 2023.

Baillie Gifford & Co Ltd ha delegato la gestione del portafoglio a Baillie Gifford & Co e Baillie Gifford Overseas Limited e ha adottato [Principi e linee guida di Stewardship di Baillie Gifford](#) per definire il proprio approccio alla presa in considerazione di fattori ESG rilevanti o potenzialmente tali, compresi i principali effetti negativi e il rischio di sostenibilità. Osserviamo che, nel lungo periodo, la performance finanziaria e la gestione appropriata dei fattori ESG sono spesso interconnesse. Pertanto, per comprendere i potenziali rendimenti degli investimenti è importante considerare l'effetto negativo che una società potrebbe avere sull'ambiente o sulla società. Ogni strategia di investimento può adottare un approccio diverso nel prendere in considerazione i principali effetti negativi. Ci impegniamo a escludere le armi controverse in linea con la politica di esclusione descritta nei nostri Principi e linee guida di Stewardship. Un sottoinsieme dei nostri fondi di investimento identifica e mitiga ulteriormente i principali effetti negativi a livello qualitativo attraverso l'applicazione di esclusioni specifiche connesse alle entrate derivanti da determinate attività aziendali. I dettagli relativi alle esclusioni specifiche dei fondi sono forniti nella rispettiva documentazione. Come indicatori supplementari, abbiamo identificato (i) gli investimenti effettuati in imprese che non adottano iniziative per ridurre le emissioni di carbonio miranti all'allineamento con l'Accordo di Parigi e (ii) il numero di casi identificati di gravi problemi e incidenti in materia di diritti umani. Questi indicatori supplementari sono stati selezionati in quanto rappresentativi di problematiche ritenute rilevanti per la potenziale crescita a lungo termine degli investimenti.

Il coinvolgimento con gli asset che deteniamo per conto dei nostri clienti è fondamentale per il nostro ruolo di gestori efficaci del capitale dei nostri clienti e costituisce un'estensione del nostro processo di ricerca. I nostri Principi e linee guida di Stewardship costituiscono la nostra politica di impegno. Ci basiamo sui principi del Global Compact delle Nazioni Unite per individuare potenziali criticità nelle imprese beneficiarie degli investimenti. Valutiamo inoltre le nostre partecipazioni alla luce di altri standard correlati, tra cui le Linee guida dell'Organizzazione per la cooperazione e lo sviluppo economico (OCSE) destinate alle imprese multinazionali e i Principi guida delle Nazioni Unite su imprese e diritti umani. La nostra Dichiarazione di intenti e ambizioni in materia di clima delinea la nostra convinzione che una transizione di successo che mantenga gli aumenti delle temperature globali ben al di sotto di 2 °C e, idealmente, 1,5 °C, in questo secolo (obiettivo concordato al Vertice sul clima di Parigi del 2015) offra ai nostri clienti una migliore opportunità di ottenere forti rendimenti d'investimento a lungo termine rispetto a una transizione non riuscita. Siamo consapevoli che il percorso di successo per raggiungere questo obiettivo non è predeterminato. Ulteriori dettagli sui nostri sforzi per analizzare i risultati che potrebbero esserci in futuro sono disponibili nel nostro Rapporto sul clima allineato alla TCFD.

La valutazione degli effetti negativi verrà effettuata sulla base di dati di terzi e di ricerche interne. I dati di terzi utilizzati per quantificare gli effetti negativi mediante diversi indicatori si basano su analisi o stime retrospettive (ad es., uso di dati surrogati e/o ipotesi). Pertanto, la qualità e l'affidabilità di questi indicatori dipenderanno dalla divulgazione di queste informazioni da parte delle società e dall'aggiornamento tempestivo delle informazioni disponibili da parte dei fornitori di dati. La disponibilità dei dati varia non solo a seconda della classe di attivi (ad es., azioni o obbligazioni societarie), ma anche in base al mercato (ad es., mercato sviluppato o mercato emergente). Se da un lato ci aspettiamo una maggiore disponibilità di dati a breve e medio termine per alcune classi di attivi e determinati mercati (obbligazioni societarie, private equity e mercati emergenti) grazie a una serie di iniziative volte ad armonizzare gli standard per la comunicazione di informazioni relative alla sostenibilità (ivi inclusi gli indicatori degli effetti negativi sopra citati), dall'altro prevediamo tempi più lunghi per determinate classi di attivi (come le valute e gli strumenti derivati). I valori degli indicatori degli effetti negativi sulla sostenibilità possono essere influenzati dalla disponibilità dei dati e devono essere considerati congiuntamente all'"Allegato 1 - Copertura dei dati". Le metriche riportate nel presente documento sono state calcolate in conformità con la metodologia specificata nelle Norme tecniche di regolamentazione di cui al Regolamento UE relativo all'informativa sulla sostenibilità nel settore dei servizi finanziari. Pertanto, le metriche potrebbero differire da quelle riportate in altre informative di Baillie Gifford per le quali sia stata utilizzata una metodologia di calcolo diversa. Una tabella riepilogativa dei principali effetti negativi è riportata a tergo e contiene tutti i dettagli forniti nel presente rapporto.

Qualora non venga indicato alcun effetto, ciò può dipendere dal fatto che un determinato indicatore non è pertinente, sulla base degli investimenti detenuti nei prodotti finanziari dell'entità, o che i dati non sono disponibili. Maggiori informazioni sono disponibili nella sezione dedicata alla copertura dei dati. La somma dei valori potrebbe non corrispondere esattamente alle parti componenti per effetto di arrotondamenti.

**Indicatori applicabili agli investimenti nelle imprese beneficiarie degli investimenti**
***Clima e altri indicatori connessi all'ambiente***

Indicatore degli effetti negativi sulla sostenibilità		Effetto (anno n)	Effetto (anno n-1)
Emissioni di gas a effetto serra	1. Emissioni di GHG (ambito 1,2 ed emissioni rilevanti di ambito 3 in tCO2e)	7.813.389,4	6.361.276,7
	2. Impronta di carbonio (ambito 1,2 ed emissioni rilevanti di ambito 3 in tCO2e per milione di EUR investito)	192,8	129,6
	3. Intensità di GHG delle imprese beneficiarie degli investimenti (ambito 1,2 ed emissioni di ambito 3 in tCO2e milione di EUR di entrate)	407,9	325,5
	4. Esposizione a imprese attive nel settore dei combustibili fossili (% di AUM)	3,9	4,3
	5. Quota di consumo e produzione di energia non rinnovabile (%)	71,8	79,4
	6. Intensità di consumo energetico per settore ad alto impatto climatico (GWh per milione di EUR di entrate)	0,9	1,2
Biodiversità	7. Attività che incidono negativamente sulle aree sensibili sotto il profilo della biodiversità (% di AUM)	0,9	0,0
Acqua	8. Emissioni in acqua (tonnellate per milione di EUR investito)	0,0	61,0
Rifiuti	9. Rapporto tra rifiuti pericolosi e rifiuti radioattivi (tonnellate per milione di EUR investito)	1,1	1,7

***Indicatori in materia di problematiche sociali e concernenti il personale, il rispetto dei diritti umani e le questioni relative alla lotta alla corruzione attiva e passiva***

Indicatori in materia di problematiche sociali e concernenti il personale	10. Violazioni dei principi del Global Compact delle Nazioni Unite e delle linee guida dell'Organizzazione per la cooperazione e lo sviluppo economico (OCSE) destinate alle imprese multinazionali (% di AUM)	5,1	4,5
	11. Mancanza di procedure e di meccanismi di conformità per monitorare la conformità ai principi del Global Compact delle Nazioni Unite e alle linee guida OCSE destinate alle imprese multinazionali (% di AUM)	70,4	74,7
	12. Divario retributivo di genere non corretto (rapporto)	14,6	11,7
	13. Diversità di genere nel consiglio (% di donne nel CdA)	28,8	27,6
	14. Esposizione ad armi controverse (mine antiuomo, munizioni a grappolo, armi chimiche e armi biologiche) (% di AUM)	0,0	0,0

**Indicatori applicabili agli investimenti in emittenti sovrani e organizzazioni sovranazionali**

Ambientale	15. Intensità di GHG (tonnellate per milione di EUR di PIL, PPP 2017)	211,0	235,9
Sociale	16. Paesi che beneficiano degli investimenti soggetti a violazioni sociali (numero di paesi)	9	8

**Indicatori applicabili agli investimenti in attivi immobiliari**

Combustibili fossili	17. Esposizione ai combustibili fossili tramite attivi immobiliari (% di AUM)	N/D	N/D
Efficienza energetica	18. Esposizione ad attivi immobiliari inefficienti dal punto di vista energetico (% di AUM)	N/D	N/D

**Altri indicatori dei principali effetti negativi sui fattori di sostenibilità Indicatori applicabili agli investimenti nelle imprese beneficiarie degli investimenti**

Emissioni	4. Investimenti effettuati in imprese che non adottano iniziative per ridurre le emissioni di carbonio (% di AUM)	42,8	52,6
Diritti umani	14. Numero di casi identificati di gravi problemi e incidenti in materia di diritti umani (media degli ultimi tre anni)	0,0	0,0

## Description of the principal adverse impacts on sustainability factors

### Indicators applicable to investments in investee companies

#### CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

Adverse sustainability indicator		Metric	Impact (year n)	Impact (year n-1)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions (tCO <sub>2</sub> e)	1,094,323.9	1,230,066.1	Scope 1 emissions capture direct GHG emissions from operations that are owned or controlled by a company. This typically relates to the combustion of fossil fuels on-site and in direct control of the company.	Climate change and the energy transition  We expect companies we hold to disclose scope 1 and scope 2 emissions, with material scope 3 emissions to be included by the end of 2025. For heavy-emitting, or systemically very large, companies, our expectation is that they also provide information on material Scope 3 emissions disclosures for the 2023 reporting year.  By 2025, heavy-emitting, or systemically very large, companies should articulate strategies that address the ambitions of the Paris Agreement, including milestones, appropriate governance and capital allocation. We know this may be more challenging for certain countries and companies and will consider this in the context of our assessments and engagement activities.  Our central Climate team runs a 'Climate Audit' process that is shared across all our investment strategies. This aims to ensure that at least 90 per cent of our holdings (by AUM) - including the largest 250 holdings and every holding in net zero committed portfolios - is assessed by investment teams across two dimensions we think are relevant to delivering investment returns: emissions reduction goals and performance, and potential transition role.  During the reference period, we engaged with 155 companies on climate change.
		Scope 2 GHG emissions (tCO <sub>2</sub> e)	324,222.0	355,031.4		
		Scope 3 GHG emissions (tCO <sub>2</sub> e)	6,394,843.5	4,776,179.2	Scope 2 emissions capture the indirect emissions of a company associated with the generation of purchased electricity, steam, heat and cooling. It indicates a company's energy usage and can be helpful in highlighting energy intensity and efficiency.	
		Total GHG emissions (tCO <sub>2</sub> e)	7,813,389.4	6,361,276.7	Reference to scope 3 GHG emissions refers to material scope 3 emissions. Material scope 3 emissions capture the measurement of indirect Scope 3 emissions from certain material sectors, in accordance with guidance from the Portfolio Carbon Accounting Framework (PCAF). The material scope 3 emissions metrics used in this report relate only to the scope 3 emissions from companies in the oil and gas, mining, transportation, construction, buildings, materials and industrial activities sectors. From 2025 onwards all sectors will be included (i.e. full Scope 3)  From June 2023 onwards we moved to PCAF Phase 2 sectors for Scope 3 Material. This meant that a wider range of sectors were included in Scope 3 Material during 2023, compared to the previous	

Adverse sustainability indicator	Metric	Impact (year n)	Impact (year n-1)	Explanation	Actions taken, and actions planned and targets set for the next reference period
				year, explaining the increase seen in this metric.	Further details of our approach to climate change can be found in our TCFD report, available on our website.
2. Carbon footprint	Carbon footprint (tCO <sub>2</sub> e per €M invested)	192.8	129.6	<p>Scope 1, 2 &amp; material Scope 3 emissions tCO<sub>2</sub>e per €M invested.</p> <p>The carbon footprint (or 'financed emissions') represents the aggregated GHG emissions per million € invested and can be used for comparisons of carbon intensity.</p> <p>From June 2023 onwards we moved to PCAF Phase 2 sectors for Scope 3 Material. This meant that a wider range of sectors were included in Scope 3 Material during 2023, compared to the previous year, explaining the increase seen in this metric.</p>	See Climate change and the energy transition description.
3. GHG intensity of investee companies	GHG intensity of investee companies (tCO <sub>2</sub> e per €M revenue)	407.9	325.5	<p>Scope 1, 2 &amp; material Scope 3 emissions tCO<sub>2</sub>e per €M revenue.</p> <p>The aggregated carbon intensities of the companies (per €M revenue), scaled by size of holding. The GHG intensity metric can therefore be used to help measure overall exposure to high carbon intensity holdings.</p> <p>From June 2023 onwards we moved to PCAF Phase 2 sectors for Scope 3 Material. This meant that a wider range of sectors were included in Scope 3 Material during 2023, compared to the previous year, explaining the increase seen in this metric.</p>	See Climate change and the energy transition description.
4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector (% of AUM)	3.9	4.3	Measures the percentage of total AUM exposed to companies classified as having exposure to fossil fuel related activities in the MSCI universe. This differs from the revenue-based fossil fuel exposure metrics we also report because	See Climate change and the energy transition description. Additionally, we offer a number of funds which make a binding commitment to limit investment in fossil fuels. Details can be found in relevant fund documentation.

Adverse sustainability indicator		Metric	Impact (year n)	Impact (year n-1)	Explanation	Actions taken, and actions planned and targets set for the next reference period
					it only identifies companies with a fossil fuel sector classification.	
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources (%)	71.8	79.4	N/A	See Climate change and the energy transition description.
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector (GWh per €M revenue)	0.9	1.2	N/A	See Climate change and the energy transition description.
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas (% of AUM)	0.9	0.0	Exposure is measured by combining controversy indicators related to a firm's use or management of natural resources, with where the company operates sites in, or adjacent to, areas of high biodiversity value and protected areas.	<p>Nature and Biodiversity</p> <p>We are working with initiatives such as the Taskforce on Nature-related Financial Disclosures and exploring the usefulness of structured frameworks for investors and our clients. To enable us to understand nature and biodiversity risks better, a small group within Baillie Gifford has been exploring and developing approaches to assessing companies, portfolios and the data itself. Our Positive Change impact fund and our central Climate team have been leading the efforts. So far, outputs have included several portfolio-level biodiversity audits and direct engagement with companies.</p> <p>We are also in the process of integrating screening processes for likely exposure and potential risk to physical climate</p>

Adverse sustainability indicator		Metric	Impact (year n)	Impact (year n-1)	Explanation	Actions taken, and actions planned and targets set for the next reference period
						change, water and deforestation into our firmwide Climate Audit process.  During the reference period, we engaged 41 companies on their natural resource use and impact.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average (tonnes per €M invested)	0.0	61.0	The primary driver of the decline is a reduction of data coverage from 6.4% in 2022 to 0.9% in 2023. For some assets continually held across the two reporting periods, data was not available for the current reporting period where this was previously available.  Exposure is measured using emissions to water data as reported in the MSCI universe. This metric details emissions to water reported by companies, pertaining to actual pollutants or effluents.	See Nature and Biodiversity description.
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average (tonnes per €M invested)	1.1	1.7	The decrease is partly driven by a reduction in data availability in addition to reduction in the level of waste reported for a number of holdings.	See Nature and Biodiversity description.

**INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS**

Adverse sustainability indicator		Metric	Impact (year n)	Impact (year n-1)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises (% of AUM)	5.1	4.5	N/A	<p>United Nations Global Compact (UNGC) and related standards</p> <p>We believe the principles and standards set out in the United Nations Global Compact (UNGC) are an appropriate framework for considering a business' long-term sustainability. Where we determine that a company's failure to meet the UNGC results in a material risk to the long-term performance of the business, we will take appropriate action. We have a number of funds which make a binding commitment to not invest in companies which are non-compliant with the UNGC. Details can be found in relevant fund documentation.</p> <p>During the reference period, we engaged with 9 companies regarding potential violations of the UNGC and related standards.</p>
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/ complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises (% of AUM)	70.4	74.7	N/A	See United Nations Global Compact (UNGC) and related standards description.

	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies (ratio)	14.6	11.7	N/A	<p>Diversity and inclusion</p> <p>We expect businesses to manage their organisation's culture to ensure all employees are treated fairly and with respect in the workplace. Suitable policies and procedures should be in place to ensure that discrimination is identified and addressed accordingly.</p> <p>In mid-2023, we initiated a Diversity and Inclusion Research Group as a sub-group of our Corporate Governance Research Group. Its formation was driven by a number of overlapping client, regulatory and investor questions on some practical aspects of the consideration of diversity and inclusion in the investment research process. Understanding that this subject is multidimensional, it is helpful to think about how, why, and when this subject becomes material to investee companies or portfolios. The group has proven to be a useful forum to gather, consider, and challenge our views. The group is a diverse mix with ESG team members and Human Resources represented. We anticipate that the group will conclude its work in early 2024.</p> <p>During the reference period, we engaged with 6 companies specifically on gender diversity and a further 17 on diversity more broadly.</p>
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	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members (% of board members who are female)	28.8	27.6	N/A	<p>Diversity and inclusion</p> <p>We believe that board diversity is an important issue for all businesses, potentially impacting the ability of a company to generate returns over the long term. We consider diversity broadly to include gender and ethnic diversity, diversity of thought, background, skillset, time horizon and risk appetite. We therefore expect our holdings to take steps to understand and, where necessary, improve board-level diversity..</p> <p>We believe a diverse board is less likely to fall into the trap of groupthink. We expect a balance of experience, backgrounds and points of view that give the best chance for the company to succeed in the long term.</p> <p>During the reference period, we engaged with 6 companies specifically on gender diversity and a further 17 on diversity more broadly.</p>
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	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons (% of AUM)	0.0	0.0	N/A	<p>Controversial weapons</p> <p>Baillie Gifford seeks to avoid investment in companies with direct involvement in producing controversial weapons, or the components or services that are essential to and tailor-made for them. This policy applies specifically to the following types of weapons:</p> <ul style="list-style-type: none"> <li>-Anti-personnel mines</li> <li>-Biological and chemical weapons</li> <li>-Cluster munitions</li> <li>-Depleted uranium weapons</li> <li>-White phosphorus incendiary weapons</li> <li>-Nuclear weapons (where such weapons are likely to be in breach of the objectives of the Treaty on the Non-Proliferation of Nuclear Weapons).</li> </ul> <p>We aim to apply these exclusions on a firm-wide basis to all direct investments we make in companies on behalf of our clients. We use external research providers to help us identify excluded companies and, where appropriate, supplement this with our own research to determine our position on individual companies.</p>
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## Indicators applicable to investments in sovereigns and suprationals

Adverse sustainability indicator		Metric	Impact (year n)	Impact (year n-1)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Environmental	15. GHG intensity	GHG intensity of investee countries	211.0	235.9	Tonnes per €M GDP 2017 PPP. This aligns with guidance from the Partnership for Carbon Accounting Financials (PCAF) stating that financial institutions shall use the attribution by PPP-adjusted GDP for sovereign debt emissions.	When actively investing in sovereign bonds, Baillie Gifford considers GHG intensity data alongside commitments the country has made in line with the Paris Agreement. Dependent on specific investment strategy commitments, consideration of if the country is on course to achieve Paris Agreement targets may form part of our investment analysis and may inform decisions. We use our position as capital providers to engage on selected issues directly and through industry bodies. This consideration does not apply when investing in sovereign debt for hedging or cash management purposes.
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	Absolute: 9 Relative: 11.4%	Absolute: 8 Relative: 10.7%	Social violations are determined using the 'Rule of Law' metric. This captures perceptions of the extent to which agents have confidence in and abide by the rules of society, in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence. The first figure is the number of unique investee countries whose metric is less than -0.4, the threshold corresponding with MSCI's categorisation of High Risk. The second figure is the number of unique investee countries in this category divided by the total number of unique investee countries.	When investing in sovereign bonds, Baillie Gifford believes that if a country is governed effectively, its people are respected and its natural assets are managed responsibly, there is a greater chance it will enjoy sustainable growth and development, as well as be in a better position to repay bond debt. Dependent on specific investment strategy commitments, these factors are integrated into our analytical framework, which rests on three key areas: macroeconomic sustainability, economic management and growth potential. We use our position as capital providers to engage on selected issues directly and through industry bodies. This consideration does not apply when investing in sovereign debt for hedging or cash management purposes.

## Indicators applicable to investments in real estate assets

Adverse sustainability indicator		Metric	Impact (year n)	Impact (year n-1)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels			N/A	We have no exposure to this asset class.
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets			N/A	We have no exposure to this asset class.

## Other indicators for principal adverse impacts on sustainability factors

### Indicators applicable to investments in investee companies

#### CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

Adverse sustainability indicator		Metric	Impact (year n)	Impact (year n-1)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement (% of AUM)	42.8	52.6	Uplift in percentage of holdings with targets.	See Climate change and the energy transition description.

**INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS**

Adverse sustainability indicator	Metric	Impact (year n)	Impact (year n-1)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Human Rights	14. Number of identified cases of severe human rights issues and incidents	Number of cases of severe human rights issues and incidents connected to investee companies on a weighted average basis (average number in last three years)	0.0	0.0	<p>N/A</p> <p>Human rights and labour rights</p> <p>Violation of labour and human rights, in addition to the harm this causes, can damage the reputation and value of our holdings. Consequently, we expect our holdings to respect internationally accepted human and labour rights in line with the United Nations Guiding Principles for Business and Human Rights. At a minimum, this should include maintaining health and safety systems, particularly in high-risk sectors; managing exposure to labour and human rights risks, especially modern slavery; and encouraging positive relationships with local communities. We have specific monitoring processes in place specifically regarding modern slavery and have conducted additional due diligence on holdings where modern slavery incidents have been highlighted.</p> <p>During the reference period, we engaged with 36 companies on human and labour rights.</p>

## Description of policies to identify and prioritise principal adverse impacts on sustainability factors

Baillie Gifford & Co Ltd has delegated portfolio management to Baillie Gifford & Co and Baillie Gifford Overseas Limited and has adopted Baillie Gifford's [Stewardship Principles and Guidelines](#) to set its approach on the consideration of material or potentially material ESG factors, including principal adverse impacts, and sustainability risk.

### Identifying principal adverse impacts

We observe that, over the long run, financial performance and appropriate management of ESG factors are often intertwined. For example, companies that act as sustainable operators are less likely to face regulatory action, which could harm financial returns. Therefore, to understand potential investment returns it is important to consider what adverse impact a company may have on the environment or society and the likelihood of this impact to be internalised. We consider a number of potential adverse impacts in the context of our overall focus on long-term investment performance and company impact.

As an active manager, we conduct deliberate and thoughtful ESG research. Our ESG research is materiality-led. Each holding is invariably different, but most of our efforts will focus on the one or two critical issues with significant relevance to the investment case. Investment cases for a given holding can differ between strategies, but our research aims to contribute to client returns over the long term. Our ESG research considers both the risks of value-destruction and how the ESG characteristics, including its impact on the environment and society, of a holding might contribute to its growth if our investment case proves to be correct. We also look to identify how a changing physical environment, shifting policy or emerging social expectations will likely impact our holdings' performance (positively and negatively) over our investment horizon. The holding-specific factors that we consider are broadly encapsulated within our Stewardship principles. Should our research suggest concerns about a holding's practices or opportunities for improvement, we will engage and escalate, including using voting rights, where appropriate.

Our Stewardship Principles and Guidelines set out our expectations in relation to the assets in which we invest. This includes issues identified as principal adverse impacts under the Sustainable Finance Disclosure Regulation (SFDR):

- Governance arrangements;
- Human rights and labour rights;
- Compliance with principles of in the United Nations Global Compact (UNGC);
- Diversity and inclusion
- Climate change
- Nature and biodiversity
- Respect for legal and regulatory guidelines and consideration of stakeholder perspectives

We believe the principles and standards set out in the United Nations Global Compact (UNGC) are an appropriate framework for considering a business' long-term sustainability. Where we determine that a company's failure to meet the UNGC results in a material risk to the long-term performance of the business, we will take appropriate action.

Each investment strategy may take a different approach in the consideration of principal adverse impacts. Financially material ESG issues, including relevant potential adverse impacts of a holding, are routinely considered throughout the investment research process. ESG risk metrics, including a number of potential adverse impacts, are incorporated into investment risk reports periodically provided to investment managers. These metrics help investment managers identify emerging risks across the portfolio. A purely quantitative approach does not fully capture the underlying complexities faced by our holdings or provide a complete picture of risks and opportunities across portfolios. Still, it can indicate a need for deeper assessment. Therefore, we supplement metrics with bottom-up, qualitative information from our investment research and stewardship activities to provide a richer, more accurate picture

A subset of our investment funds further identify and mitigate principal adverse impacts through the application of specific exclusions linked to specific business revenue streams which may include but are not limited to Thermal Coal; Other Fossil Fuels such as Oil and Gas; Armaments, Tobacco and Alcohol. Other commitments may include compliance with Baillie Gifford's policy on assessing breaches of the United Nations Global Compact Principles for Business as outlined in Baillie Gifford's Stewardship Principles and Guidelines document or commitments linked to the funds' carbon intensity. Such commitments can lead to the identification and mitigation of a principal adverse impact. Details of specific fund exclusions can be found in the relevant fund documentation available on the Baillie Gifford website. However, most of our funds have no limitations to the sectors in which we can invest. Unless otherwise stated in fund documentation Baillie Gifford can invest in any companies we believe could create beneficial long-term returns for our clients which may include investments in companies which may ultimately have a negative outcome for the environment and/or society. All Baillie Gifford investment funds are however subject to the exclusion of controversial weapons in line with the exclusion policy detailed in the Stewardship Principles and Guidelines document.

In identifying additional indicators for principal adverse impacts, financial market participants are encouraged to consider the scope, severity, probability of occurrence and potentially irremediable character on sustainability factors. As additional indicators, we have identified (i) investments in companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement and (ii) number of identified cases of severe human rights issues and incidents. These additional indicators were chosen as they are aligned with issues that are considered material to the long-term growth potential of investments.

Where an investment fund commits to investing in sustainable investments, such investments are subject to do no significant harm (DNSH) tests which means ensuring that the investments do no significant harm to any environmental or social objective. This includes assessing principal adverse impacts of investments either as part of the investment research process, through periodic portfolio reviews or through business activity restrictions. In reviewing principal adverse impacts, consideration will be given to how the impact affects the sustainability of an investment and if any further action needs to be taken to mitigate the impact such as engagement or voting action.

## Governance

The ESG Oversight Group is responsible for setting the firm's strategic approach to ESG matters in relation to investment strategies and client activities and, along with the Head of ESG, for overseeing the ESG function. It provides coordination for the firm's approach to ESG and the multiple strands of ESG activity that take place. It aims to ensure that the rapidly evolving demands of ESG from an investment, client and regulatory perspective are met.

It is chaired by the Head of ESG and comprises of senior representatives from the Investment Department, Clients Department, ESG function and Operational areas. The ESG Oversight Group aims to:

- Coordinate and monitor progress towards the firm's ESG strategy, working with the individual investment, client and operational teams
- Empower and encourage investors to systemically consider ESG, as relevant for the investment strategy, throughout the investment process
- Create and oversee ESG-related research groups and ESG professionals to ensure Baillie Gifford has sufficient specialist knowledge
- Oversee the different components of the ESG function and ensure they continue to evolve to meet the requirements of investors, clients and regulators
- Ensure accurate ESG reporting to clients
- Oversee the ESG Assurance Group, ensuring that Baillie Gifford is equipped to meet its regulatory requirements and honour ESG commitments made by investment strategies
- Review and recommend any key ESG disclosures for approval or adoption by the Management Committee or any relevant Baillie Gifford entities. This includes the TCFD-aligned Climate Report; Our Stewardship Approach Principles and Guidelines and the Investment Stewardship Activities Report.

This Group reports into the Management Committee, the Equity Leadership, Multi Asset and Income Leadership and Clients Management groups – which include partners from investment and client facing and operational areas. These reporting lines help ensure that our research and stewardship activities are aligned with and remain of value and relevance to our clients.

The ESG Oversight Group is also supported by the ESG Assurance Group. The ESG Assurance Group is responsible for ensuring that the firm is equipped to meet its ESG-related regulatory requirements and that ESG commitments are being met. This Group is comprised of individuals from our ESG function, Clients Department, Business

Risk, Compliance Department and Legal Department.

#### Data sources

We predominantly use MSCI as a source of raw ESG data for reporting purposes. This is due to the wide range of metrics available across different regulatory reports and MSCI's transparent methodology. We implement a data quality checking process that allows us to investigate any discrepancies and raise these with MSCI where necessary. We supplement data from MSCI with data from other providers such as Sustainalytics and Bloomberg where necessary. We recognise the need to develop a wider pool of data sources to allow for more robust reporting. To this end, we maintain relationships with various third party data providers to allow us to monitor enhancements to the ESG reporting metrics we require. Further details of our data sources are discussed in our Investment Stewardship Activities report.



## Engagement policies

Engaging with the assets we hold on behalf of our clients is core to our role as effective stewards of our clients' capital and is an extension of our research process. Our Stewardship Principles and Guidelines acts as our engagement policy.

Why do we engage?

01. To learn and to monitor: As investors, our responsibility does not begin and end with the investment decision. Before allocating our clients' capital, we must decide whether a particular investment meets our criteria and will continue to do so over our investment horizons. We may meet with a leadership team many times before we decide to take a position. Once we have invested, we will continue to monitor our holdings to ensure we remain aligned and decide if we need to course-correct.

02. To support: Over our investment time horizons, our holdings will likely encounter challenges. On these occasions, it may be helpful (and even necessary) for us to communicate our support to the leadership of the investments we've made. We may encourage them to remain focused on the long term and occasionally offer the chance to learn from other investments that have faced similar challenges. Sometimes, this will include public support for a holding, e.g. through pre-declaring voting intentions.

03. To influence: There will be instances when our reason for engaging is to seek change. We have high expectations of the assets we invest in. When they do not live up to these, or where we have identified a specific objective for change, our starting point is to see if the leadership team is willing and able to address the issues we believe may impact the ability to deliver long-term returns for our clients. Sometimes, the influence we seek to have is to encourage a holding to be more ambitious in seizing new opportunities. Where strategies have specific sustainability commitments, engagement may be integral to meeting that commitment.

Engaging to achieve a defined set of outcomes can be a time consuming and resource-intensive exercise. Even though we run relatively concentrated portfolios, we recognise the need to prioritise and, where appropriate, coordinate engagements across our investment teams. We are likely to do this when:

- We consider the issues to be particularly material to a holding's long-term investment performance and of a nature where more concerted engagement is required
- We are a major shareholder or lender
- We believe we can offer particular insight and guidance.

We believe that this approach maximises our chance of success. Portfolio managers working with the ESG analysts will select and prioritise engagement issues. We engage with companies for many reasons and the topics we prioritise will vary by individual issuer and investment strategy. Our proprietary investment research will inform this. Often, the larger a position we hold in an entity and the longer our holding history, the greater our ability to engage with a realistic ability to influence. However, we engage with issuers on key issues across a range of market capitalisations, geographies and holding sizes. Topics will include engagement related to principal adverse indicators, including but not limited to:

- Compliance with UNGC and related standards, including the OECD Guidelines for Multinational Enterprises
- Climate change and the energy transition;
- Diversity and inclusion;
- Human rights and labour rights.

The issues we prioritise, the specific objectives and the likely escalation path will differ depending on the company and our detailed knowledge of the investment case. Once we have identified an issue of material relevance to the investment case, including principal adverse impacts, we will monitor progress and, if we fail to see meaningful improvement in what we believe is a material issue, we will escalate through various means. We may take voting action or suggest changes ranging from minor process improvements to a change in senior leadership. Ultimately, we will divest if improvements are not made in areas of material importance. A typical pathway for escalation may include some or all of the following:

- Engagement with management, Investor Relations or board members
-

- No progress – voting action against appropriate AGM resolution
- Escalation to the Chair or Senior Independent Director
- Collaboration with other investors or relevant industry initiatives
- No progress and no reasonable prospect of progress – divest.

There are additional escalation options, such as filing or co-sponsoring shareholder proposals, attending AGMs, or articulating views publicly via different media outlets, which we may use if circumstances require.

Voting is an integral part of our responsibility to act as responsible stewards of our clients' capital. Our voting analysis and decisions are driven by what we consider will promote the company's long-term prospects and, therefore, support the long-term financial outcomes for our clients. In line with our investment philosophy, our voting analysis is bottom-up and led by the investment case. This means we assess every resolution on a case-by-case basis. Further details of Baillie Gifford's approach to engagement and voting is outlined in our Stewardship Principles and Guidelines document available in the About Us section of our website.

## References to international standards

We utilise the UN Global Compact to identify potential concerns at our investee companies. We also consider our holdings against related standards including the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (indicator 10).

[Our Statement of Climate-related Intent and Ambition](#) outlines our belief that a successful transition that keeps increases in global temperatures to well below 2C, and ideally to 1.5C, this century (an objective agreed at the Paris Climate Summit in 2015) offers our clients a better opportunity for strong long-term investment returns than a failed transition. We recognise that the successful pathway to achieving this is not predetermined. Further details about our efforts to explore the outcomes that could lie ahead are available in our TCFD-aligned Climate Report. Baillie Gifford became a member of the Net Zero Asset Managers initiative (NZAMi) in November 2021. Over the course of 2023, the proportion of our total assets under management in portfolios committed in this way rose from 20 per cent to 25 per cent. Although each of our investment strategies is managed independently, we have developed a set of consistent requirements for all of our net zero committed investment products:

- Portfolios will be invested and managed such that by 2030 at least 75 per cent of all holdings (or in some cases holdings representing at least 75 per cent of financed emissions) will have robust targets, strategies and performance in place that demonstrate company-level alignment with an appropriate fair share of a global net zero 2050/1.5C outcome. By 2040, all holdings in a portfolio will need to be strategically aligned with this outcome.
- Our assessment of company emissions includes all scopes, with acknowledgement that Scope 3 data is currently weak and incomplete.
- Committed portfolios will be prioritising engagement for alignment with companies accounting for at least 90 per cent of financed emissions.
- We assess holdings' emissions reduction targets and progress against 1.5C science-based pathways, such as those offered by the Science Based Targets initiative (SBTi) and Transition Pathway Initiative (TPI). We undertake our own research to ensure that appropriate sector and regional nuances are incorporated into these assessments, with the help of our academic and industry partnerships.

Baillie Gifford's strategy is consistent year-over-year and is centred on two main objectives: to act in the best interests of our clients and to be responsible stewards of their capital through the investment decisions and engagements we undertake. Our priority in relation to climate change is to understand how climate-related risks and opportunities could impact the achievement of these objectives. We think evaluating the impact that holdings might have on the climate is as relevant to understanding potential investment returns as evaluating the impact climate change is having on them.

Climate scenario analysis offers a way to try to understand the society-wide complexities and uncertainties that surround both the trajectory of physical climate change and the world's evolving energy and industrial systems. Considering different plausible versions of the future can educate, test assumptions and generate new ideas. At present, we believe qualitative approaches are more useful than quantitative approaches (which are dependent on numerical data and modelling) because they allow us to explore the complexities and knock-on effects of future scenarios in a level of detail that is a better fit with our longer-term growth-oriented investment approach. In late 2022 we began working with two external organisations – the Deep Transitions project and Independent Economics – to help us further develop three climate scenario narratives that could be used by our investment teams and the wider firm to enrich our thinking on future climate-related risks and opportunities. The narratives explore additional detail and implications around the core pathways developed by the Network for Greening the Financial System (NGFS) 'orderly', 'disorderly' and 'hothouse world' scenarios.

- An 'orderly' transition where global net zero emissions are reached around 2050, limiting global warming to less than 1.5C above pre-industrial averages by the end of this century.
- A 'disorderly' transition which ultimately keeps average temperature rises to less than 2C by the end of this century.
- A hothouse world scenario with at least 2.5C of warming above pre-industrial levels by the end of the century

Further details of our plans and commitments in this area can be found in our TCFD-aligned Climate Report.

## **Historical comparison**

Please see the above table for the historical comparison of the period reported on with the previous period(s) reported on.

## Appendix 1 – Data Coverage

The following coverage statistics are for the current reporting period.

Baillie Gifford relies on a third party data provider (MSCI) for sufficient coverage, estimation and collation of accurate reporting by companies themselves. However we recognise that coverage of different metrics may vary and may in turn impact the data disclosed in this report. Therefore, we have included coverage figures for each metric that is used in this report in an effort to provide transparency of the data that is being used and how it impacts the overall reporting at portfolio level. We have also identified where we view the data coverage as Good, Medium or Poor and the actions we are taking to improve coverage and data quality (see below).

Coverage relative to Eligible Assets	Category	Explanation
>80%	Good	At present we view this as satisfactory coverage but expect coverage levels to continue to improve
20% - 80%	Medium	We review metrics in this group with an expectation that those at the higher end of the scale will continue to improve. For those at the lower end of the scale, we may seek to improve disclosure through corporate engagement but recognise different disclosure regimes exist globally and recognise the pace of improvement will vary across different jurisdictions.
<20%	Poor	We view this level of coverage as unsatisfactory but acknowledge that for these metrics, coverage is poor in general. As above, we may seek to engage with investee companies to encourage better disclosure.

The figure for Coverage below has been calculated based on percentage of total Assets Under Management ('AUM'). However the Category (Good, Medium or Poor) has been determined based on Coverage as a percentage of Eligible Assets. For example, if the figures for Coverage and Eligible Assets are the same or similar, this means we have data for all the assets which are eligible to report that metric and therefore the Category will be considered Good.

Over the course of 2023, we engaged in work to improve our data processing capacity. This will allow us to take on additional third party sources of data to enhance the scope of our coverage. We do this while bearing in mind that methodologies differ between third parties and increased coverage may not always lead to higher quality data, but that the landscape continues to evolve and mature.

## Climate and Other Environmental Related Indicators

### Greenhouse Gas Emissions

GHG Emissions	Coverage	Eligible Assets	Category
Scope 1 GHG emissions (tCO <sub>2</sub> e)	87.0	94.2	Good
Scope 2 GHG emissions (tCO <sub>2</sub> e)	87.0	94.2	Good
Scope 3 Material GHG emissions (tCO <sub>2</sub> e)	21.0	21.9	Good
Total Scope 1+2+3 Material GHG Emissions (tCO <sub>2</sub> e)	21.0	21.9	Good

Carbon Footprint	Coverage	Eligible Assets	Category
Scope 1+2+3 Material Carbon Footprint (tCO <sub>2</sub> e per €M invested)	21.0	21.9	Good

GHG intensity of investee companies	Coverage	Eligible Assets	Category
Scope 1+2+3 Material Intensity (tCO <sub>2</sub> e per €M revenue)	21.0	21.9	Good

<b>Exposure to companies active in the fossil fuel sector</b>	<b>Coverage</b>	<b>Eligible Assets</b>	<b>Category</b>
Share of investments in companies active in the fossil fuel sector	86.1	94.2	Good

<b>Share of non-renewable energy consumption and production</b>	<b>Coverage</b>	<b>Eligible Assets</b>	<b>Category</b>
Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	51.2	94.2	Medium

<b>Energy consumption intensity per high impact climate sector</b>	<b>Coverage</b>	<b>Eligible Assets</b>	<b>Category</b>
Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector <i>(only companies within NACE Sectors A-H and L have been counted towards Eligible Assets)</i>	38.5	49.2	Medium

## **Biodiversity**

<b>Activities negatively affecting biodiversity-sensitive areas</b>	<b>Coverage</b>	<b>Eligible Assets</b>	<b>Category</b>
Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	86.7	94.2	Good

## **Water**

<b>Emissions to water</b>	<b>Coverage</b>	<b>Eligible Assets</b>	<b>Category</b>
Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0.9	94.2	Poor

## **Waste**

<b>Hazardous waste and radioactive waste ratio</b>	<b>Coverage</b>	<b>Eligible Assets</b>	<b>Category</b>
Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	20.9	94.2	Medium

## **Social and Employee, Respect for Human Rights, Anti-Corruption and Bribery Matters**

### **Social and Employee Matters**

<b>Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises</b>	<b>Coverage</b>	<b>Eligible Assets</b>	<b>Category</b>
Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	86.9	94.2	Good

<b>Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises</b>	<b>Coverage</b>	<b>Eligible Assets</b>	<b>Category</b>
Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	86.0	94.2	Good
<b>Unadjusted gender pay gap</b>	<b>Coverage</b>	<b>Eligible Assets</b>	<b>Category</b>
Average unadjusted gender pay gap of investee companies	15.6	94.2	Poor
<b>Board gender diversity</b>	<b>Coverage</b>	<b>Eligible Assets</b>	<b>Category</b>
Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	85.7	94.2	Good
<b>Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons, and biological weapons)</b>	<b>Coverage</b>	<b>Eligible Assets</b>	<b>Category</b>
Share of investments in investee companies involved in the manufacture or selling of controversial weapons	86.5	94.2	Good

## Other indicators for principal adverse impacts on sustainability factors

### Emissions

<b>Investments in companies without carbon emission reduction targets</b>	<b>Coverage</b>	<b>Eligible Assets</b>	<b>Category</b>
Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	85.4	94.2	Good

### Human Rights

<b>Number of identified cases of severe human rights issues and incidents</b>	<b>Coverage</b>	<b>Eligible Assets</b>	<b>Category</b>
Number of cases of severe human rights issues and incidents connected to investee companies on a weighted average basis	86.9	94.2	Good

## Indicators applicable to investments in sovereigns and supranationals

### Environmental

<b>GHG Intensity</b>	<b>Coverage</b>	<b>Eligible Assets</b>	<b>Category</b>
GHG intensity of investee countries (tonnes per €M GDP 2017 PPP)	4.6	4.7	Good

### Social

<b>Investee countries subject to social violations</b>	<b>Coverage</b>	<b>Eligible Assets</b>	<b>Category</b>
Number of investee countries subject to social violations as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	4.6	4.7	Good
Expressed as a percentage of all investee companies	4.6	4.7	Good



## Legal Notices

Baillie Gifford uses a combination of internal research and analysis and third-party data sources when preparing ESG-related disclosures.

Prior to using data sourced from a third-party provider, Baillie Gifford conducts appropriate due diligence on the third-party provider including validation of their methodology and assessment of their coverage and then carries out spot checks of the data periodically, escalating issues to the third-party provider where necessary.

However, Baillie Gifford cannot guarantee that such data is complete, up-to-date and/or accurate. Furthermore, information disclosed is based on data established at a specific time which may be liable to change. More generally, the coverage, standardisation, and comparability of ESG data continues to change and develop over time.

This disclosure is not intended to be used for marketing purposes and nor does it constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.

The figures in this report are aggregations and calculations which draw upon data from our external data providers, principally MSCI.

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MSCI ESG Research

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