

Positive Conversations

Risk factors

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

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

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Welcome

Welcome to the sixth edition of Positive Conversations.

Positive Conversations accompanies our annual Impact Report. The Impact Report focuses on the impact of the products and services of the companies in the portfolio, whereas Positive Conversations focuses on the business practices of these companies, essentially how they operate. Here, we look at Environmental, Social and Governance (ESG) factors of the companies in which we invest.

Importantly, this report also details our engagements, or positive conversations, with management teams as we seek to support and influence companies owned on behalf of our clients, over the long term.

2024 was another busy year of company engagement for the team, one in which we discussed an array of topics with portfolio companies, from biodiversity impacts to consumer protection and carbon emissions to board composition. Most of our conversations with company representatives help us assess whether the company continues to meet the financial and impact objectives of the Positive Change Strategy.

Sometimes our engagement is driven by our ambition to contribute to positive social and environmental impacts, and company success. As you will read in this report, we use a range of tools at our disposal to achieve this including proxy voting, but more commonly, through direct conversations with management teams, board directors and sustainability teams. We believe we have the best chance of successful engagements when we build long-term relationships with companies, enabling us to signal the importance of impact and engage actively and thoughtfully on relevant topics¹.

Typically, we invest in well-run companies whose management teams we admire, and which are actively managing their positive and negative impacts on people and the planet. Yet, no company is perfect. Often through our impact and investment research we identify good practices that we believe will help companies achieve their financial objectives, while minimising operational harms and maximising the impact of their products and services. Engaging for these interlinked objectives is a unique feature of the Positive Change Strategy.

Our commitment to these objectives for the Positive Change Fund helped us attain the UK Financial Conduct Authority's (FCA) Sustainability Impact label this year. Designed to improve trust and transparency of sustainable investment products and reduce 'greenwashing,' this label recognises the Positive Change Team's aim of investing in and supporting companies contributing to a more sustainable, healthy and inclusive world.



Sustainable investment labels help investors find products that have a specific sustainability goal. This product invests mainly in solutions to sustainability problems, with an aim to achieve a positive impact for people or the planet. More details can be found in the product's **SDR Sustainability-related Disclosure Document** found within the documents section of the website.

¹ Our approach aligns with two of the four investor contribution strategies outlined by the Impact Management Norms, available on the [Impact Frontiers website: Investor Contribution Strategies | Impact Frontiers](#)

Introduction

We continually strive to improve our reporting. This year, we have refined the structure of Positive Conversations. On the following pages, you will find a portfolio snapshot illustrating some of the ways in which the Positive Change Team contributes to impact outcomes. The rest of the report is split into two sections.

Part 1

Part 1 showcases how we think about good environmental, social and governance business practices across the portfolio, and highlights some of our most notable engagements during 2024 in detail.

Environment

- Engagement case studies on preventing biodiversity loss, considering supply chain resilience to climate change, and mitigating environmental harms in Indonesia.
- An update on the Positive Change portfolio's progress towards our net zero expectations and portfolio carbon footprint data.

Social

- Engagement case studies on drug pricing, responsible finance and working conditions in the gig economy.
- Details of the Positive Change Team's portfolio considerations around measuring 'social performance' given the breadth of what can qualify as a social issue.

Governance

- Engagement case studies covering our efforts to establish constructive relationships with a new management team at a longstanding holding, and our efforts to encourage board independence and refreshment.
- Details of the Positive Change Team's portfolio approach to executive remuneration, board composition and proxy voting.

Part 2

Part 2 includes a page for each company in the Positive Change portfolio (as at 31 December 2024). Consistent with our annual impact report, these company pages include our Positive Change hypotheses, describing why we believe each company meets our investment and impact objective. You will also find a record of all engagement activities with each company in 2024, who we met and what we discussed, and our voting decisions on proxy votes we deem to be notable.

These pages, new to this year's report, disclose our priority engagement objectives for each company, the key performance indicators (KPIs) that we are using to monitor those objectives and an update on any progress made in the year.

As you will notice, many of our engagements occur over multiple years. As a result, identifying measurable KPIs and engagement outcomes is challenging. As listed equity impact investors, we generally rely on company disclosures to assess engagement outcomes. We also do not seek to claim sole credit or even causality between our engagement and positive outcomes. We are often one of many voices engaging on a topic and often support actions that a company may have already taken without our input. Nevertheless, we believe we are very well placed to influence companies for the better and will continue to strive to do so.

Finally, in Part 2 you will find a summary of some of the external collaborations that have supported our research and engagement in 2024, and industry initiatives that we hope will contribute to the growth and influence of the impact investing community.



While this report focuses on company engagements and looks at key business practices across ESG factors, each company in the Positive Change portfolio is held because of its potential to deliver growth and positive impact in one of four broad areas. Often, our engagement simply aims to support management teams to deliver on growth and impact via core products and services.

Our Impact themes

Social inclusion and education

From breaking down barriers to fostering connectivity, this impact theme highlights companies that are revolutionising how people and groups engage with society. Through their products and services, these companies are empowering individuals to participate more fully and inclusively in their communities.

Environment and resource needs

In pursuit of a sustainable future for our planet and its inhabitants, this impact theme focuses on companies progressing the energy transition, sustainable resource use and transforming agriculture.

Healthcare and quality of life

Under this impact theme, the Positive Change Team supports innovative companies that are pioneering new technologies to improve health around the world. We're committed to making quality healthcare and treatments accessible to more people, ensuring a positive impact on lives everywhere.

Base of the pyramid

Going to where the need is greatest, this impact theme focuses on addressing the needs of the world's poorest populations by providing essential services and financial inclusion. Companies in this theme work on improving access to financial services, healthcare and basic necessities for low-income individuals.

Our contribution: a snapshot

Intentional impact investments

Portfolio by holding period

Less than 2 years

| | |
|---------------|------------------------|
| Ashtead | New York Times |
| Epiroc | Rivian |
| Grab | Savers Value Village |
| HDFC Bank | Schneider Electric |
| Insulet | SEA |
| Joby Aviation | Soitec |
| Microsoft | Vertex Pharmaceuticals |

2-4 years

| | |
|------------|--------------|
| AbCellera | Duolingo |
| Autodesk | MercadoLibre |
| Coursera | Nu Holdings |
| Deere & Co | Remitly |

More than 4 years

| | |
|-------------|-----------|
| Alnylam | Novonosis |
| ASML | Sartorius |
| Bank Rakyat | Shopify |
| Dexcom | Tesla |
| Ecolab | TSMC |
| Illumina | Xylem |
| Moderna | |

- Healthcare and quality of life
- Social inclusion and education
- Environment and resource needs
- Base of the pyramid

Portfolio as at 31 December 2024.

Patient, long-term, impact-focused

Average turnover:

24%
per annum*

Average holding period:

6
years*

*Since inception.

SDG alignment



✓ Addressed by companies in the Positive Change portfolio as at end December 2024.

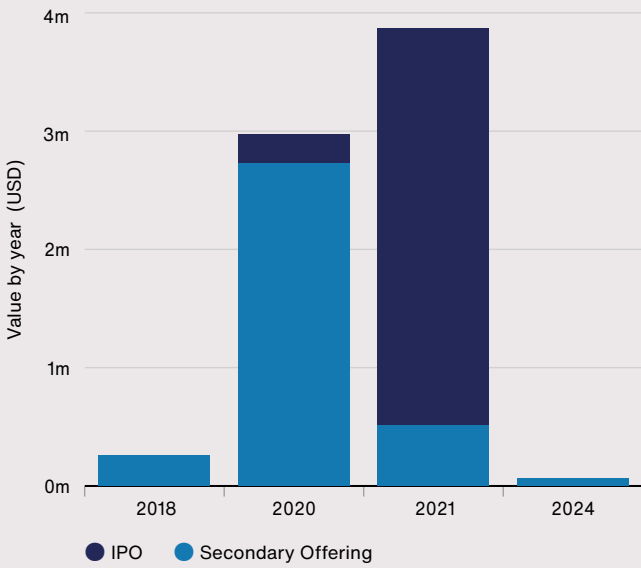
Images: © United Nations Department of Public Information. Based on the Positive Change Team's views.

Impact



See the Annual Impact Report for full details on company level and portfolio impact

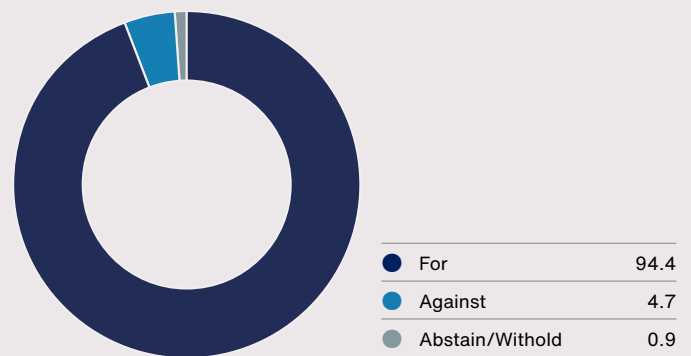
Financial contributions



Responsible stewardship

We vote on all resolutions proposed at AGMs or EGMs for portfolio holdings where we hold voting rights. Our voting supports our impact and financial objectives for each portfolio company. You can read more about our approach to proxy voting on [p27](#) of this report, and in Part 2, for each portfolio company, we provide further detail on votes which we have deemed notable in 2024. Full proxy voting data for the portfolio is available on request.

Positive Change proxy voting record 2024 (%)



Actively engaged

Company conversations

80
Engagements

36
With unique holdings

Intention

52%
Fact Finding

23%
Assessing

25%
Influencing

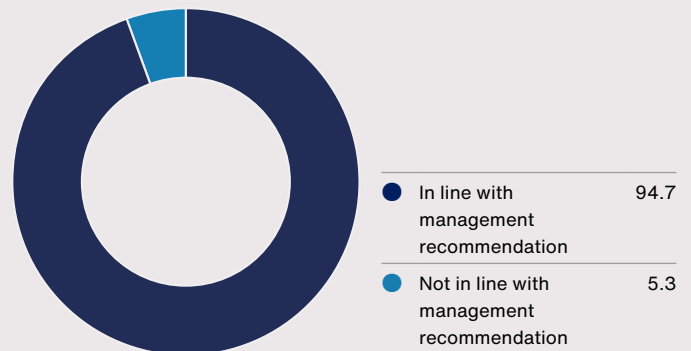
Who we engaged with

56%
Executives and/or boards

59%
Investor relations

49%
Other

Votes for/against management recommendations (%)



12 months to December 2024. The percentages may not add up to 100% as we often engage with people who fulfill more than one of these roles in a single meeting.

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



Fact-finding

Information requests or points of clarification. This is often the first contact on a particular issue and is directed towards Investor Relations or other non-executive management.



Assessing

Monitoring progress towards achieving impact and financial objectives, and performance on specific areas of interest.



Influencing

Engaging with company management or board directors with a view to encouraging a particular behaviour or course of action.

Part 1

Our assessment of companies' business practices, split into Environmental, Social and Governance factors, and some of our most notable engagements

Environment

Climate, biodiversity and natural resources

Nature is the foundation of our societies and economies but is under threat. The operating environment for every company we invest in is strikingly different from just a generation ago. This means that the companies in the Positive Change portfolio – of whom we are stewards on behalf of our clients – face an increasingly unpredictable future. These companies are also change makers, whose contributions will help dictate our planet’s future environmental trajectory.

Climate change, water stress, pollution, and biodiversity loss are interconnected challenges that affect companies in many ways. We engage with companies on environmental topics for three distinct but often overlapping reasons:

To promote opportunities for impact and investment returns

To increase resilience to a changing climate

To mitigate environmental harms

As you will see in the case studies, we often engage with sustainability or regional teams at portfolio holdings on environmental matters. As well as signaling the importance of environmental factors to company management, we also seek to offer companies insight and expertise in this area. Often we do so leveraging the expertise of Baillie Gifford’s internal Climate Team.

Conversations in 2024



AbCellera
ESG reporting requirements



Bank Rakyat Indonesia
Environmental impact monitoring;
climate scenario analysis



Deere
TCFD reporting



Ecolab
Chemical and water savings for customers



Epiroc
Product electrification



Insulet
Product recyclability; scope 3 emissions



Moderna
Supply chain emissions



Remitly
Scope 1 and 2 reporting



Shopify
Climate targets



Tesla
Physical risk in supply chains



Xylem
Net zero targets

Engagement case studies

Deere

Accounting for and preventing biodiversity loss



© John Deere

Deere is a leading agricultural equipment manufacturer with a portfolio of precision agriculture products and services that can help farmers increase yields and limit environmental harm.

Objective

To raise awareness of the problem of biodiversity loss, to encourage the development of new and impactful products to address the challenge, and to advocate for improved disclosure from Deere on its approach.

Engagement

We began engaging with Deere on biodiversity loss in 2020. Over four years of holding Deere in the portfolio, we have spoken to the company about this issue on seven occasions, across all company levels. At first, our discussions were high-level and aimed to raise awareness of the challenge and how it may affect Deere. They soon developed into more nuanced discussions on the role the company's precision agricultural tools could play and its role in expanding access to mechanisation in emerging markets.

Through our meetings, we learnt of the many trials Deere was undertaking to expand the use of cover crops, which can enhance biodiversity and protect soil health. We also discussed opportunities for supporting carbon markets and sustainable farming practices. In 2024, we continued the conversation by discussing ways for Deere to improve its Task Force on Climate-related Financial Disclosure (TCFD), drawing upon learnings from the Task Force on Nature-related Financial Disclosure (TNFD).

Outcome

Since we first took a holding in Deere, the company has gone from minimal disclosure on biodiversity loss to demonstrating a strong understanding of how it affects its key stakeholders.

When the company formalised its approach to ESG in 2020, we saw the integration of biodiversity loss as a topic to be managed. In 2021, as the company started to focus more on impact reporting, we saw the inclusion of biodiversity-related impacts from using their products, such as savings of agricultural chemicals through See & Spray. This year, we were pleased to see Deere disclose its plans to undertake a CDP (Carbon Disclosure Project) assessment of its biodiversity-related risks and opportunities. The CDP is an international not-for-profit organisation that operates the world's largest environmental disclosure system. Through this system, organisations receive comprehensive assessments of their environmental impact and performance.

Tesla

Climate risk in supply chains



© Getty Images

Tesla designs, manufactures and sells electric vehicles, energy storage systems and solar panels, and is investing in autonomous driving and robotics.

Objective

To improve the resilience of Tesla’s operations in response to the increasing physical impacts of climate change. Tesla has a concentrated supply chain; therefore, we felt it important to understand its environmental risk exposure.

Engagement

Baillie Gifford’s Climate Team has been working for two years to advance our ability to analyse physical climate risks. As part of this work, they invited climate specialists from the University of Exeter Global Systems Institute to assess Tesla’s asset base and supply chain. One of the aims of this work was to focus on the likely realities of the next 10–15 years, rather than the huge uncertainties of 2050 and beyond. Based on publicly available information, this work concluded that there were specific concentrations of climate risk within parts of Tesla’s supply chain. In particular, the work found an under-representation of wildfire risks in consensus modeling, and identified a small number of highly vulnerable suppliers.

We subsequently met with Tesla’s Head of Sustainability and its Responsible Supply Chain team to discuss the report, and we had an open discussion on this very complex subject. We heard how Tesla has been approaching climate risk assessments across its business. The team had started by examining physical risk at its own manufacturing locations. This basic assessment suggested that drought was the most significant risk facing these locations. However, recognising the need to include more factors in their assessments, the team is working on building a more sophisticated internal capacity to consider physical and transition risks. It is also working to better understand physical risk among its suppliers, where resilience has long been a key priority, and so the work from the University of Exeter team was very timely.

Outcome

This was a useful discussion, and we were pleased to hear that Tesla wanted to improve its approach. Today, we believe its approach to assessing climate risk is nascent. At their request, we have since facilitated more dialogue between the University of Exeter and Tesla’s supply chain team to support them in better managing climate risk.

Bank Rakyat Indonesia (BRI)

Reducing the environmental impacts of microfinance



© Shutterstock/FarisFitrianto

Bank Rakyat Indonesia (BRI) is the largest provider of microfinance products in Indonesia.

Objective

BRI provides finance to millions of customers and enterprises, some of which contribute to pollution, greenhouse gas emissions and land degradation. Some of these impacts can negatively harm the interests of BRI's other loan recipients and Indonesia's economy. Over 15 per cent of BRI's loan book is involved in agriculture and 1 per cent in fisheries, activities which contribute over 12 per cent of Indonesia's GDP and which are particularly vulnerable to climate change and land degradation. We therefore sought to encourage BRI to consider the interrelated nature of its loan book and to help mitigate customer environmental harms where possible.

Engagement

We arranged a meeting with the Head of ESG at BRI after completing high-level research into the nature-related impacts and dependencies of its loan book. We heard how the company is progressing in its own analysis of climate-related factors which might affect its loan book. To date, this has primarily considered climate transition risks given the impending introduction of a carbon tax in Indonesia. Having completed a climate change stress test on 71 per cent of its loans, this naturally focused BRI's work on engaging with its highest emitting loan recipients – larger projects and companies, rather than its microfinance portfolio. These are positive steps, but this meeting also left us concerned that the physical climate risks to its smaller loan recipients have not yet been considered in enough depth.

Later in the year, we were invited to spend time with BRI's ESG team in Jakarta, where we spoke about the challenges of monitoring the activities of microfinance customers, what insights can be drawn from the company's existing customer data, and how to best engage with customers on climate change. We also discussed physical risk in more depth and shared what we learned from the **Baillie Gifford Climate Scenarios project**. The climate scenarios that were developed by this project have helped us to consider physical risks to our portfolios and we think BRI may benefit from taking a similar approach.

Outcome

We are pleased that BRI is undertaking climate risk analysis in a systematic way. The company has strong ambitions regarding understanding how its loan book is impacting and is impacted by nature, but there are significant hurdles to overcome. We now have a better understanding of the company's near-term priorities and have offered our support to advance its thinking and share analysis. Through this work, we believe that we can help BRI reduce the collective impacts of its loan book, and improve the resilience of its micro-, small- and medium-sized enterprise (MSME) customers, leading to better outcomes for the base of the pyramid populations in Indonesia.

Portfolio considerations

Biodiversity

In recent years, there has been an enormous increase in reports, frameworks and support to encourage the private sector to understand its impacts and dependencies on nature. The most notable of these efforts has been the sector guidance from the TNFD. We provided an update on our work with this forum, mainly through our involvement in the United Nations Environment Programme Finance Initiative (UNEP – FI), in **Positive Conversations 2022**. We also continue to monitor the progress of the many data providers to help investment funds and companies measure their impact and dependencies on nature. Obtaining suitable data in this field is a well-known challenge, and we are cautious about suggesting a level of accuracy that may not be feasible and could be misleading. Therefore, we have determined that a qualitative evaluation of a company’s exposure is our most effective approach at this time.

GHG emissions fall into three categories:

- **Scope 1** – the direct emissions created by the company
- **Scope 2** – the indirect emissions arising from the energy the company consumes
- **Scope 3** – all other indirect emissions resulting from the company’s activities

Climate

The Positive Change Strategy aims to be net zero aligned. Specifically, we want every holding to demonstrate robust strategic alignment with appropriate net zero pathways. However, we strongly feel that action on climate change cannot wait, and intermediate milestones are needed to underpin progress. Therefore, in 2022, we set out some nearer-term expectations which help guide us toward our ultimate goal:

- By the end of 2023 (or within two years of entering the portfolio), we expect 90 per cent (by number) of the portfolio to be reporting their scope 1 and 2 emissions.
- By the end of 2024 (or within years of entering the portfolio), we expect 75 per cent (by number) of the portfolio to be reporting material scope 3 emissions, with 90 per cent reporting by the end of 2026.
- By the end of 2026 (or within five years of entering the portfolio), we expect 75 per cent (by number) of the portfolio to have appropriate net zero-aligned targets.
- By the end of 2040 we aim for the portfolio to be fully net zero aligned.

The concepts of alignment and decarbonisation pathways, which are integral to the portfolio-level net zero commitments we make, continue to evolve. Our aspiration and ability to fulfil these commitments is influenced by a wide range of parties and factors that can be outside of our control, such as client mandates, industry guidance, emissions trends, regulation and government action in support of the Paris Agreement. Consequently we periodically review our portfolio level net zero commitments to take account of these factors.

Progress to net zero – Positive Change portfolio

| Date | Expectation | Target | Status |
|------|--|--------|--------|
| 2023 | 90% of companies report their scope 1 and 2 emissions | 90% | 91% |
| 2024 | 75% of companies report material scope 3 emissions | 75% | 74% |
| 2026 | 90% of companies report material scope 3 emissions | 90% | 74% |
| 2026 | 75% of companies have appropriate net zero-aligned targets | 75% | 41% |

Data as of 31 December 2024.

Progress to net zero – portfolio companies

| | Scope 1 and 2 reporting | Scope 3 reporting | Near-term targets validated by SBTi** | Carbon neutral target | Net zero target |
|-----------------------|-------------------------|-------------------|---------------------------------------|-----------------------|-----------------|
| AbCellera | | | | | |
| Anylam | ● | ● | | | |
| Ashtead | ● | | | 2050 | |
| ASML | ● | ● | ● | 2025 | 2040 |
| Autodesk | ● | ● | ● | 2021 | 2021 |
| Bank Rakyat Indonesia | ● | ● | ● | 2050 | 2060* |
| Coursera | ● | | | | |
| Deere & Co | ● | ● | ● | | * |
| Dexcom | ● | ● | ● | | |
| Duolingo | | | | | |
| Ecolab | ● | ● | ● | 2050 | 2050 |
| Epiroc | ● | ● | ● | 2050 | 2050* |
| Grab | ● | ● | | 2040 | |
| HDFC Bank | ● | | | 2032 | |
| Illumina | ● | ● | ● | 2050 | 2050 |
| Insulet | ● | * | | | |
| Joby Aviation | ● | | | | |
| MercadoLibre | ● | ● | | | |
| Microsoft | ● | ● | ● | 2030 | 2030 |
| Moderna | ● | ● | ●* | 2030 | 2045 |
| New York Times | ● | | | 2030 | |
| Novonesis | ● | ● | ● | 2030 | 2050 |
| Nu Holdings | ● | ● | | 2020 | |
| Remitly | * | * | | 2025 | |
| Rivian | ● | ● | | 2040 | 2040 |
| Sartorius | ● | ● | ● | 2045 | 2045 |
| Savers Value Village | ● | | | | |
| Schneider | ● | ● | ● | 2030 | 2050 |
| Shopify | ●* | ●* | | 2019 | |
| Soitec | ● | ● | ● | | |
| Tesla | ● | ● | ● | | |
| TSMC | ● | ● | | 2050 | |
| Vertex | ● | ● | | 2030 | 2040 |
| Xylem | ● | ● | ● | 2050 | 2050* |

● Yes ● Committed *Topic engaged on in 2024 **SBTi = Science Based Targets initiative

Where no data is entered, the company does not track this metric.



We will monitor and report on the extent to which the portfolio is aligned with these guidelines. Each expectation is measured as a percentage of companies in the portfolio. This robust methodology encourages real-world emissions reductions rather than simply divesting from companies to improve portfolio metrics. Full details are available on [our website](#).

All portfolio companies are actively and regularly assessed for net zero alignment and prioritised for engagement accordingly. This assessment is bottom up, holistic and considers a company’s role in the transition, the nature of its emissions, the geographies in which it operates and the decarbonisation technologies available.

At the end of 2024, the Positive Change Strategy is marginally behind its 2024 expectations. This was unsurprising given the refreshment the portfolio underwent in 2024 and a shift in attitudes towards ESG disclosures in some geographies. For example, Duolingo and Remitly decided not to disclose scope 1 and 2 emissions ahead of regulation. Additionally, three new holdings purchased in the latter half of the year – The New York Times, Savers Value Village and Ashtead – all fail to report scope 3 emissions. Disclosure is not the only factor we use in the analysis of net zero alignment, but it is important and feeds into our engagement priorities.

In 2024, we engaged on emissions reporting with the heads of Sustainability at Insulet and Remitly. During these meetings, we emphasised the importance of reporting and were pleased that efforts were underway and that we can expect improved disclosures. Other engagements were less fruitful, such as our meeting with Shopify’s Head of Sustainability, where we learnt that the company does not intend to set emissions reduction targets unless it becomes mandatory.

Even where companies have strong emissions disclosures and targets, we often still need to engage on a company’s approach to mitigating climate change, especially when it is part of its product impact. For example, this year we visited the management team at Epiroc, a mining equipment supplier, to better understand its strategy for building the ecosystem necessary for scaling electrified equipment.

Environmental proposals

There was only one environmental proposal for us to proxy vote on in 2024. This was a shareholder proposal for Tesla to sign a moratorium on sourcing minerals from deep-sea mining. Following extensive research, we supported the proposal because, at this time, we concluded that the need for extensive deep-sea mining is unproven, and the appropriate scientific and regulatory guidelines are not yet in place. The proposal was defeated at Tesla’s AGM.

Climate data: portfolio carbon footprint

As with previous years, in addition to reporting emissions against the MSCI ACWI Index, we also report against the MSCI ACWI Climate Paris-Aligned Index, which is a more accurate reflection of where emissions need to be to meet the Paris Agreement. This index starts from a baseline of emissions 50 per cent lower than its parent index. It then decarbonises approximately 10 per cent year-on-year to align with the trajectory of a 1.5C climate scenario.

We do not aim to beat the Paris-Aligned Index since doing so risks becoming an empty numerical target without considering the real-world context of the companies we hold. However, by comparing the portfolio's footprint to this additional index, we gain a much better understanding of where the carbon footprint is against where it needs to be to meet the ambitions.

Scope 1 and 2

At the end of 2024, the Positive Change portfolio's weighted average carbon intensity (WACI) and carbon footprint were below that of the Paris-Aligned Index. The portfolio's WACI is also lower than in 2023 due to the sale of Ørsted at the end of the year.

As of 31 December 2024, the portfolio's total financed emissions are estimated to be 10,111.09 tonnes of CO₂ equivalent (tCO₂e).

| | Carbon footprint (financed emissions) tCO ₂ e/\$m invested | Weighted Average Carbon Intensity tCO ₂ e/\$m revenue |
|----------------------------------|---|--|
| Positive Change | 4.5 | 28.7 |
| MSCI ACWI Index | 41.7 | 113.6 |
| MSCI ACWI Paris-Aligned Index | 22.3 | 75.7 |

Source: Baillie Gifford & Co and MSCI. As at 31 December 2024.

We produce a strategy-level TCFD report for Positive Change which is available on our website or upon request.



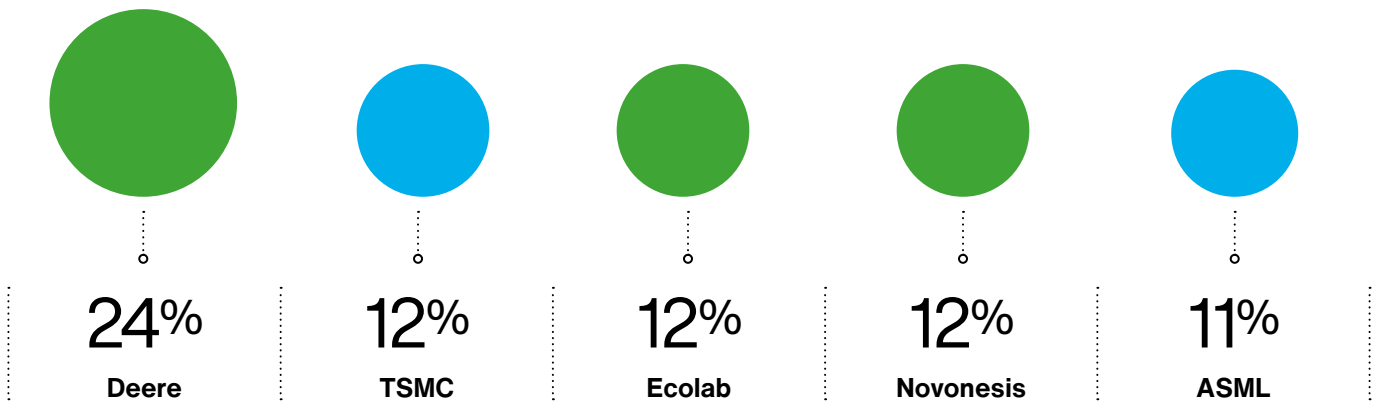
Scope 3

The table to the right is the portfolio’s footprint, including the scope 3 emissions of the 12 holdings (ASML, Deere, Ecolab, Epiroc, Grab, Joby, Novonosis, Rivian, Soitec, TSMC, Tesla and Xylem) from specific material sectors, as per guidance from the Portfolio Carbon Accounting Framework. From 2025, companies from every sector will be included in the reporting.

| | Carbon footprint (financed emissions) tCO ₂ e/\$m invested | Weighted Average Carbon Intensity tCO ₂ e/\$m revenue |
|-------------------------------|---|--|
| Positive Change | 54.3 | 342.2 |
| MSCI ACWI Index | 266.0 | 604.1 |
| MSCI ACWI Paris-Aligned Index | 111.5 | 371.4 |

Source: Baillie Gifford & Co and MSCI. As at 31 December 2024.

Top five contributors to the portfolio’s carbon footprint (scope 1, 2 and 3)



Social

We believe that encouraging responsible social practices is not only ethically sound but can also strengthen companies' long-term financial and impact opportunities. We regard the materiality of social factors through three primary lenses: how poor social practices destroy value, how good social practices create value, and how companies solving social problems present attractive investments.

While the latter is covered in more detail in our annual **Impact Report**, our engagement efforts focus on all three areas. Our conversations with companies in 2024 illustrate the sheer range of social topics that are relevant to companies in the Positive Change portfolio. Researching and engaging on social business practices is complex and multi-faceted, not least because of the different approaches to social performance and disclosure around the world. Increasingly, we find ourselves engaging with third party researchers and organisations to inform our company engagements, as you will see in some of the case studies overleaf.

How poor social practices destroy value

How good practices create value

How companies solving social problems present attractive investment opportunities

Conversations in 2024



Bank Rakyat Indonesia

Environmental impact monitoring; climate scenario analysis



Epiroc

Worker health in mining



Grab

Driver conditions and education; digital training; culture



Insulet

Device pricing; diversity and inclusion



Moderna

Vaccine access and global health; pay gaps



Novonosis

Ultra-processed foods and health



Nubank

Financial inclusion and regulation



Remitly

Customer climate risk; fraud detection



Rivian

Health and safety



Savers Value Village

Environmental impact monitoring; climate scenario analysis



Tesla

Labour unions; supply chain responsibility



Vertex Pharmaceuticals

Drug pricing and international access

Engagement case studies

Grab

Gig workers and responsible finance



© Hugh Mitton/Alamy Stock Photo

Grab is Southeast Asia’s leading mobile app for ride-hailing and food delivery, and is building a suite of financial service offerings. Its digital platform supports micro- and small-sized businesses (MSEs) and promotes financial inclusion in Indonesia, the Philippines, Vietnam and several other countries.

Objective

We took a holding in Grab for the Positive Change portfolio in 2024, but for several years we have been meeting with its management team to discuss the business and its approach to relevant social matters. In particular, we believe that treating its platform workforce well and supporting the MSEs using its platform are both necessary for Grab to successfully execute its strategy and maximise its positive social impact.

When considering this investment, we commissioned 60 Decibels (60dB), a survey-based research organisation, to better understand how platform models are affecting financial and social outcomes for MSE owners in Indonesia and the Philippines. Both are growth markets for Grab. This survey, of 1,600 MSE owners, demonstrated the great potential digital platforms have for improving lives, but also identified that many MSEs face challenges with digital literacy. We want to encourage Grab to do what it can in this area to help maximise its impact, particularly among smaller and more remote MSEs.

Engagement

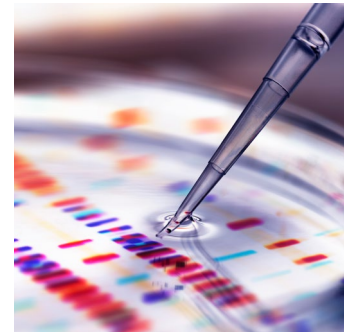
We first wrote to the chief executive and chair to state our support for the company’s ambitions to support MSEs across Southeast Asia, and also provided copies of the 60dB research. We subsequently had online meetings with Grab’s ESG team and learnt more about its approach

to providing educational resources to the drivers using its platform. The company’s GrabAcademy provides drivers with free online learning opportunities because the company believes that they will benefit from having additional life skills. Grab has plans to build on this and so we put the team in touch with Coursera, another Positive Change portfolio company, to see what Grab could learn about providing effective digital education.

Later in the year, we visited Grab Indonesia and spoke to its chief financial officer. We discussed the findings of the 60dB report and how Grab might help MSEs who want to digitalise and therefore increase its market penetration. The chief financial officer noted that he had recently visited Sulawesi province, and his experience speaking to MSEs corroborated some of the 60dB report findings on digital literacy. We explored some of the bottlenecks Grab faces in supporting digital education among smaller merchants in more rural areas, such as misinformation, and we suggested alternative routes to reach these customers, for example by partnering with microfinance organisations with more experience in this segment.

Outcome

Sharing the survey results with Grab’s team proved helpful in building a relationship and facilitating discussions about concrete steps which could improve pain points for MSE owners. We were impressed by Grab Indonesia’s openness to explore new avenues to educate customers, and we look forward to seeing how Grab continues to promote digital literacy and education among its partners. We believe this will help it onboard more MSEs and increase its outreach to more remote areas.



Vertex Pharmaceuticals

Drug pricing and access

Vertex is a speciality pharmaceutical company aiming to bring transformative medicines to market in areas of high unmet need. Its treatments in the market include a portfolio of drugs for cystic fibrosis and a gene-editing therapy for sickle cell disease. It also has a pipeline of others, including for pain.

Objective

This year, we took a holding in Vertex. During our pre-investment due diligence, we identified that although its cystic fibrosis treatments have been transformative for many of those suffering from the condition in the US and Europe, access is restricted in many parts of the world and the cost of treatment is prohibitively high.

Engagement

After taking a holding in Vertex, we wrote to the chief executive (CEO) and chair to encourage the company’s efforts on access and affordability. We subsequently discussed this with the CEO and the chief scientific officer. We were somewhat reassured that Vertex has worked hard to make its treatments available in 60 countries, including those where the relevant strains of the disease are most prevalent. It does intend to expand access, but not as fast as some patients would like.

Our research and engagements have also helped us understand that while appropriate pricing is essential, it is not always the number one issue

that unlocks better access. In particular, diagnosis, reimbursement arrangements and access plans are crucial when treating cystic fibrosis. Unfortunately, there are many parts of the world where early diagnosis is unavailable, leading to high mortality rates.

Outcome

We expect these conversations to continue over the course of our investment in Vertex, and will continue to monitor whether access is expanding. In 2024, we were pleased to see the company come to an agreement with the NHS in the UK, and it started to provide its leading drugs in South Africa. Vertex is also progressing a further treatment in the clinic, which it hopes will help around 5,000 patients for whom previous treatments did not work.

There is still an opportunity for Vertex to expand access to its cystic fibrosis treatments while appropriately balancing pricing, profits and drug development. As with any pharmaceutical company, there is a balance to be struck between these three things. Vertex is highly focused on research and development – which is one of the reasons for our investment – but we don’t believe that this needs to come at the expense of expanding access and affordability.

Portfolio considerations

Given the breadth of issues that come under the social category and how important context is in understanding them, it is difficult to make a useful assessment of ‘social performance’ across the whole portfolio. On traditional social metrics, such as board gender diversity and the presence of human rights policies, the Positive Change portfolio ranks about the same as its benchmark, and all holdings are considered compliant with the UN Global Compact.

While these data provide an interesting snapshot, as with all our work, we prefer to take a bottom-up approach to analysing a company’s social performance. We believe it is best to compare companies to peers rather than to a benchmark. Social performance across the portfolio varies dramatically, from companies with living wage commitments to those with repeated labour relations challenges. Our pre-investment impact analysis aims to consider how each company treats its stakeholders, including customers, employees and wider society.

As you can see in this report, this sometimes means we engage on highly company-specific topics, such as our conversations with Savers Value Village on the African second-hand clothes market. Yet, there are social factors that we come across frequently and have invested time and resources in recent years to understand them better. Some of these areas include:

Labour conditions and relations

Companies in the Positive Change portfolio directly employ more than 1.3 million people, and several employ large temporary workforces. With digitalisation and AI proliferation, the nature of work continues to evolve. It is increasingly hard for companies to attract and retain the best talent, invest in diversity, and stay ahead of shifting labour regulations. Yet these things are extremely important. This year, we spoke with **Fairwork** to understand better what improvements can be made to enable quality jobs in the gig economy, which is particularly relevant to our Grab holding.

Supply chains and human rights

Given the material demands of the energy transition and the portfolio’s exposure to that theme, this is an area we have worked on over several years. We have looked at the supply chains of cobalt, nickel and lithium and considered the potential of traceability and transparency to improve labour conditions in upstream supply chains. In 2024, together with other investment teams at Baillie Gifford, we have been speaking with the Initiative for Responsible Mining Assurance (IRMA) to understand best practice in mining, and we also discussed some of the challenges Tesla faces in auditing its supply chain in China.

Consumer protection

The Positive Change portfolio includes several companies deploying financial services in emerging markets, often to socioeconomically vulnerable households, such as MercadoLibre and Nu in Latin America and HDFC Bank in India. Appropriate consumer protection measures, such as transparency, data protection and risk controls, are vital for ensuring these customers realise the benefits of financial inclusion.

We continue to develop our understanding of trends and best practice in this area. In 2024, we formally became a Strategic Partner of **CGAP**, a leading research organisation focused on financial inclusion and housed within the World Bank.

Product access

This is most relevant to portfolio companies selling devices, vaccines and treatments in our healthcare theme, as well as to companies such as Duolingo, Coursera and Remytly, where access to their products can have a significant social impact. Pricing is important, which has been a topic of conversation with Dexcom and Moderna, and this year with Vertex and Insulet. Yet there are many other relevant factors in healthcare, such as drug access plans, and regarding digital services, such as connectivity and digital training, that we must consider and engage on.

Governance

Good corporate governance is a foundational condition for achieving long-term value creation and positive impact. It is important for every company, but we believe particularly for those that make it their business to address large environmental and social challenges. For these companies, governance structures, which allow a company to invest in longer term ambitions and to appropriately balance profit and purpose, at the right time, are vital.

But good governance does not look the same for every company. There are common features that we value and seek to encourage, such as a board that brings relevant skills together and is able to support and challenge a management team. Executive remuneration incentives that align with our clients' experience are also important to us, as is the culture among a company's leadership. However, we also see the benefits of unique governance practices, particularly for earlier stage companies that need to be agile, and those who may benefit from being insulated from competing shareholder demands.

Our engagements concerning company governance reflect this view and often seek to understand why a company believes a certain governance practice is appropriate. As you will see in this report, we often discuss governance matters with non-executive directors. As well as helping us gain important strategic insights into a business, this also allows us the best opportunity to influence a company's governance where we believe that will lead to better financial outcomes and sustainability impact.

Conversations in 2024



AbCellera
Capital allocation



ASML
Management changes; succession;
executive remuneration



Autodesk
Accounting practices; executive remuneration;
responding to shareholder activism



Coursera
Management execution



Ecolab
Board oversight; board composition



Epiroc
Digital strategy; executive remuneration



Illumina
Management changes; customer focus



Moderna
Board composition; executive remuneration



Remitly
Management changes



Sartorius
Succession; executive remuneration



Soitec
Executive remuneration



Tesla
Governance practices; executive remuneration;
re-incorporation



Xylem
Acquisition synergies; executive remuneration

Engagement case studies



© Tesla

Tesla

Board independence

Tesla designs, manufactures and sells electric vehicles, energy storage systems and solar panels, and is investing in autonomous driving and robotics.

Objective

To encourage board refreshment and enhancement of governance independence and processes. We have long been aware of the risks posed by Tesla's unique governance circumstances, and the influence of its CEO and founder, Elon Musk. We feel the company will need a greater level of independence among the board and robust governance processes for its next phase of growth.

Engagement

We have engaged on various governance topics since we took a holding in Tesla in 2017. Topics covered included key-man risk, concentration of power and lack of board independence. In 2024, we twice met with Tesla's chair, Robyn Denholm.

In our first meeting, we discussed the AGM agenda, which included complex and contentious management and shareholder proposals, requiring extensive analysis and discussion with the company and external experts. Specifically, we discussed the process culminating in the board putting forward reincorporation and ratification proposals and why the board considered their proposals necessary for Tesla's long-term strategy. We also queried the independence of the process and how the board thinks about the infancy of Texas corporate law relative to Delaware, over which we had reservations and ultimately opposed at the AGM.

Following our discussions, we voted to support shareholder proposals calling for a reduction in director terms and removing supermajority

provisions, as we believed these measures would help support robust governance at the firm. We also voted against Tesla's reincorporation in Texas, given the infancy of the Texas business courts and concerns over the fiduciary duties of controlling shareholders to other stockholders.

We spoke again with the chair in late 2024 to understand how the reincorporation – having been passed at the AGM – was progressing and how corporate law was developing in Texas. We took this opportunity to understand better what role Tesla's CEO plays in the company – which mainly involves new areas of development and engineering. We advocated for greater independence on the board and discussed Tesla's efforts to do this. We also explored the quality of the senior management involved in the day-to-day running of Tesla's businesses.

Outcome

Our discussions with Tesla's chair, which we have had at least annually since she was appointed in 2018, are critical for us to make informed voting and investment decisions that are in the company's and our clients' best long-term interests. Ultimately, we believe the long-term success of Tesla's existing businesses will lead to substantial positive environmental benefits. With that in mind, we are encouraged by her commitment to refreshing the board and increasing independence, and we hope to see new members appointed shortly. We were, however, disappointed that a supermajority of shareholders passed the proposal to reincorporate Tesla in Texas. We will follow developments there very closely.



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Moderna

Board enhancements

Moderna is a biotechnology company focusing on developing messenger RNA (mRNA) therapeutics and vaccines that can then be used to prevent, treat and cure diseases.

Objective

To encourage board refreshment. We believe Moderna to be a well-governed company, but we think that, at this stage of its growth, the board would benefit from adding directors with new skills and relevant experience to support its financial and impact objectives.

Engagement

We had previously engaged with Moderna’s chair, Noubar Afeyan, and CEO, Stéphane Bancel, on this matter in 2023. We expressed the view that board enhancements were needed, due to the company’s increasing maturity. Moderna experienced a dramatic rise in its fortunes throughout the Covid-19 pandemic, but as it enters a more usual regulatory and customer environment, it needs experienced directors who can provide the necessary strategic guidance and oversight.

This year, we held two calls with the company’s chief legal officer and her team to learn about the progress that the board is making on adding new independent directors. These discussions revealed

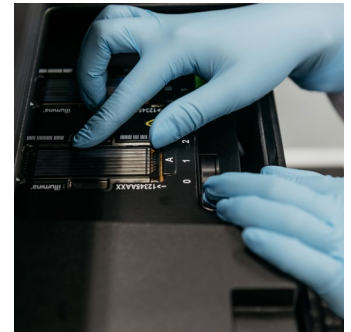
that the board has been thinking internally about refreshment, focusing on acquiring pharmaceutical expertise and experience in responsible AI and government affairs. This aligns well with Baillie Gifford’s perspective on the essential skills needed for Moderna’s future ambitions and our previous discussions with the company on this topic. In addition to searching for directors with specific expertise, Moderna is placing an emphasis on cultural alignment as a key criteria.

Outcome

Moderna appointed two new board members in 2024. Both new directors bring extensive and relevant experience, and we believe that their appointment will support Moderna’s strategy to launch 10 new vaccines/treatments by 2028. One of the new directors, David Rubenstein, brings insights on policy and governmental affairs. The other, Abbas Husain, has been a leader in the pharmaceutical industry for over 35 years. We expect additional governance changes in the coming years and will continue to engage with Moderna’s leadership on this.

Illumina

New management



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Illumina is a global leader in gene sequencing. It is at the centre of the global genomics revolution and its products are used by researchers and clinicians worldwide to study human health and diseases in order to develop new treatments and improve healthcare.

Objective

Since Positive Change invested in Illumina in 2017, its impact has been far-reaching, with over 25,000 gene sequencing machines delivered to customers. It has supported progress which has reduced the cost of sequencing per genome from \$1,000 to \$200, enabling innovation across a number of fields and opening up the possibility for its gene sequencing machines to be used beyond research labs, and into applied and clinical settings.

Following its decision in 2020 to re-acquire liquid biopsy company Grail, Illumina has experienced a tumultuous few years, marked by regulatory disputes and a proxy battle. This has taken place amid a backdrop of increasing competition in the gene sequencing space as new entrants vie for a share of a market that Illumina has dominated. Our engagements in 2023 and 2024 focused on furthering our understanding of actions taken related to the acquisition, on urging the board and management team to prioritise its core business opportunities, and to establish relationships with the incoming management team and new board members.

Engagement

In 2023 we set out to engage with Illumina's management team and board to further understand Illumina's rationale for acquiring Grail and to express our concern that it proceeded with the acquisition without regulatory approval. Illumina's decision to acquire Grail in 2020, a liquid biopsy company that it spun out in 2015, proved costly and disruptive. Illumina offered to acquire Grail at a valuation of \$8bn, despite opposition from regulators in the US and EU. The result was a record €400m fine from the EU Commission (which was subsequently dropped), and an order from the US Federal Trade Commission to divest. A legal battle and proxy fight followed with an activist investor criticising Illumina for proceeding with the Grail acquisition and calling for management changes. By June 2023, Illumina's CEO resigned and its chair was ousted.

We met with the new CEO, Jason Thaysen in December 2023, shortly after his appointment, to hear about his plans for Illumina and to share our views. We continued to emphasise the importance of a long-term approach and a renewed focus on the core business. Hearing about his aims to bring clarity to the Grail situation and to take steps to capitalise on the core gene sequencing business was encouraging.

In 2024, we continued our efforts to build relationships with the new leadership team and to assess progress. We twice met with Illumina's new CFO Ankur Dhingra, whose knowledge of the business and ability to speak in depth about his priorities were impressive. We expressed our support for his focus on growing demand for Illumina's machines, bringing the cost of sequencing down further to unlock that demand and re-establishing close working relationships with customers.

llumina (continued)

Outcome

Management changes have brought an end to the Grail acquisition saga (it was spun-off in June 2024) and seem to have re-energised the company in its focus on addressing the needs of its customers and capitalising on its emerging opportunities in clinical and applied genomic sequencing applications.

Our long-term approach to investing means that it is crucial that we have a good understanding of the priorities of the businesses in our portfolio as well as good working relationships with management teams. Our long track record of engagement with Illumina provides an effective platform for understanding and questioning decisions and advocating for strategic focus on long-term growth and impact.

We believe the new management team’s passion for Illumina’s core business and customer-centric approach should help revive growth and ensure that the company continues to positively impact the healthcare sector.

Our long track record of engagement with Illumina provides an effective platform for understanding and questioning decisions and advocating for strategic focus on long-term growth and impact



Portfolio considerations

Governance practices should be appropriate for a company’s business and phase of growth. For this reason, we do not set much store by aggregate portfolio metrics, believing that different companies will have different structures that work for them. For example, 46 per cent of portfolio companies are founder-led – and we would expect these companies to have very different structures from the 21 per cent of our companies that are widely held in the market, the 23 per cent with a principal shareholder or the 9 per cent that are considered to be controlled. We expect companies in the Positive Change portfolio to have very different characteristics – and what is essential is that we are engaged owners. Two important areas on which we engage frequently include executive remuneration and board composition.

Remuneration

In 2024, we spent significant time considering executive remuneration, a core component of corporate governance. Effective remuneration plans are crucial for attracting, retaining, and incentivising key management personnel. We believe a thoughtful, well-structured remuneration policy focuses executives on long-term value creation and aligns their interests with shareholders.

Following extensive internal research, and in consultation with governance expert Tom Gosling¹, we updated our firm-wide **Executive Remuneration Principles** in 2024. These Principles aim to support an evidence-based approach to executive remuneration and outline a clear preference for simple incentive structures prioritising equity ownership and longer pay duration. We do not advocate for a one-size-fits-all approach but use the principles to guide our engagement and proxy voting regarding executive remuneration.

These new Principles have already influenced how we engage with companies regarding remuneration. For example, we spoke to the remuneration committee chair at Soitec. During this conversation, we outlined our reservations over the complexity of its executive pay plans. We encouraged the company to simplify its plan and implement mechanisms that promote more significant levels of equity ownership for executives. Soitec was receptive to the feedback. We have also discussed these principles when advocating for improved incentivisation plans at Autodesk, ASML and Moderna.

Board composition

While market attention is often on management teams, we believe in the fundamental importance of an effective board for companies to be financially successful and to meet their impact objectives. We often focus our board engagement on the chair. Doing so provides us with differentiated insight into management and how the board composition is optimised for the business’s long-term strategy. Boards require different skill sets for governance to be constructive and productive at different times.

Where we identify gaps in expertise or experience on the board, we will first try to understand the company’s thinking on this area, and often will then encourage board refreshment or appropriate succession planning. This year, several portfolio companies added valuable new skills to their boards. Shopify, for example, added directors with leading communications and financial expertise. We also engaged with companies where we felt we needed to understand more about board dynamics, such as Ecolab and Coursera, but also those where we wanted to encourage action, such as Tesla and Moderna.

1. Tom Gosling is an executive fellow at London Business School and the European Corporate Governance Institute, and he sits on the ESG Advisory Committee at the UK’s Financial Conduct Authority.



Proxy voting

Proxy voting is one of the tools at our disposal to influence a company's governance. It can be a powerful method to influence strategy but also an opportunity to express a specific view which we believe is in the company's and society's best interests. Discussions with management teams and boards often accompany proxy voting. In 2024, we voted at 32 AGMs and have had 41 meetings covering a range of governance topics.

We vote at every AGM and do not outsource voting analysis or recommendations. Instead, we have a dedicated in-house voting team that works with our investment managers and impact analysts. This means that our voting and investment processes are fully integrated, ensuring that voting decisions focus on factors that are material to the company's long-term success and its environmental and social impact. There is no top-down house view imposed on us at Baillie Gifford, and investment teams can choose how to vote.

Generally, the companies in the Positive Change portfolio have been selected for investment because they are well-run. As such, we generally vote in favour of management proposals, but when we choose to oppose them, we always communicate our rationale to the company. One example was at Xylem's 2024 AGM, where we opposed Xylem's executive remuneration plan. We have been engaging with Xylem on this topic for several years and although performance metrics have improved, we still believe its vesting horizons are too short to incentivise long-term value creation. In addition to opposing the proposal, we communicated the reasons to Xylem and hope to see future improvements.

Part 2

Engagement objectives
and activities by company

ASML

First invested January 2017
Social inclusion and education

Advanced Semiconductor Materials Lithography

Positive Change hypothesis

ASML is the world's leading manufacturer of specialist lithography equipment that performs a crucial stage in the manufacturing of semiconductor products. Semiconductors are fundamental to enabling innovations across most, if not all, industries and the most advanced, produced by ASML's machines, are central to developing emerging technologies. Such innovations will play an important role in tackling societal and environmental challenges. By helping its customers create better-performing and more energy-efficient semiconductor products, ASML is a critical enabler of this important and growing industry. When others gave up, ASML persevered in developing the next generation of technology (extreme ultraviolet, or EUV) and will enjoy a monopoly position in helping a growing industry continue to advance for many years to come.



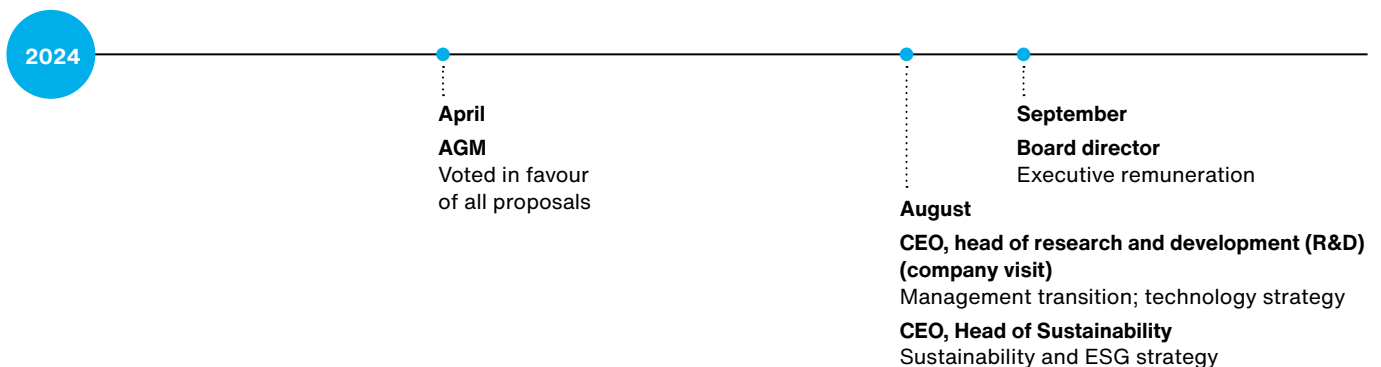
© ASML

Priority engagement objectives

| | KPI | Progress in 2024 | First engaged on topic | Status |
|--|--|---|------------------------|----------|
| Ensure a smooth transition to new management | <ul style="list-style-type: none"> Suitable preparation for and implementation of CEO/chief technology officer (CTO) transition | <ul style="list-style-type: none"> Longstanding CEO and CTO retired in 2024 We met with the new CEO twice | 2021 | Complete |
| Signal the importance of sustainability up and down the value chain | <ul style="list-style-type: none"> Continued emissions reporting, action and targets Continued work to ensure efficiency and sustainability of machines NextEnergy (NXE) energy use per wafer pass | <ul style="list-style-type: none"> We had a call with the new CEO and heard about his commitment to sustainability and ASML's focus on repairability ASML on track for net zero scope 1-2 emissions in 2025 In 2023, ASML reduced energy use per wafer pass from 8.3 kilowatt hour (kWh) to 7.7kWh | 2021 | Ongoing |

Topics engaged on in previous years: succession planning; sustainability; company culture; executive remuneration; supply chains; innovation.

Engagement activities in 2024

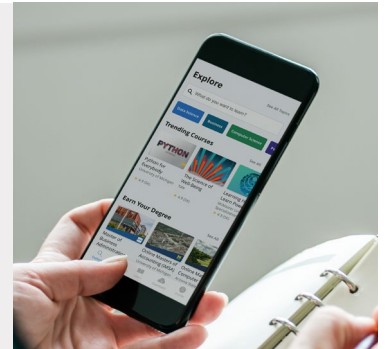


Coursera

First invested March 2021
Social inclusion and education

Positive Change hypothesis

Coursera is an online learning platform, which hosts short courses, guided projects, professional certification and online degrees. Coursera will benefit from network effects, as its large user base will help to attract more academic and corporate partners, which in turn attracts more learners. Product innovation should enable Coursera to engage learners and overcome resistance in the slow-moving education market. Success should lead to significant value for society by improving the accessibility of education and providing learners with relevant skills for an ever-changing job market.



© Coursera

Priority engagement objectives

| | KPI | Progress in 2024 | First engaged on topic | Status |
|--|---|--|------------------------|---------|
| Encourage net zero alignment | <ul style="list-style-type: none"> Scope 3 emissions disclosure Setting of emissions targets | <ul style="list-style-type: none"> Little progress in 2024 despite positive conversations on environmental ambitions | 2022 | Ongoing |
| Support management during operational challenges and market headwinds | <ul style="list-style-type: none"> Stabilisation and re-acceleration in revenue growth Verifying board's capacity for managing underperformance | <ul style="list-style-type: none"> Several meetings with board and management. We remain confident in the board's oversight of strategy | 2024 | Ongoing |
| Improve executive remuneration incentives | <ul style="list-style-type: none"> Structures encouraging long-term incentivisation | <ul style="list-style-type: none"> Coursera has been receptive to investor feedback, but its remuneration policy has not normalised following 2023's catch-up payment | 2023 | Ongoing |

Topics engaged on in previous years: strategy and model; corporate partnerships; accessibility.

Engagement activities in 2024

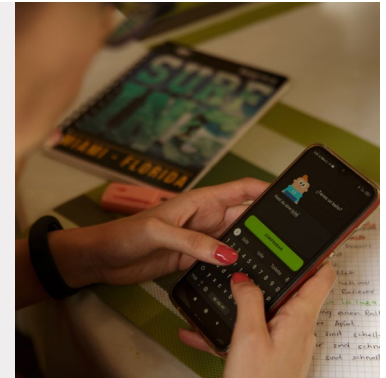


Duolingo

First invested November 2021
Social inclusion and education

Positive Change hypothesis

Duolingo’s mission is to develop the best education in the world and make it universally available. It started with an app that is fun, engaging and effective in helping people learn languages. The company has since moved into English language testing, and recently launched separate literacy, maths and music apps. Through further content and product developments as well as new pricing strategies, it will be able to grow the user base and importantly, increase the paid conversion rate. Duolingo is run by a thoughtful and mission-obsessed founder, Luis von Ahn, who we believe will manage to strike the right balance between delivering on the mission and improving monetisation.



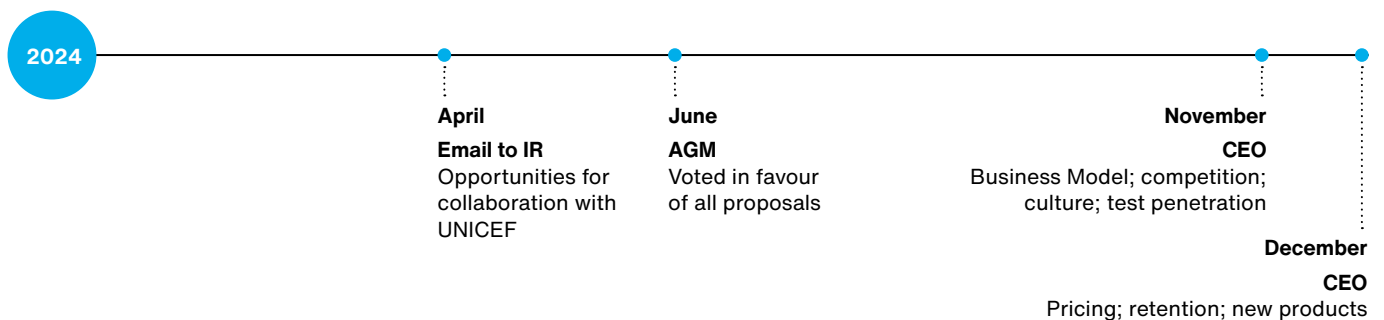
© Duolingo

Priority engagement objectives

| | KPI | Progress in 2024 | First engaged on topic | Status |
|---|--|--|------------------------|---------|
| Encourage increased penetration of Duolingo’s language tests | <ul style="list-style-type: none"> The number of Duolingo English tests taken The number of education programmes accepting the Duolingo test Affordability of tests | In the 2023 annual reports, Duolingo reported <ul style="list-style-type: none"> Over one million English tests completed The number of education programmes accepting the Duolingo English test increased to 4,000 The cost of Duolingo tests is \$65 versus the industry average of \$200–300 | 2021 | Ongoing |
| Encourage net zero alignment | <ul style="list-style-type: none"> Scope 1 and 2 emissions disclosure | <ul style="list-style-type: none"> Duolingo had previously stated it would report its emissions by 2024 but missed this milestone | – | New |

Topics engaged on in previous years: company culture; marketing; monetisation strategies; artificial intelligence.

Engagement activities in 2024



Grab

First invested February 2024
Social inclusion and education

Positive Change hypothesis

Grab is Southeast Asia’s largest ride-hailing and food delivery platform, offering economic opportunities to micro and small enterprises (MSEs) in middle-income countries. The company is also in the early stages of expanding into financial services. There is supportive research showing the many benefits that digital platforms, such as Grab can have for MSEs. These include higher incomes, greater financial resilience, and improved access to financial services. The low penetration of such services in much of Southeast Asia should allow the company to grow with and contribute to the region’s socioeconomic development. We believe Grab’s competitive position is defensible due to network effects and its investment in technology, including mapping and order batching. These should support long-term profitability.



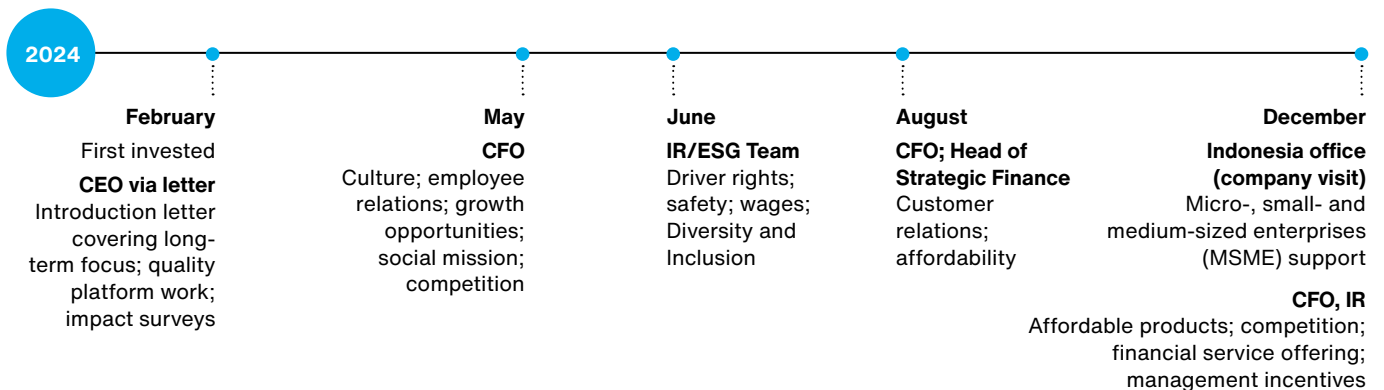
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Priority engagement objectives

| | KPI | Progress in 2024 | First engaged on topic | Status |
|--|---|---|------------------------|---------|
| Support Grab’s empowerment of small businesses in its markets | <ul style="list-style-type: none"> Increased emphasis on training small business owners Increased financial products for small business | <ul style="list-style-type: none"> We commissioned the impact measurement company, 60 Decibels, to survey small businesses in Indonesia and the Philippines. In 2024 we shared these with Grab | 2024 | Ongoing |
| Promote best practice for digital platform workers | <ul style="list-style-type: none"> Improved Fairwork scores or improvements in components of Fairwork’s scoring framework | <ul style="list-style-type: none"> Meetings held with Grab and the research group Fairwork to discuss best practice in digital platform models | 2024 | Ongoing |

Topics engaged on in previous years: not applicable, company added to the portfolio in 2024.

Engagement activities in 2024



HDFC Bank

First invested June 2018*
Social inclusion and education

Housing Development Finance Corporation Bank

Positive Change hypothesis

Following the merger of HDFC Bank with its parent company HDFC Ltd, the combined bank will leverage its long-held reputation for quality lending to support the financial needs of India’s emerging middle classes. The merger will accelerate the distribution of housing finance, leading to positive social outcomes, such as better health and wellbeing. The bank’s products include everything from savings accounts to education and small agri-business loans. These products will support households and MSMEs improve their financial resilience and capture the economic opportunities which come from financial inclusion. HDFC Bank continues to expand its footprint, especially in semi-urban and rural areas, and will distribute its products to new populations and take share from inefficient state banks. At the same time, the bank is leaning into digital banking to meet the demands of India’s growing digital natives.



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Priority engagement objectives

| | KPI | Progress in 2024 | First engaged on topic | Status |
|--|--|--|------------------------|---------|
| Encourage net zero alignment | <ul style="list-style-type: none"> Scope 3 emissions reporting and targets Consideration of risks relating to climate change, especially physical climate risk | <ul style="list-style-type: none"> HDFC Bank had stated its intent to set clearer emissions targets and to complete more climate risk scenario analysis HDFC Bank has launched an internal pilot exercise to estimate financed emissions | 2021 | Ongoing |
| Encourage measures to support financial health for lower-income customers | <ul style="list-style-type: none"> Achieving Priority Sector Lending requirement | <ul style="list-style-type: none"> The bank has already met most of its Priority Sector Lending targets/sub-targets. Although the shortfalls have declined considerably, it missed small and marginal farmer loan requirement targets | 2023 | New |
| Support successful integration post merger | <ul style="list-style-type: none"> Post merger growth Home loans sold to banking customers (evidence of cross selling) | <ul style="list-style-type: none"> 85% of new home loans to customers with HDFC Bank savings account (vs 30% pre-merger) | 2023 | Ongoing |

Topics engaged on in previous years: company culture; customer engagement; diversity; approach to climate change.

Engagement activities in 2024



*HDFC Bank merged with portfolio company HDFC Ltd in July 2023.

MercadoLibre

First invested March 2020
Social inclusion and education

Positive Change hypothesis

MercadoLibre is Latin America’s largest ecommerce platform and is a leader in the region’s financial technology (fintech) industry. Ecommerce penetration is still relatively low in Latin America, which should support high growth for some time. MercadoLibre provides a range of online and mobile payment solutions and financial services. These enable small businesses and consumers to transact and access financial services more easily and affordably than before, supporting economic resilience and opportunity. The fintech market is nascent but MercadoLibre has enormous potential to contribute to supporting livelihoods and financial inclusion for millions, and we believe it has a competitive advantage by leveraging its ecommerce business.



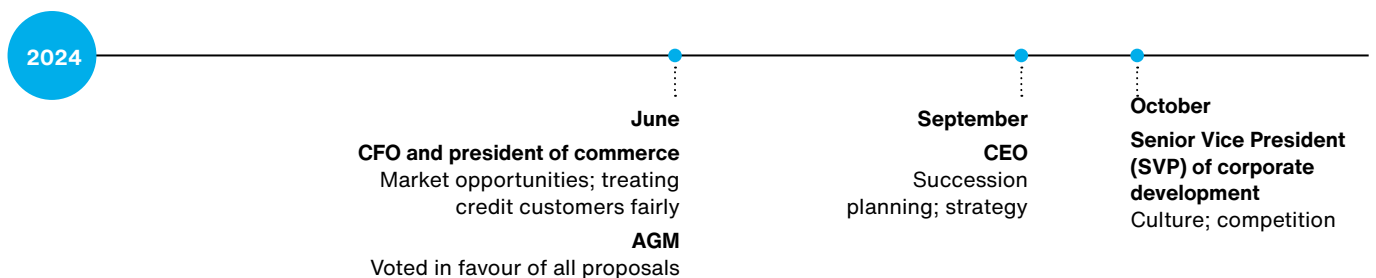
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Priority engagement objectives

| | KPI | Progress in 2024 | First engaged on topic | Status |
|---|---|--|------------------------|---------|
| Encourage consumer protection in financial services products | <ul style="list-style-type: none"> Improved transparency on risk and costs in financial products | <ul style="list-style-type: none"> Call to discuss a typical customer credit journey and customer education | 2021 | Ongoing |
| Encourage net zero alignment | <ul style="list-style-type: none"> Credible net zero targets | <ul style="list-style-type: none"> Improvements in emissions disclosure Introduced a scope 2 emission reduction target | 2022 | Ongoing |

Topics engaged on in previous years: impact measurement; fintech opportunities; climate strategies; market opportunity; competition; carbon offsetting

Engagement activities in 2024

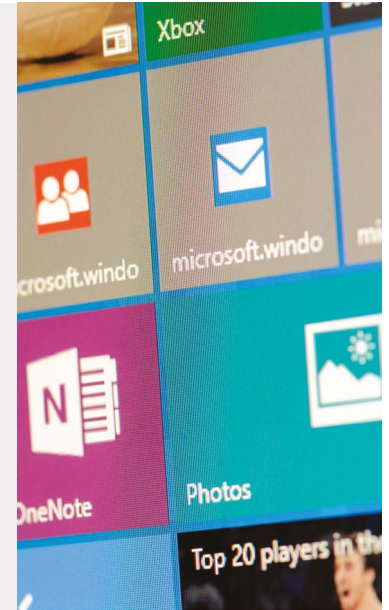


Microsoft

First invested October 2024
Social inclusion and education

Positive Change hypothesis

Microsoft provides essential infrastructure, development tools and applications for organisations undergoing digital transformations. The company’s immensely strong competitive moat, accompanied by an adaptive, responsible and innovative culture, and a visionary leadership team, make it uniquely positioned to benefit from the major technology shifts in cloud and AI. Despite significant change over the past decade, many organisations are still in the early stage of cloud migration, and Microsoft is expected to gain a larger share due to its comprehensive offerings in infrastructure as a service (IaaS), platform as a service (PaaS) and software as a service (SaaS). We expect this to foster productivity and efficiency gains, notably in low- and middle-income countries, where Microsoft is investing heavily in digital infrastructure and connectivity, in support of the SDG Digital Acceleration Agenda. In addition, Microsoft is notable in its promotion of the responsible deployment of AI. Its early and significant investments in AI will make Microsoft the partner of choice for many organisations across industries. We expect Microsoft will grow at mid-teen revenues compound annual growth rate (CAGR) and more than double earnings over the next five years.



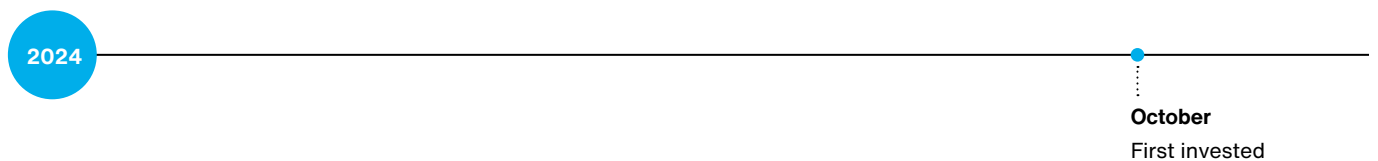
© Stephen Barnes/Technology/Alamy Stock Photo

Priority engagement objectives

| | KPI | Progress in 2024 | First engaged on topic | Status |
|---|--|--|------------------------|--------|
| Signal our support for the company’s role in the responsible development of AI | <ul style="list-style-type: none"> Product features that mitigate harms and promote positive impact Positive advocacy for responsible AI | <ul style="list-style-type: none"> Microsoft released its first annual Responsible AI Transparency Report | - | New |

Topics engaged on in previous years: not applicable, company added to the portfolio in 2024.

Engagement activities in 2024

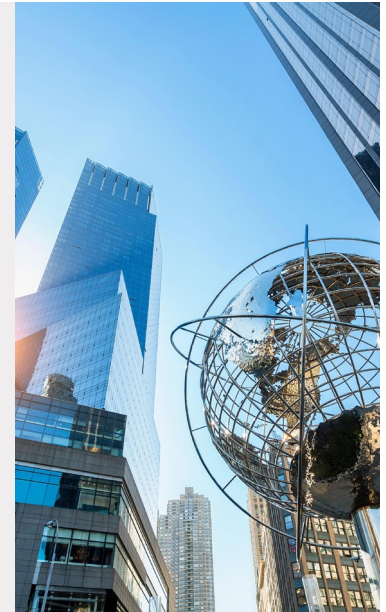


New York Times

First invested November 2024
Social inclusion and education

Positive Change hypothesis

New York Times Co (NYT) is a news media business with over 10 million subscribers. We believe the digital transformation of the news industry has made NYT a more attractive business. As one of the few news organisations that has built a profitable business model for the digital era, the NYT is well-positioned to gain market share as readers increasingly access news through the internet, mobile apps, short videos and podcasts. There are multiple growth tailwinds for the company, including a faster news cycle due to more frequent geopolitical events, international opportunities, a broader product portfolio consisting of sports, puzzles, recipes and product reviews, and potential licensing deals from AI companies. Due to the Sulzberger family ownership and their commitment to the NYT’s mission, the company has consistently invested in journalism while the rest of the industry has cut back. As a result, the NYT has a superior product to the rest of the news industry, constituting an important competitive advantage. This high-quality journalism, with a strong focus on investigative, ethical reporting, plays a vital role in holding institutions to account, with many high-profile scandals brought to light by NYT reporters.



Priority engagement objectives

| | KPI | Progress in 2024 | First engaged on topic | Status |
|---|---|--|------------------------|--------|
| Encourage net zero alignment | <ul style="list-style-type: none"> Scope 3 emissions reporting and targets | <ul style="list-style-type: none"> No reported progress | - | New |
| Better understand company ownership dynamics | <ul style="list-style-type: none"> Meeting with the board | <ul style="list-style-type: none"> No reported progress | - | New |

Topics engaged on in previous years: not applicable, company added to the portfolio in 2024.

Engagement activities in 2024



Nu Holdings

First invested December 2021
Social inclusion and education

Positive Change hypothesis

The Brazilian neobank Nu aspires to reshape the Latin American financial system. In Latin America, customers are poorly served, while banks have been able to earn far higher returns than in many markets – a consequence of the historically volatile conditions and a degree of regulatory capture. Nu has managed to acquire over 100 million customers across Brazil, Colombia and Mexico through simple but desirable products and importantly at lower costs. Growth will come from continuing to grow its customer base, enabling financial inclusion and by building deeper relationships with them to extract higher wallet share. We believe that Nu’s long-term and customer-oriented culture, its durable cost and underwriting advantages, and a highly motivated and experienced leadership team will lead to high growth and profitability in the next five years.

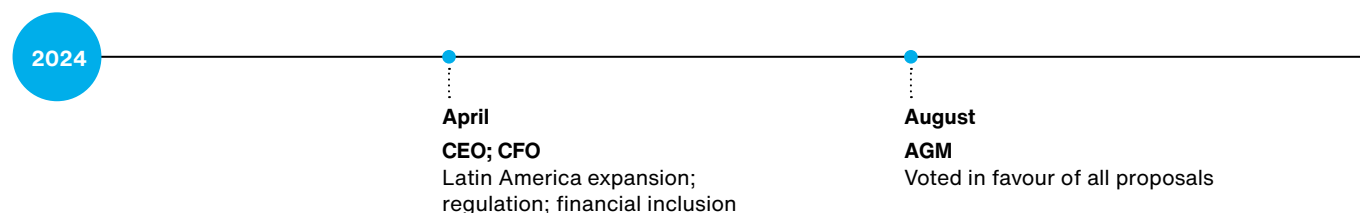


Priority engagement objectives

| | KPI | Progress in 2024 | First engaged on topic | Status |
|--|--|---|------------------------|---------|
| Encourage measures to support financial health for lower income customers | <ul style="list-style-type: none"> Maintaining a responsible approach to lending and customer protection Non-performing loan (NPL) rate Product development for lower income customers and small businesses | <ul style="list-style-type: none"> Expanded anti-fraud measures and consumer education Marginal increase in NPLs in 2024 Savings accounts expanding in Colombia and Mexico Working capital loans increased for small businesses | 2022 | Ongoing |
| Improve impact measurement and reporting | <ul style="list-style-type: none"> Quality social outcomes measurement | <ul style="list-style-type: none"> Nu and Mastercard published a study on Nu’s customers’ journey moving from financial access to health, including surveys | 2022 | Ongoing |
| Encourage net zero alignment | <ul style="list-style-type: none"> Reporting on scope 1–3 emissions Emissions reduction targets | <ul style="list-style-type: none"> Continued commitment to carbon neutrality. The 2023 ESG report had more information but no targets or CDP response, the gold standard of environmental reporting | 2023 | Ongoing |

Topics engaged on in previous years: financial inclusion strategy; approach to ESG; business strategy; regulation; competition; credit risk management; product development.

Engagement activities in 2024



SEA Ltd.

First invested December 2024
Social inclusion and education

Positive Change hypothesis

SEA operates ecommerce, gaming and digital financial services businesses in Southeast Asia, Taiwan and Brazil. Today, the gaming business accounts for a relatively minor part of SEA's value, but the cash flow from it has enabled the company to build a leading ecommerce business (Shopee) and a fast-growing financial services business (SeaMoney). Opportunities in these areas are large and they should be valuable businesses in the long term. Shopee enables micro- and small enterprises (MSEs) to expand their access to markets. It has a particular focus on digital education which, along with a lack of access to financial services, is a key bottleneck to economic opportunity for MSEs in Southeast Asia. SeaMoney expands access to basic financial products in a region where many remain underbanked or excluded. As SeaMoney grows, it will give individuals and MSEs access to financial products that can improve their economic resilience and opportunity, and support the region's overall socioeconomic development.



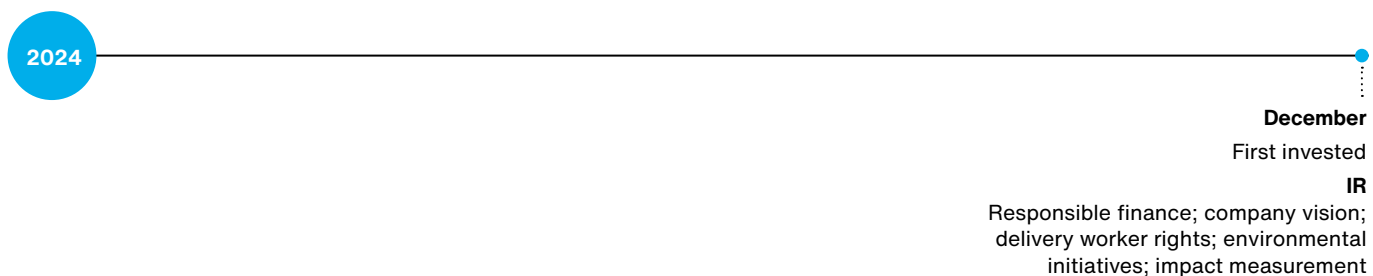
© Sea Limited

Priority engagement objectives

| | KPI | Progress in 2024 | First engaged on topic | Status |
|---|---|--|------------------------|--------|
| Encourage consumer protection in financial services products | <ul style="list-style-type: none"> Improved transparency on risk and costs in financial products | <ul style="list-style-type: none"> Initial call indicated group-level commitment to transparency but differences in each market | 2024 | New |
| Promote impact measurement and management | <ul style="list-style-type: none"> Impact studies and measurement of MSMEs Incorporate impact into product design | <ul style="list-style-type: none"> Expressed interest in impact measurement | 2024 | New |
| Encourage net zero alignment | <ul style="list-style-type: none"> Initiatives to reduce environmental impact of ecommerce GHG emissions reporting Credible net zero targets | <ul style="list-style-type: none"> 2023 ESG report delayed Commitment to improving ESG reporting in 2024 | 2024 | New |

Topics engaged on in previous years: not applicable, company added to the portfolio in 2024.

Engagement activities in 2024



Shopify

First invested October 2019
Social inclusion and education

Positive Change hypothesis

Shopify enables small businesses to set up and sell products online by providing a one-stop shop of simple-to-use and low-cost tools including hosting, advertising and payment services. By integrating these tools with each other and across different platforms and channels, it assists entrepreneurs from all backgrounds to start businesses and compete and expand quickly. This can reduce inequalities of opportunity and in turn promote economic diversity and job creation. The company has grown rapidly in recent years but still appears to be at the very early stages of tapping into the huge opportunity ahead of it.



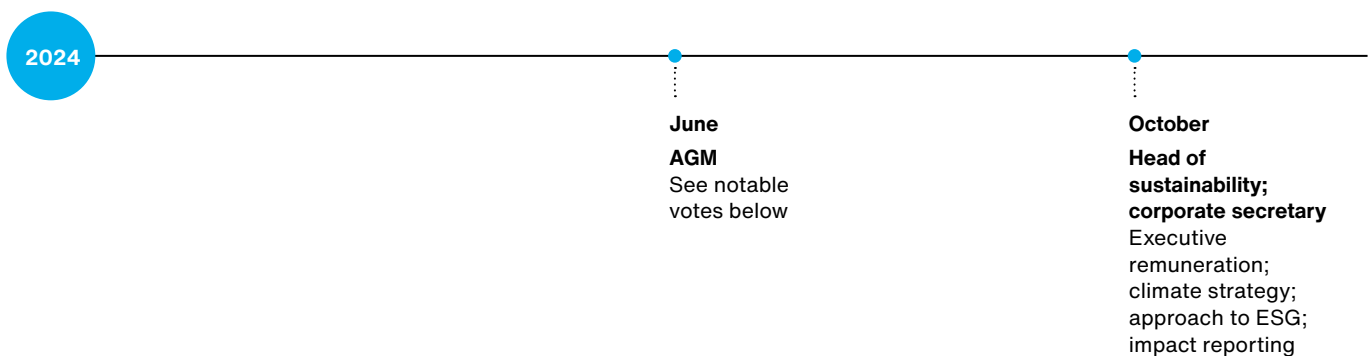
© Shopify

Priority engagement objectives

| | KPI | Progress in 2024 | First engaged on topic | Status |
|---|---|---|------------------------|---------|
| Encourage net zero alignment | <ul style="list-style-type: none"> Setting credible net zero targets | <ul style="list-style-type: none"> We expressed our expectations for emissions reduction targets | 2021 | Ongoing |
| Promote impact measurement and management | <ul style="list-style-type: none"> Impact measurement study and disclosure | <ul style="list-style-type: none"> No reported progress | 2021 | Ongoing |

Topics engaged on in previous years: business strategy; climate reporting; carbon offsetting; logistics; corporate culture; small merchant focus; governance practices; approach to ESG.

Engagement activities in 2024



Proxy voting – notable votes

| Resolution | BG Vote | Reason for vote | Result |
|----------------------|---------|--|--------|
| Employee Equity Plan | For | We supported two resolutions relating to the replenishment of shares for two employee equity incentive plans. While we acknowledge that potential dilution is higher than average, we were comfortable supporting because the three-year average burn rate is within acceptable limits. | Pass |
| Remuneration | For | We supported executive compensation. While we appreciate there was a sizable one-off grant made to the chief operating officer, we believe it is justified when considering their motivation is the retention of a key executive, and taking into account the absence of an annual bonus plan. | Pass |

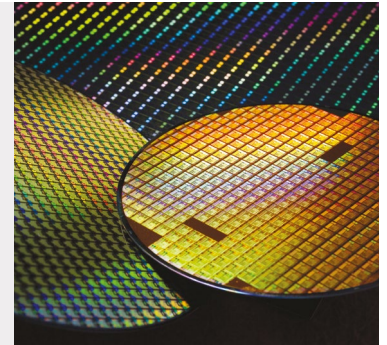
TSMC

Taiwan Semiconductor Manufacturing Company

First invested January 2017
Social inclusion and education

Positive Change hypothesis

TSMC is the world's largest integrated circuit foundry. The company's scale, technology and efficiency will continue to enable price declines for semiconductors, which in turn enable innovation and environmental and social impact across many industries. The capital intensity of the foundry industry is continually increasing and TSMC, being a long-term trusted partner and the largest company, can invest in the latest equipment to maintain its cost advantage. These advantages should enable TSMC to benefit from the long-term growth of the semiconductor industry while generating attractive returns.



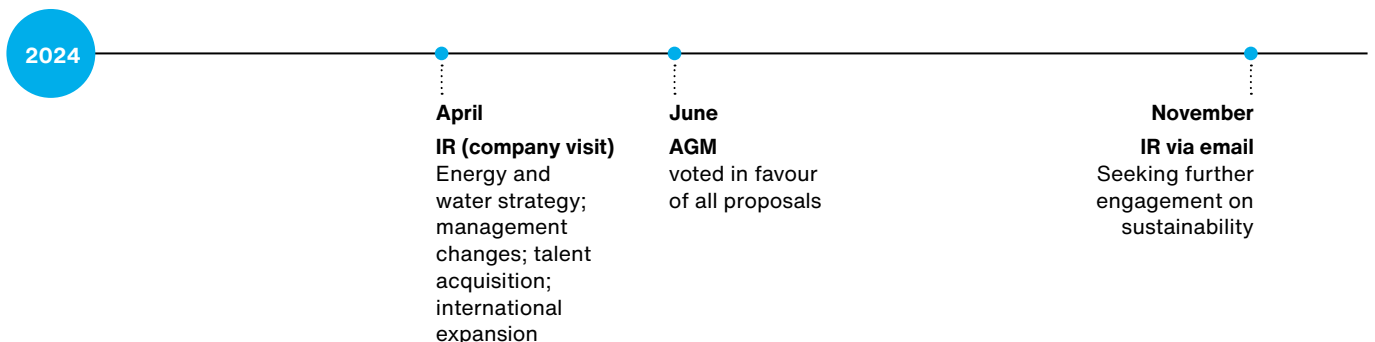
© Taiwan Semiconductor Manufacturing Co., Ltd.

Priority engagement objectives

| | KPI | Progress in 2024 | First engaged on topic | Status |
|---|--|--|------------------------|---------|
| Encourage net zero alignment | <ul style="list-style-type: none"> Set a credible net zero emissions strategy with interim and long-term targets (all scopes) Percentage renewable energy used in production | <ul style="list-style-type: none"> No validated targets, reassessing SBTi in 2025 TSMC increased its renewable energy targets to 60 per cent by 2030, and 100 per cent by 2040 across all operations (2023 = 11 per cent) | 2020 | Ongoing |
| Encourage TSMC to reduce its water footprint and exposure to climate risks | <ul style="list-style-type: none"> Disclose a water intensity reduction strategy Appropriate consideration of physical and transition risks in strategy and accounts | <ul style="list-style-type: none"> Unit water consumption increased by 25 per cent in 2023. No further detail provided in 2024 Completed an assessment of climate risks in 2023 and began working with suppliers on climate risk management. Energy and water costs rose in 2024 | 2020 | Ongoing |

Topics engaged on in previous years: auditor tenure; innovation; geopolitics; water management; greenhouse gas emissions and targets; climate risk.

Engagement activities in 2024

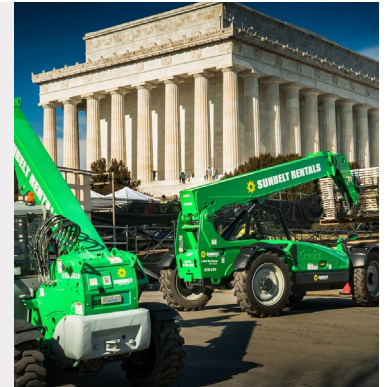


Ashtead

First Invested November 2024
Environment and resource needs

Positive Change hypothesis

Ashtead is an equipment rental company operating primarily in North America but also in Europe. The growth opportunity comes from increasing equipment rental and market consolidation, which favours scaled businesses such as Ashtead. Bolt-on acquisitions provide further growth opportunities. By supporting the growth of equipment rental, Ashtead helps to increase the usage of construction and non-construction equipment. This has environmental benefits, including supporting the adoption of more fuel-efficient and greener equipment. Ashtead benefits from economies of scale and a management team with a good, long-term track record.



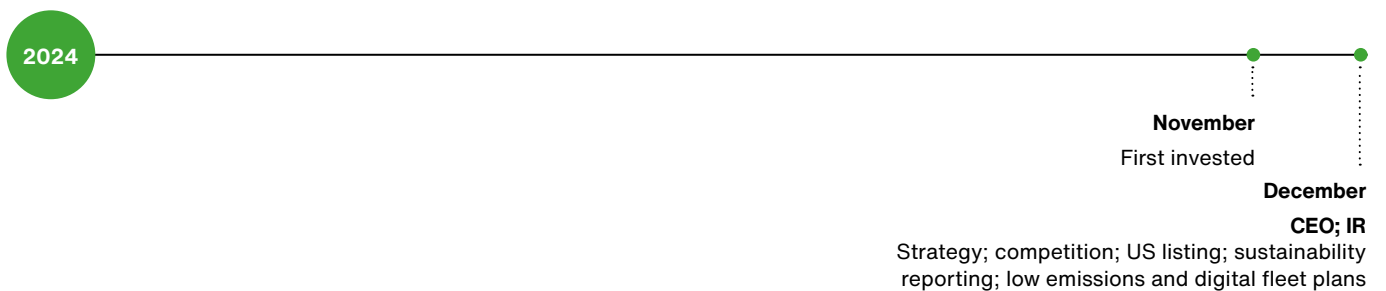
© Ashtead Group

Priority engagement objectives

| | KPI | Progress in 2024 | First engaged on topic | Status |
|-------------------------------------|---|--|------------------------|--------|
| Encourage net zero alignment | <ul style="list-style-type: none"> Credible net zero targets for scope 3 emissions Reduction in downstream leased assets emissions intensity Promoting the use of low emissions fleet to customers | <ul style="list-style-type: none"> Ashtead began publishing scope 3 emissions Announced hiring of a head of net zero | 2024 | New |

Topics engaged on in previous years: not applicable, company added to the portfolio in 2024.

Engagement activities in 2024

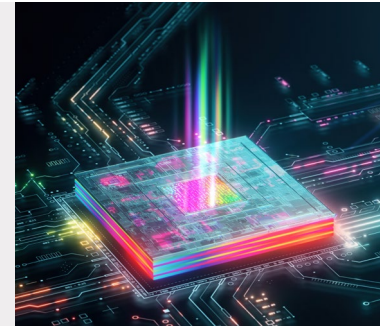


Autodesk

First invested December 2022
Environment and resource needs

Positive Change hypothesis

Autodesk is a leading 3D design software provider. It provides the latest digital design and building information modelling (BIM) tools for the manufacturing and construction industries. Its cloud-based tools can use intelligent generative design to enable architects and engineers to make better, more informed designs in less time and at a reduced cost. In turn, this can reduce the resources needed during the construction and manufacturing stage and the energy consumed during an asset’s operational and use phase.

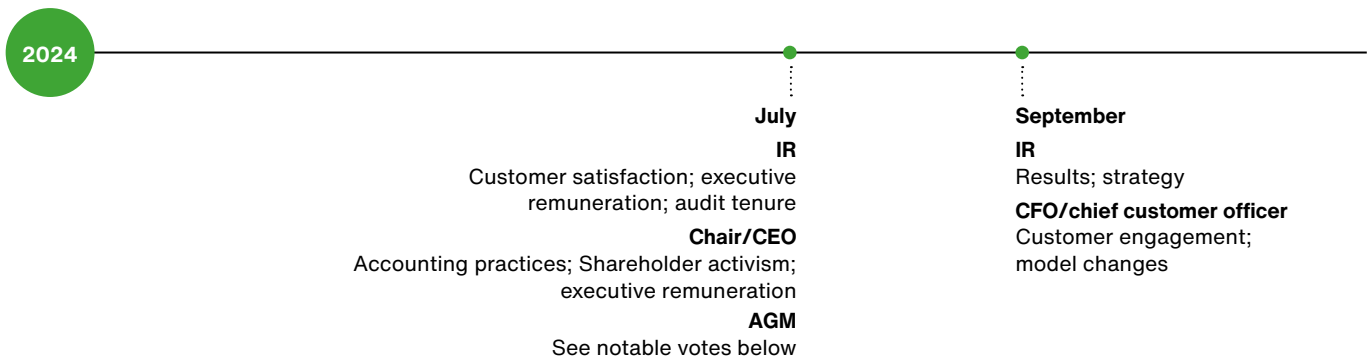


Priority engagement objectives

| | KPI | Progress in 2024 | First engaged on topic | Status |
|---|--|---|------------------------|----------|
| Ensure fair treatment of customers | <ul style="list-style-type: none"> Improvements in scores for customer satisfaction surveys | <ul style="list-style-type: none"> Significant updates to transaction model this year enabling Autodesk to have a more direct relationship with customers | 2023 | Ongoing |
| Follow up on accounting practices following delay in releasing financial reports | <ul style="list-style-type: none"> Financial accounts released Remedial action to correct company shortcomings | <ul style="list-style-type: none"> Financial accounts released late We were satisfied by remedial action taken by the firm – but would like to see improvements to remuneration to change incentivisation | 2024 | Complete |
| Improve executive remuneration incentives | <ul style="list-style-type: none"> Focus on longer term incentivisation of management | <ul style="list-style-type: none"> Raised during meetings this year; shared examples of best remuneration practices | 2024 | Ongoing |

Topics engaged on in previous years: exposure to controversial industries; AI products; board-executive dynamics; customer/product focus; long-term focus; improving sustainability in the built environment.

Engagement activities in 2024



Proxy voting – notable votes

| Resolution | BG Vote | Reason for vote | Result |
|-------------------------------------|---------|---|--------|
| Shareholder resolution – governance | For | We supported a shareholder resolution requesting shareholders owning 15 per cent of the company’s shares be able to call a special meeting. We believe this threshold strikes an appropriate balance between enhancing shareholder rights and protecting long-term shareholder interests. | Pass |



First invested February 2020
Environment and resource needs

Positive Change hypothesis

There is an urgent need to address the harmful environmental impact of industrial farming while continuing to increase agricultural output to feed a growing global population. Precision agriculture technologies will be an important solution with its ability to drive higher farming productivity while reducing agriculture’s negative environmental impacts. As the largest farming equipment manufacturer, Deere will leverage its scale, integrated technology development, and relationship with dealers and farmers to increase the use of precision agriculture technologies. If Deere emerges as the leader in precision agriculture, it will drive profitable growth and help improve the sustainability of farming.



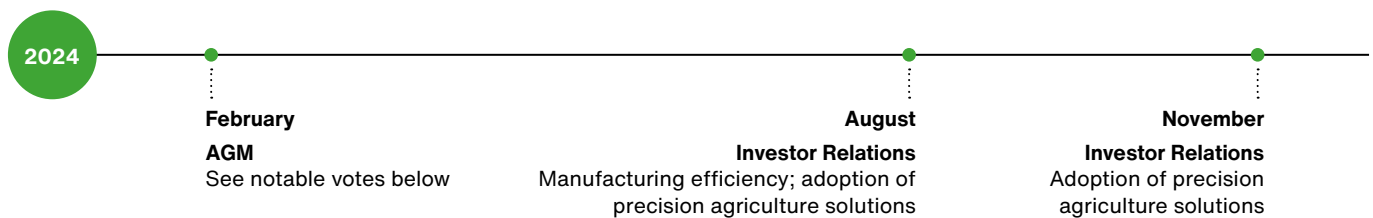
© John Deere

Priority engagement objectives

| | KPI | Progress in 2024 | First engaged on topic | Status |
|--|--|---|------------------------|---------|
| Ensure net zero alignment | <ul style="list-style-type: none"> Credible net zero target Electric and hybrid model launch | <ul style="list-style-type: none"> Four electric and two hybrid-electric models launched We were told by the company that it is working on establishing a net zero strategy | 2020 | Ongoing |
| Encourage the management of environmental risks | <ul style="list-style-type: none"> Nature-related reporting on risks and opportunities | <ul style="list-style-type: none"> Deere reported that it would be assessing the impacts and dependencies of its value chain on biodiversity within the next two years | 2020 | Ongoing |

Topics engaged on in previous years: executive remuneration; emissions reporting and targets; impact measurement and targets.

Engagement activities in 2024



Proxy voting – notable votes

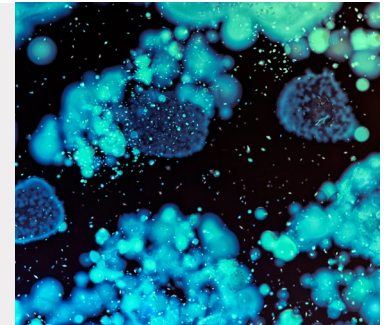
| Resolution | BG Vote | Reason for vote | Result |
|-------------------------------------|---------|--|--------|
| Shareholder resolution – governance | Against | We opposed a shareholder proposal requesting the company put any senior manager severance package over a certain threshold to a shareholder vote. We currently do not have any concerns with how the company remunerates its executives or employees and think this proposal would provide an unwarranted distraction from focusing on the long-term growth of the business. | Fail |

Ecolab

First invested January 2017
Environment and resource needs

Positive Change hypothesis

Ecolab's thousands of products, used across hundreds of industries, help minimise harm to human health from infection, protect local water resources and mitigate climate change. Ecolab is the partner of choice for millions of companies striving to achieve safer, more efficient and more sustainable operations. This trend will be a tailwind for Ecolab's growth for many years, supported by market share gains through product innovation, excellent customer service and a disciplined acquisition strategy.



Priority engagement objectives

| | KPI | Progress in 2024 | First engaged on topic | Status |
|---|---|--|------------------------|----------|
| Encourage net zero alignment | <ul style="list-style-type: none"> Credible net zero targets across all scopes | <ul style="list-style-type: none"> All climate targets gained Science Based Targets initiative (SBTi) approval | 2020 | Complete |
| Promote an ambitious strategy | <ul style="list-style-type: none"> Successfully capturing opportunities in new markets (eg datacentres) Increasing rate of revenue growth and impact KPIs | <ul style="list-style-type: none"> We met with the lead independent director indicating our support for strategies to accelerate growth | 2021 | Ongoing |
| Promote the management of environmental impacts | <ul style="list-style-type: none"> Additional disclosure on its biodiversity approach Appropriate consideration of downstream environmental impacts | <ul style="list-style-type: none"> 2023 reporting included additional disclosure on biodiversity approach and appropriate risk-based measures | 2020 | Ongoing |

Topics engaged on in previous years: impact reporting; biodiversity; fossil fuel exposure; water management; climate risk; anti-microbial resistance; management succession; sustainability trends; business ambition and strategy.

Engagement activities in 2024

| 2024 | April | May |
|------|--|---|
| | <p>Lead independent director Board dynamics oversight; board refreshment; business strategy; sustainability</p> | <p>AGM See notable votes below</p> <p>CFO; IR Data centre opportunities; US customer sustainability goals</p> <p>Head of sustainability (company visit) Customer focus; growth opportunities; digital innovations; sustainability in R&D; environmental impact; PFAS (known as 'forever chemicals' due to their persistence in the environment and human body)</p> |

Proxy voting – notable votes

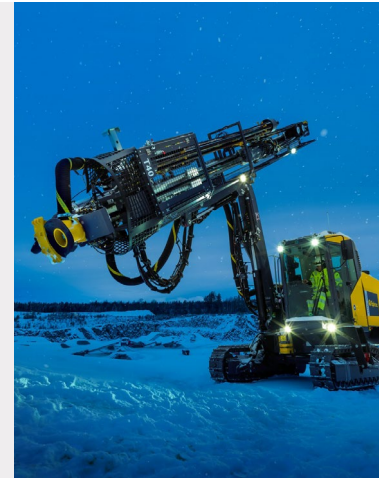
| Resolution | BG Vote | Reason for vote | Result |
|-------------------------------------|---------|---|--------|
| Elect director(s) | For | We supported the election of all the directors at the annual general meeting as we are comfortable with the current board composition. | Pass |
| Appoint/pay auditors | Against | We opposed ratifying the auditor due to their long tenure. We believe it is best practice for the auditor to be rotated regularly as this works to ensure independent oversight of the company's audit process and internal financial controls. | Pass |
| Shareholder resolution – governance | Against | We opposed the shareholder resolution requesting the board adopt a policy requiring an independent chair. We agree with the board that this policy could limit flexibility in appointing the best candidate and believe the company has sufficient safeguards in place to ensure independent and objective judgement. | Fail |

Epiroc

First invested April 2024
Environment and resource needs

Positive Change hypothesis

Epiroc is a trusted supplier of high-value, mission-critical equipment and services to the mining and construction industries. We like the quality of the business, high barriers to entry in a consolidated market and the strong aftermarket business. There are several structural tailwinds that should support Epiroc’s growth over the long term, including the depletion of ore grades making mining productivity more important, the continued demand for transition metals such as copper and the pivot towards underground mining. At the same time, Epiroc is driving change in the mining industry through greater electrification, automation and digitalisation. Epiroc is driving the adoption of technologies that will help a necessary but polluting industry to reduce its carbon emissions through product and business model innovation. While Epiroc is not a rapid grower, we expect enduring growth through the mining cycle with strong returns on capital.



© Epiroc

Priority engagement objectives

| | KPI | Progress in 2024 | First engaged on topic | Status |
|--|---|--|------------------------|--------|
| Promote impact monitoring and management | <ul style="list-style-type: none"> • Avoided emissions reporting • Number of electric vehicles sold | <ul style="list-style-type: none"> • No reported progress | 2024 | New |

Topics engaged on in previous years: not applicable, company added to the portfolio in 2024.

Engagement activities in 2024

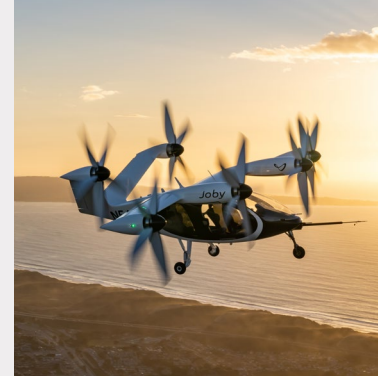


Joby Aviation

First invested October 2023
Environment and resource needs

Positive Change hypothesis

Joby develops electric vertical take-off and landing (eVTOL) aircraft. This new form of transport could bring substantial environmental benefits through the avoided use of fossil fuel-powered transport systems, and social and economic improvements by reducing congestion. Joby aims to make its service cost-competitive relative to transit and on-demand transportation, which could unlock a market that’s worth hundreds of billions of dollars annually. Achieving this vision will require gaining certification from the US’s Federal Aviation Administration (FAA), scaling up manufacturing, building out infrastructure and designing the front-end service.



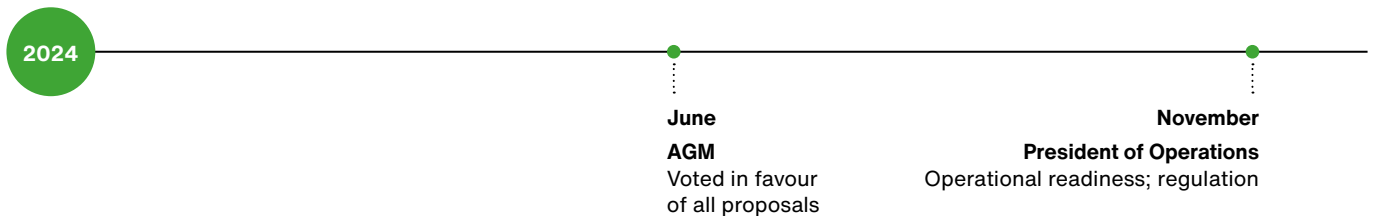
© Joby Aviation

Priority engagement objectives

| | KPI | Progress in 2024 | First engaged on topic | Status |
|------------------------------|--|--|------------------------|---------|
| Encourage net zero alignment | <ul style="list-style-type: none"> Lifecycle analysis disclosed | <ul style="list-style-type: none"> No reported progress | 2023 | Ongoing |

Topics engaged on in previous years: audit matters; cybersecurity; life-cycle analysis; emissions reporting; community engagement; regulatory approvals.

Engagement activities in 2024

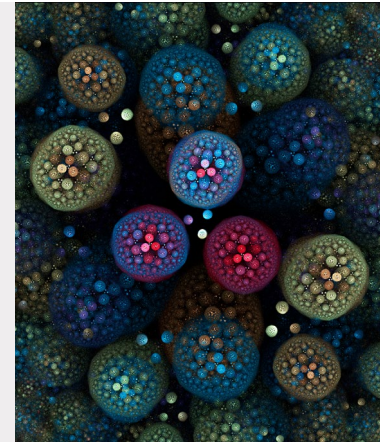


Novonesis

First invested January 2017*
Environment and resource needs

Positive Change hypothesis

Novonesis is the world’s leading manufacturer of industrial enzymes, cultures and microbial solutions. Its products are used across numerous end markets including household products, food and dairy, and animal and human health. Novonesis’ solutions help customers make products and processes more efficient and less resource-intensive. In certain end markets, Novonesis also reduces our dependency on more harmful products such as antibiotics and chemical fertilisers. Novonesis’ scale, focus and commitment to long-term innovation present substantial hurdles for new market entrants and should support superior performance versus major peers that are generally divisions of larger organisations. We believe the demand for biological solutions will continue to increase due to greater focus on sustainability, helping to support growth for Novonesis.



Priority engagement objectives

| | KPI | Progress in 2024 | First engaged on topic | Status |
|--|--|---|------------------------|---------|
| Ensure successful integration post-merger | <ul style="list-style-type: none"> Post-merger growth Customer retention | <ul style="list-style-type: none"> Following the merger of two portfolio companies (Chr Hansen and Novozymes) in 2024, our priority engagement objective has been to focus on assessing its implementation and supporting management to deliver a successful merger. We had numerous meetings with the management team to discuss a range of related topics. We were reassured by the degree of care and thoughtfulness that Novonesis has shown but will continue to monitor and engage on the matter. No customers were lost as a result of the merger. | 2024 | Ongoing |

Topics engaged on in previous years: not applicable, company merged in 2024.

Engagement activities in 2024



*Novonesis was created through the merger of Chr Hansen in January 2024, both of which were held in the portfolio.

Rivian

First invested February 2024
Environment and resource needs

Positive Change hypothesis

Rivian will be one of a few car manufacturers that achieve a meaningful electric vehicle production volume in the race to decarbonise the transportation of both people and goods. The breadth of its impact will grow as production grows, Rivian achieves its goal of reducing the lifecycle emissions of its vehicles and as energy grids decarbonise – mitigating climate change and improving air quality. Rivian is still at an early stage, but it has many of the right ingredients to successfully scale, including high-quality products, a decent amount of capital, supportive shareholders and clients, and a trustworthy and ambitious management team who wants to drive positive change in its industry. With software being the key, electric vehicles will fundamentally change the competitive dynamics of the automotive industry, allowing scaled players to build durable edges and higher profits than during the internal combustion engine era.



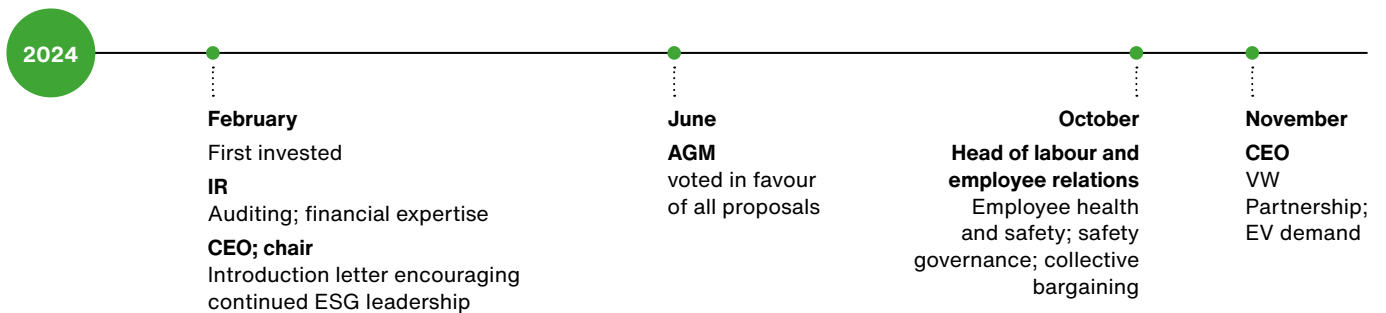
© Rivian

Priority engagement objectives

| | KPI | Progress in 2024 | First engaged on topic | Status |
|---|--|--|------------------------|----------|
| Encourage health and safety progress | <ul style="list-style-type: none"> Improved disclosure on health and safety Reduced OSHA complaints and violations | <ul style="list-style-type: none"> Discussed with the company in 2024 | 2024 | New |
| Correcting auditing misstatements | <ul style="list-style-type: none"> No misstatements in annual reporting | <ul style="list-style-type: none"> No misstatements in the 2023 annual report | 2024 | Complete |

Topics engaged on in previous years: not applicable, company added to the portfolio in 2024.

Engagement activities in 2024



Savers Value Village

First invested October 2024
Environment and resource needs

Positive Change hypothesis

Savers Value Village (SVV) is the only listed thrift store chain, and its unique business model takes ‘sharing economics’ to the next level. Its ambitious expansion plans are supported by strong structural tailwinds and there is plenty of room for growth at its current scale. There’s a clear virtuous circle whereby SVV relies on the local community for both demand and supply, and in turn its growth reduces waste to landfill, encourages recycling models and supports charity partners.



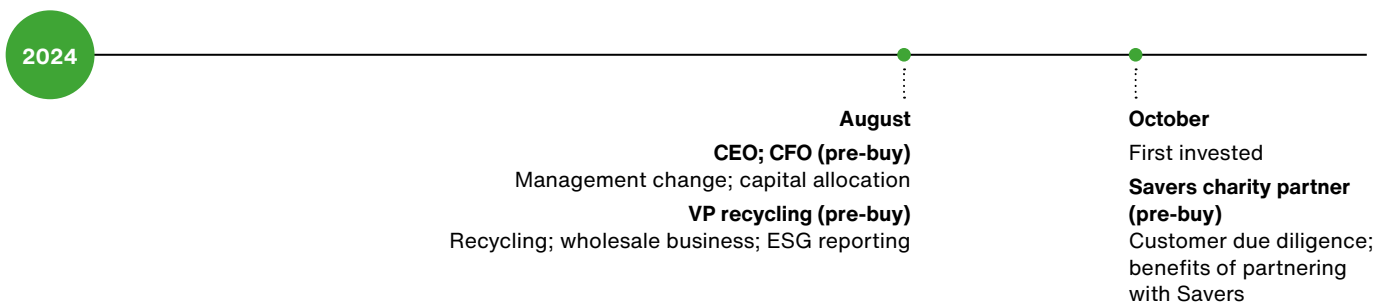
© Paul McKinnon/Shutterstock

Priority engagement objectives

| | KPI | Progress in 2024 | First engaged on topic | Status |
|--|---|--|------------------------|---------|
| Encourage net zero alignment | <ul style="list-style-type: none"> • Scope 3 emissions reporting • Credible emissions targets • Improved reporting on the final use case for items which remain unsold in stores | <ul style="list-style-type: none"> • We discussed our expectations for improved reporting | 2024 | Ongoing |
| Strengthen governance and controls in this recently listed firm | <ul style="list-style-type: none"> • Internal financial control weaknesses fully addressed • Evidence of continued efforts to develop robust processes and internal controls | <ul style="list-style-type: none"> • Internal audit director and manager hired | 2024 | Ongoing |

Topics engaged on in previous years: not applicable, company added to the portfolio in 2024.

Engagement activities in 2024



Schneider Electric

First invested August 2024
Environment and resource needs

Positive Change hypothesis

Schneider is well-placed to capitalise on the growing demand for electrical management products and services, particularly from data centres and utilities. The industry structure is attractive due to the importance of distributors and the fact that electrical components are typically a small part of the overall project cost but vital to performance. Financial characteristics are attractive and have the potential to improve. Over the next decade and beyond, sales should compound at a mid- to high-single-digit pace, which, combined with margin expansion and sensible capital allocation, should result in low-teen total shareholder returns over the period.



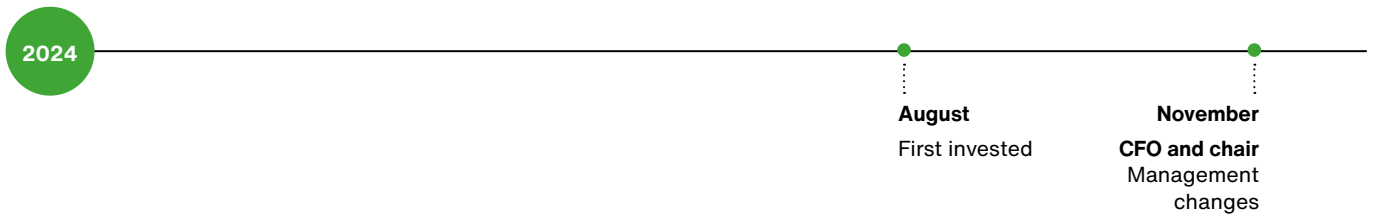
© David BERTHO/Alamy Stock Photo

Priority engagement objectives

We have not yet set priority engagement objectives with this company. We are still learning about the business having first taken a holding for the Positive Change portfolio in 2024. We will engage further to better understand and identify areas for future engagement.

Topics engaged on in previous years: not applicable, company added to the portfolio in 2024.

Engagement activities in 2024

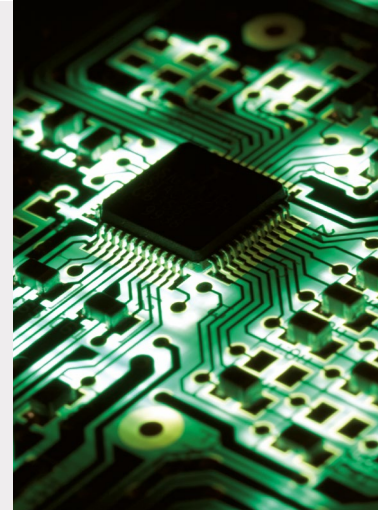


Soitec

First invested August 2024
Environment and resource needs

Positive Change hypothesis

Soitec makes engineered substrates for the semiconductor industry. These substrates bring a range of enhanced properties including reduced energy consumption, heat generation and signal interference. It has built a dominant position in substrates for radio frequency applications in mobile handsets and infrastructure and has a range of other established and nascent growth opportunities in areas including smart devices and EVs. Its edge is solidified by a heavily patented process, called SmartCut, which enables the company to remove an ultra-thin, uniform layer of one substrate and bond it to another. Structural growth is underpinned by several mega trends including electrification (electric vehicle powertrains, green energy infrastructure), digitalisation and AI (data centre photonics and edge compute). In many of these use cases, replacing existing silicon wafers with Soitec’s engineered substrates enable energy efficiencies, which can help to reduce energy demand and reduce carbon emissions.



Priority engagement objectives

| | KPI | Progress in 2024 | First engaged on topic | Status |
|---|---|---|------------------------|--------|
| Ensure alignment and ambition in executive remuneration plan | <ul style="list-style-type: none"> Improved long-term alignment of executive incentive plan Simplification of executive remuneration plan | <ul style="list-style-type: none"> We communicated our preference for simplicity and long-term alignment to the remuneration committee chair | 2024 | New |

Topics engaged on in previous years: not applicable, company added to the portfolio in 2024.

Engagement activities in 2024



September
Remuneration committee chair
 Executive remuneration; executive ownership
IR
 Executive remuneration; executive ownership; innovation environment; culture and talent



First invested January 2017
Environment and resource needs

Positive Change hypothesis

Tesla aims to accelerate the transition towards a sustainable energy system by developing and commercialising EVs, solar and storage products. The adoption of EVs is rising, driven by decreasing costs, an improved driving experience, regulatory support and consumer awareness of climate change. Similarly, solar energy generation and storage is being driven by technological improvements and economics. We believe Tesla has strong competitive advantages that will enable it to emerge as a winner in the energy transition and generate shareholder value along the way.



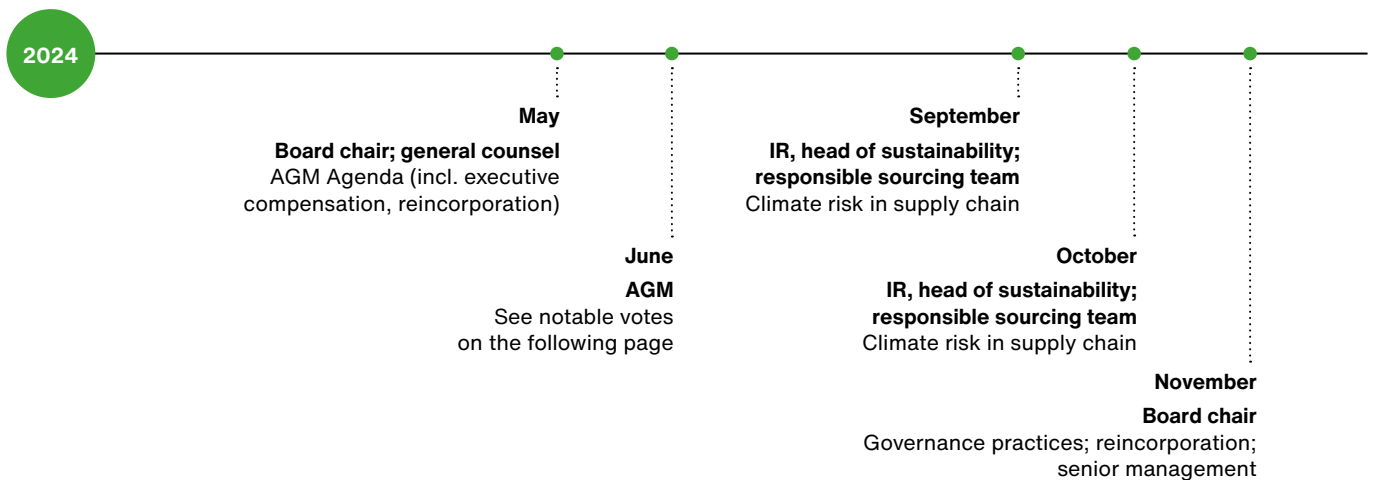
© Tesla

Priority engagement objectives

| | KPI | Progress in 2024 | First engaged on topic | Status |
|---|---|--|------------------------|---------|
| Encourage the strengthening of governance | <ul style="list-style-type: none"> New independent board directors | <ul style="list-style-type: none"> No reported progress We discussed this on two occasions with Tesla’s chair | 2019 | Ongoing |
| Encourage appropriate management of supply chain risks | <ul style="list-style-type: none"> Enhancing approach to responsible minerals sourcing Appropriate consideration of supply chain climate risk | <ul style="list-style-type: none"> Tesla provided us with basic details of its early-stage work on supply chain climate risk We connected Tesla with Exeter University to discuss climate risk | 2022 | Ongoing |

Topics engaged on in previous years: health and safety; board composition and refreshment; labour relations; ESG reporting; China exposure; supply chain disruption; climate targets and emissions.

Engagement activities in 2024



Tesla (continued)

Proxy voting – notable votes

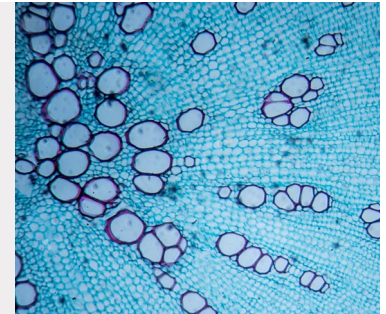
| Resolution | BG Vote | Reason for vote | Result |
|-------------------------------------|---------|--|--------|
| Elect director(s) | For | We supported the election of all directors. We remain comfortable with the board's composition. | Pass |
| Elect director(s) | For | We supported the election of all directors. We remain comfortable with the board's composition. | Pass |
| Remuneration | For | We continued to support executive compensation. | Pass |
| Shareholder resolution – governance | For | We supported the shareholder resolution requesting a reduction in director terms. We are supportive of annual elections as it increases accountability to shareholders and works to reduce entrenchment. | Pass |
| Shareholder resolution – governance | For | We supported a shareholder resolution requesting the company adopt a majority voting standard and remove the supermajority voting standard. We are generally supportive of the removal of the supermajority provision as its presence makes the passing of other governance-positive amendments to bylaws improbable. | Pass |
| Shareholder resolution – social | Against | We supported the shareholder resolution requesting additional disclosure on the company's efforts to address harassment and discrimination in the workplace. We believe quantitative disclosure would help us understand and monitor the company's efforts. This is consistent with how we have voted on this resolution previously. | Fail |
| Shareholder resolution – social | Against | We opposed the shareholder resolution requesting the company adopt a policy on freedom of association and collective bargaining. These rights are enshrined in the National Labor Relations Act. Like any US company, Tesla must comply with the law and this is not a matter for company policy. This is consistent with how we have voted on this resolution previously. | Fail |



First invested January 2017
Environment and resource needs

Positive Change hypothesis

Xylem manufactures pumps, filters, and treatment and testing equipment for modern water infrastructure. As a very large water company, Xylem’s scale in distribution, research and development, and reputation should give the company an advantage as utilities and governments seek more efficient ways to address water challenges. The need to improve access to clean sanitation, reduce water pollution and upgrade aging infrastructure should support attractive long-term growth prospects for Xylem.

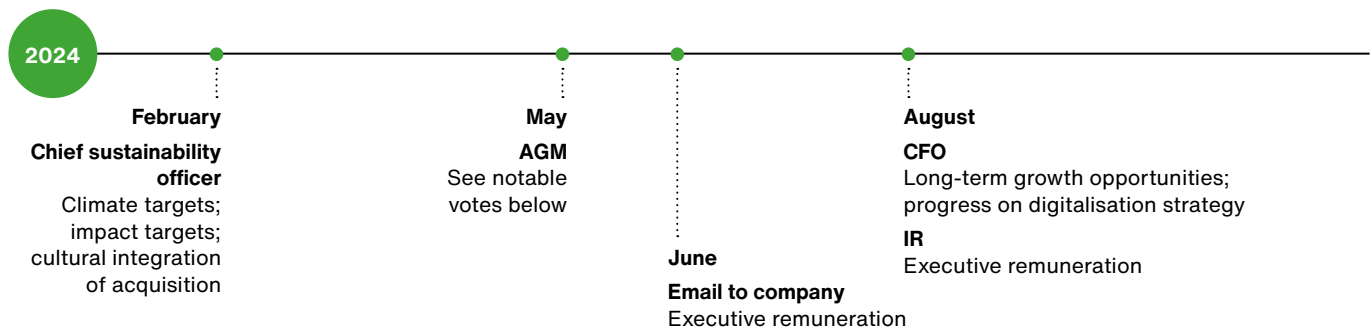


Priority engagement objectives

| | KPI | Progress in 2024 | First engaged on topic | Status |
|---|---|--|------------------------|---------|
| Encourage more ambition in the executive remuneration policy | <ul style="list-style-type: none"> Remuneration targets that incentivise long termism and greater ambition | <ul style="list-style-type: none"> The executive remuneration policy improved this year with the removal of overlapping performance metrics | 2020 | Ongoing |
| Improve impact measurement and management | <ul style="list-style-type: none"> Watershed contextualisation of impact | <ul style="list-style-type: none"> No reported progress | 2023 | Ongoing |
| Support the company build a digital-first culture | <ul style="list-style-type: none"> Success of digital product portfolio | <ul style="list-style-type: none"> We introduced Deere’s software team to Xylem to share best practices | 2023 | Ongoing |

Topics engaged on in previous years: nature-related risks and opportunities; sustainability as part of executive remuneration; product impact measurement

Engagement activities in 2024



Proxy voting – notable votes

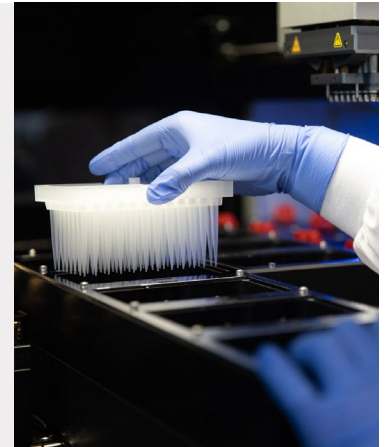
| Resolution | BG Vote | Reason for vote | Result |
|-------------------------------------|---------|---|--------|
| Remuneration | Against | We opposed the executive compensation as we do not believe the performance conditions are sufficiently stretching | Pass |
| Shareholder resolution – governance | Against | We opposed the shareholder resolution requiring an independent board chair. The company already has an independent chair and has no current intention to change this. We are comfortable with the governance arrangements at the company and do not believe that the requested policy is necessary. | Fail |

AbCellera

First invested March 2021
Healthcare and quality of life

Positive Change hypothesis

AbCellera is a best-in-class antibody discovery company. It has a differentiated technology stack, consisting of proprietary immunisation methods, single-cell screening, bi-specific engineering, continuous process improvements, and data and software use. This enables AbCellera to speed up the discovery process and go after hard-to-drug targets. The company provides antibody discovery services to biotech and large pharmaceutical companies in exchange for research fees, milestone payments and royalties. AbCellera also has several in-house programmes where it retains greater financial upsides. Antibody is a promising class of therapeutics. We believe AbCellera's technology and business model should enable the company to build a portfolio of valuable assets in this growing market.



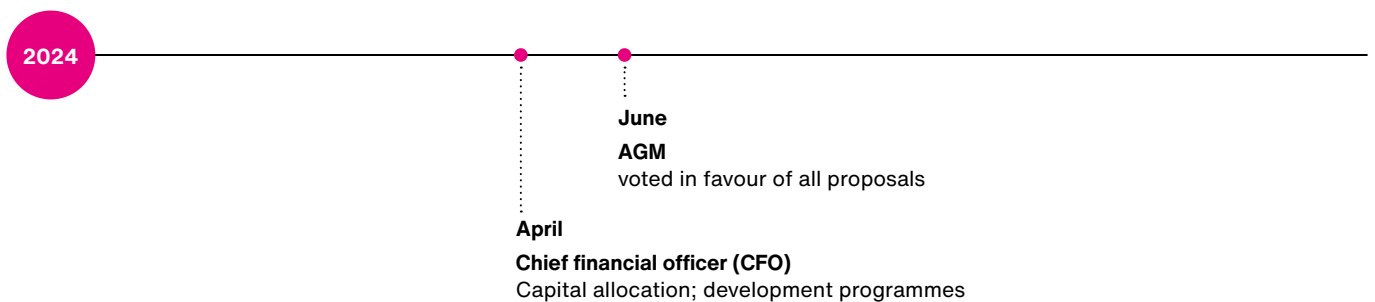
© AbCellera

Priority engagement objectives

| | KPI | Progress in 2024 | First engaged on topic | Status |
|------------------------------|--|--|------------------------|---------|
| Encourage net zero alignment | <ul style="list-style-type: none"> GHG emissions disclosure | <ul style="list-style-type: none"> The Canadian government proposed mandatory climate reporting for private companies | 2022 | Ongoing |

Topics engaged on in previous years: company culture; evolving business models; treatment pipeline; talent.

Engagement activities in 2024

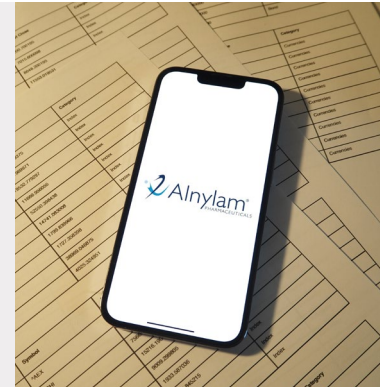


Alnylam

First invested January 2017
Healthcare and quality of life

Positive Change hypothesis

Alnylam is a biotechnology company developing a new class of highly innovative drugs based on a breakthrough biological discovery known as RNA interference (RNAi). In addition to developing its own RNAi drugs, Alnylam has built up extensive technology and patents which it licenses out to other pharmaceutical companies. Today, Alnylam has five commercial RNAi therapeutic products and is poised for significant revenue expansion and profitability. The company’s focus on both rare and prevalent diseases, including hypertension and Alzheimer’s, could significantly expand its patient reach and impact on health outcomes in the coming years.



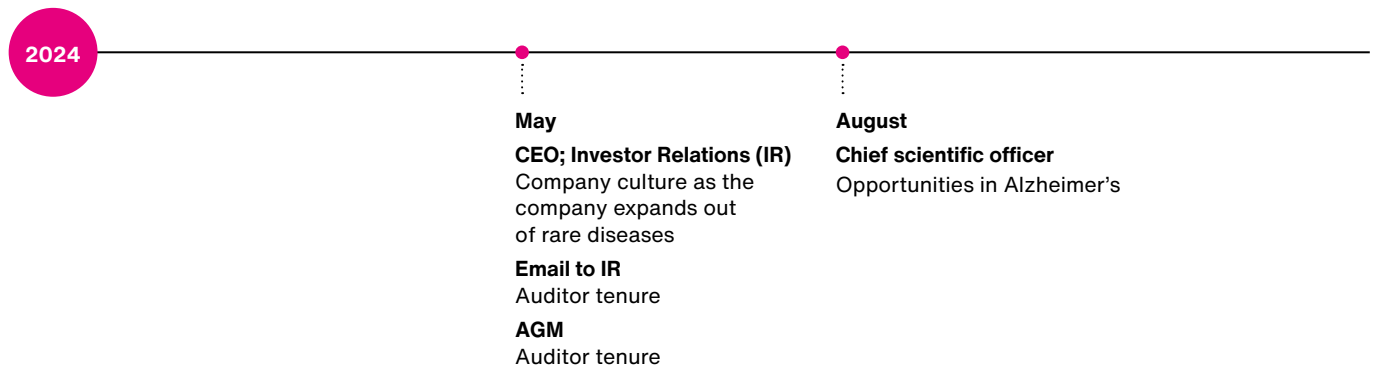
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Priority engagement objectives

| | KPI | Progress in 2024 | First engaged on topic | Status |
|--|---|---|------------------------|---------|
| Encourage Alnylam’s ambitions to expand beyond its rare disease franchise | <ul style="list-style-type: none"> • Launch of therapies outside rare diseases • Meeting the milestone of reaching 0.5 million patients by year end (YE) 2024 | <ul style="list-style-type: none"> • Positive meetings on how rare diseases have validated RNAi technology • Alnylam targeting Alzheimer’s opportunity • Continued R&D pivot into larger disease areas (hypertension, non-alcoholic fatty liver disease, Alzheimer’s, type 2 diabetes) | 2022 | Ongoing |
| Encourage net zero alignment | <ul style="list-style-type: none"> • Emissions reduction targets | <ul style="list-style-type: none"> • Alnylam indicated it would set scope 1–2 targets in the future | – | New |

Topics engaged on in previous years: priority diseases; interactions with the scientific advisory board; bottlenecks for expansion and scalability; company culture; innovation.

Engagement activities in 2024

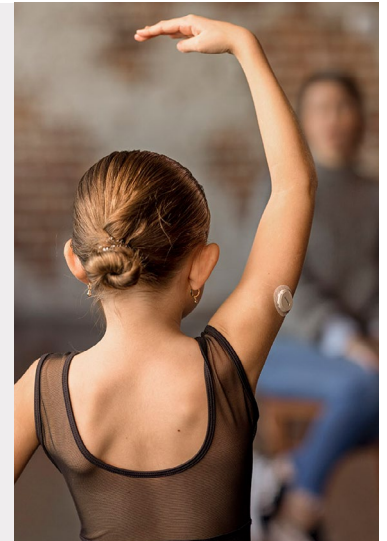


Dexcom

First invested January 2017
Healthcare and quality of life

Positive Change hypothesis

Dexcom’s continuous glucose monitoring systems (CGMs) empower diabetic patients to more effectively manage their condition on their own. Diabetes is a chronic and life-threatening condition that affects hundreds of millions of people around the world. By helping patients manage their glucose levels more effectively than traditional finger prick tests allow, Dexcom is both improving patient lives and helping lower the cost of treating the disease and its associated health complications. We expect CGMs to become the standard of care for diabetic patients. It is also clear that there is a market beyond diabetes – notably with pre-diabetes, but also for those interested in understanding their metabolism better; Dexcom’s devices may begin to play a significant role in preventative healthcare. Increasing its reach within its existing patient groups worldwide and expanding into new groups provide a terrific growth opportunity. This is a competitive market, but we believe Dexcom’s technological leadership, distribution capabilities and growing brand awareness provide an edge.



© Dexcom, Inc.

Priority engagement objectives

| | KPI | Progress in 2024 | First engaged on topic | Status |
|---|---|--|------------------------|---------|
| Ensure net zero alignment | <ul style="list-style-type: none"> Credible net zero targets | <ul style="list-style-type: none"> Comprehensive climate-related disclosure through the Carbon Disclosure Project Expanded scope 3 reporting | 2023 | Ongoing |
| Encourage the reduction of plastic waste | <ul style="list-style-type: none"> % of devices collected | <ul style="list-style-type: none"> No reported progress | 2023 | Ongoing |
| Promote the unlocking of new markets | <ul style="list-style-type: none"> Growth in type-2 diabetic non-insulin dependent patients Geographic expansion in sales | <ul style="list-style-type: none"> Launched Stelo for type 2 diabetics in 2024 | 2022 | Ongoing |

Topics engaged on in previous years: executive remuneration; affordability; product-market fit; circularity; health outcomes; competition; product development; immunisation and diabetes.

Engagement activities in 2024



Proxy voting – notable votes

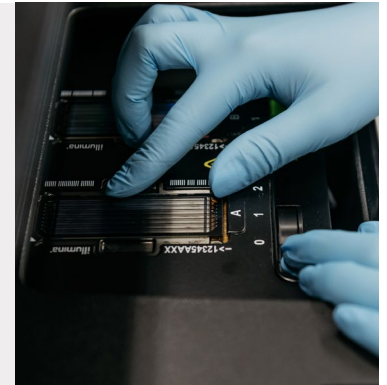
| Resolution | BG Vote | Reason for vote | Result |
|-------------------------------------|---------|--|--------|
| Shareholder resolution – social | Abstain | We abstained on the shareholder proposal requesting for an unadjusted pay gap report. We believe it is a good principle, but we also recognise that the company has made progress and released the adjusted pay gap data. We have been engaging with the company on this topic and will continue to do so to encourage further transparency. | Fail |
| Shareholder resolution – governance | For | We supported the shareholder proposal on the political donations report, as the company is permitted to make such donations, but does not report on that. It is also lagging its peers. | Pass |

Illumina

First invested January 2017
Healthcare and quality of life

Positive Change hypothesis

Illumina is the leading provider of next-generation sequencing (NGS) tools and array kits that allow researchers to analyse many samples simultaneously for large-scale genetic studies. It sits at the centre of the genomics revolution, helping researchers and clinicians make genomic discoveries with the potential to help us better understand, diagnose and treat diseases. Its products have been used in research for a long time and using them in clinical settings offers exciting growth opportunities. Having pioneered the NGS market, it has reduced sequencing costs, and is the market leader with the financial and technical capabilities to maintain its strong competitive position in this growing market.



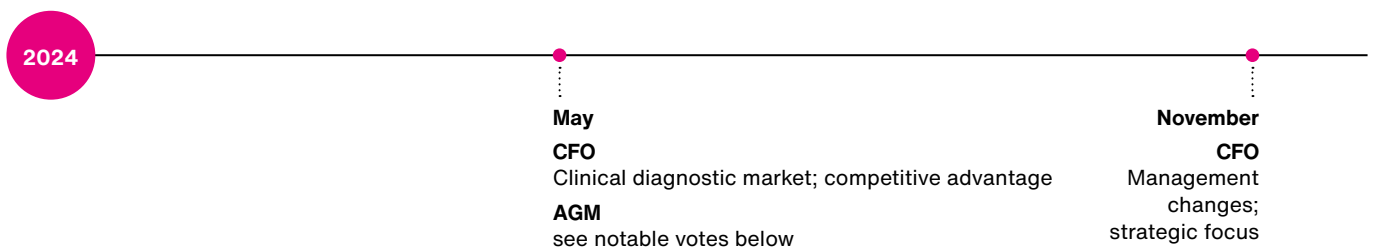
© Anthony Kwan/Bloomberg/Getty Images

Priority engagement objectives

| | KPI | Progress in 2024 | First engaged on topic | Status |
|--|---|---|------------------------|---------|
| Build a relationship with, and support Illumina's new management team | <ul style="list-style-type: none"> Meetings with the management team and board | <ul style="list-style-type: none"> New CFO appointed in 2024 We met with the new CFO twice | 2023 | Ongoing |
| Ensuring that Illumina remains a responsible monopoly | <ul style="list-style-type: none"> Reduction in sequencing cost Maintenance of customer focus Efforts to rebuild customer confidence | <ul style="list-style-type: none"> We participated in the CFO's 'Listening Tour', where we encouraged a focus on unlocking the clinical diagnostics market, awareness of the competitive environment and the wise use of its monopoly position | 2024 | Ongoing |

Topics engaged on in previous years: Grail acquisition, management changes, activist shareholders; research and development; mergers and acquisitions; genomics growth.

Engagement activities in 2024



Proxy voting – notable votes

| Resolution | BG Vote | Reason for vote | Result |
|-------------------|---------|---|--------|
| Elect director(s) | Against | We opposed the re-election of one director as chair of the compensation committee. We have ongoing concerns with its compensation practices and the decisions being made, including the committee's responsiveness to shareholder dissent at last year's AGM | Pass |
| Remuneration | Against | We opposed executive compensation as we have ongoing concerns with the stringency of targets under the long-term incentive plan. Further, we continue to have concerns with its compensation practices and the decisions being made, including the committee's responsiveness to shareholder dissent at last year's AGM | Pass |

Insulet

First invested July 2024
Healthcare and quality of life

Positive Change hypothesis

Insulet’s innovative insulin pumps, Omnipod help diabetics manage their condition, leading to better health and lower healthcare spending. There are five million type 1 diabetics and six million insulin-intensive type 2 diabetics globally. Over time, we expect the penetration of insulin pumps in both market segments to rise significantly, driven by strong clinical evidence, an increase in reimbursement and rising awareness among both patients and doctors. Insulet has a competitive advantage due to its easy-to-use pumps that it distributes through retail pharmacy distribution in the US, helping it gain market share from competitors. Over the next five years, the company will grow revenues at high-teens compound annual growth rate (CAGR) while seeing a strong operating leverage, resulting in a 20 per cent plus operating margin.



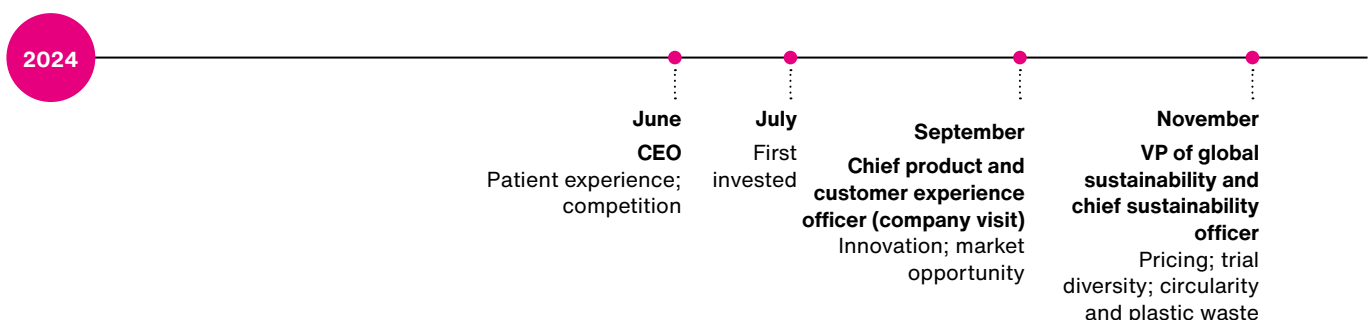
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Priority engagement objectives

| | KPI | Progress in 2024 | First engaged on topic | Status |
|---|---|--|------------------------|---------|
| Encourage the reduction of plastic waste | <ul style="list-style-type: none"> Number of used devices collected through Insulet’s takeback programmes Reduction in the amount of raw materials used in the production of Insulet products | <ul style="list-style-type: none"> 5.9 million Pods were recycled in 2023. Insulet plans to expand the number of states offering takeback programmes in the US, following the success of a pilot drop-off in Massachusetts Insulet’s waste reduction measures now eliminate more than 260,000 pounds of plastic and over 46,000 pounds of silicone from manufacturing annually | 2024 | Ongoing |
| Encourage net zero alignment | <ul style="list-style-type: none"> Scope 1 and 2 emission reduction targets Scope 3 emissions reporting | <ul style="list-style-type: none"> In early 2024, Insulet completed a detailed operational GHG emissions reduction roadmap, which it has begun to action. Insulet plans to disclose scope 3 emissions next year (dependent on data validation) | 2024 | New |

Topics engaged on in previous years: not applicable, company added to the portfolio in 2024.

Engagement activities in 2024

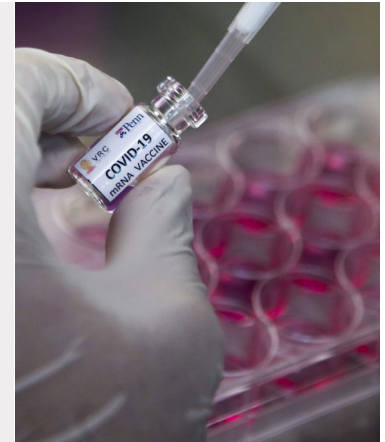


Moderna

First invested December 2018
Healthcare and quality of life

Positive Change hypothesis

Moderna is creating a new category of medicines through the power of mRNA technologies. mRNA molecules can teach the body how to make a specific protein to help our immune systems prevent or treat certain diseases. Moderna's Coronavirus vaccine has proven that mRNA is a safe and effective way of providing protection against disease, de-risking the technology and providing significant cash flows that can be used to continue investing in the company's platform. Thanks to the programmability of mRNA, Moderna's investment in its technology platform means it should be able to develop vaccines and treatments for a wide range of viruses and diseases, from influenza to cancer. Moderna has the potential to improve human health outcomes globally through this new category of medicine.



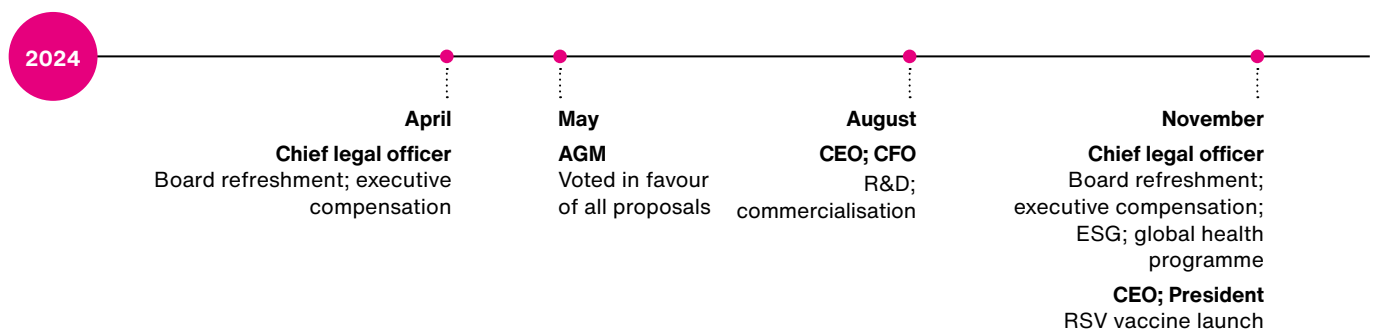
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Priority engagement objectives

| | KPI | Progress in 2024 | First engaged on topic | Status |
|---|--|---|------------------------|---------|
| Encourage the strengthening of governance to support commercialisation | <ul style="list-style-type: none"> New board members appointed Clear succession planning Enhanced structures to support commercial strategy | <ul style="list-style-type: none"> Two new board members appointed in 2024 Company president took Chief Commercial Officer's responsibilities | 2022 | Ongoing |
| Promote equitable access to medicines | <ul style="list-style-type: none"> Progress on World Health Organisation (WHO) Priority Pathogen vaccines and mRNA Access Programme | <ul style="list-style-type: none"> New Access Principles established Seven priority pathogens in clinical development | 2020 | Ongoing |
| Encourage net zero alignment | <ul style="list-style-type: none"> Scope 3 reporting Credible net zero targets | <ul style="list-style-type: none"> Scope 3 reporting introduced Awaiting validated SBTi net zero targets | 2023 | Ongoing |

Topics engaged on in previous years: vaccine pricing and equitable access; executive remuneration; company culture and leadership; capital allocation; management changes; talent; research and development

Engagement activities in 2024



Sartorius

First invested October 2019
Healthcare and quality of life

Positive Change hypothesis

Sartorius supplies single-use equipment to biopharmaceutical companies and research laboratories, ranging from bioreactors to storage bags. The company will benefit from growth in the biotech industry (across an increasing number of new types of medicines) and greater adoption of single-use products within that. Single-use products lower the upfront capital costs for biotech businesses, bring productivity gains (shorter set-up times) and require fewer resources (eg energy and water) than stainless steel products. Sartorius is a leading player due to its deep understanding of customer needs and willingness to invest (both organically and through mergers and acquisitions) to make sure it is innovating to meet customer needs. Sartorius enables the biology revolution.



© Sartorius AG

Priority engagement objectives

| | KPI | Progress in 2024 | First engaged on topic | Status |
|---|--|--|------------------------|---------|
| Ensure a smooth transition to new management | <ul style="list-style-type: none"> Smooth transition of CEO | <ul style="list-style-type: none"> Sartorius has indicated a successor for its long-standing CEO | 2023 | Ongoing |
| Improve executive remuneration structures | <ul style="list-style-type: none"> Improvements in disclosures Higher proportion of share-based remuneration | <ul style="list-style-type: none"> While the company has increased its transparency, its disclosures are still far from optimal. A director's salary exceeding the policy cap is also a concern | 2023 | Ongoing |

Topics engaged on in previous years: acquisitions; China strategy; management turnover; inventory management; single-use bioreactors.

Engagement activities in 2024

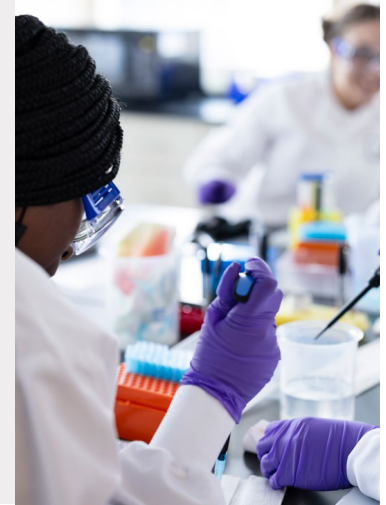


Vertex Pharmaceuticals

First invested June 2024
Healthcare and quality of life

Positive Change hypothesis

Vertex is a specialty pharmaceutical company focused on bringing transformative medicines to areas of high unmet needs. The company’s differentiated Research and Development (R&D) approach of being disease-led and technology-agnostic has yielded great success so far. Its monopolistic position in Cystic Fibrosis (CF) is defensible and these medicines will continue to generate sustainable cash flow to fund R&D for other programmes. Vertex will also expand its CF treatments to new patients who have not yet benefited. In the next five years, two new treatment areas will contribute meaningfully to revenues and profits. These include medicines for pain management that will help to prevent opioid use disorder, and a gene editing therapy for blood disorders Sickle Cell Disease and Beta Thalassemia, which is potentially curative. At the same time, the rest of the pipeline, which includes type 1 diabetes and kidney diseases, will mature and get closer to approval.



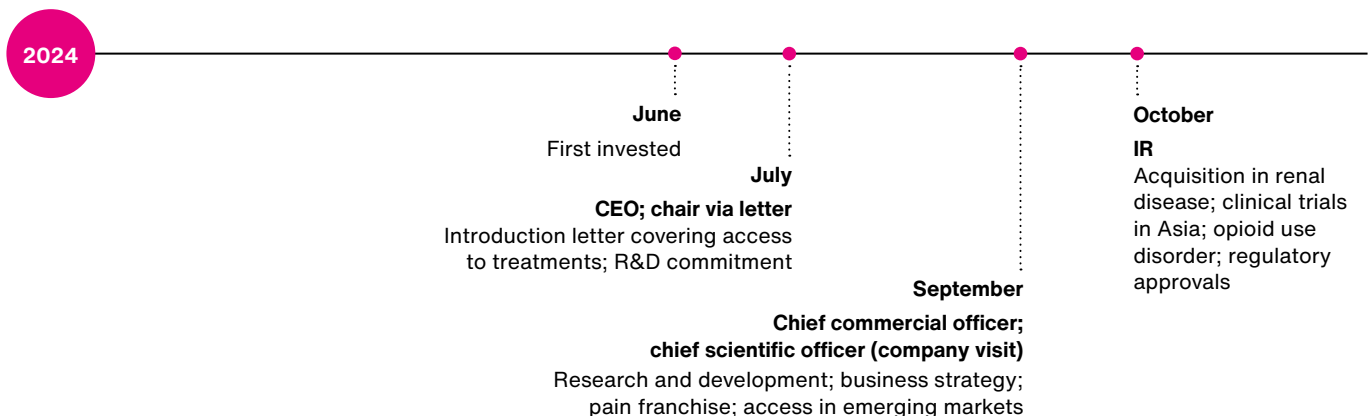
© Vertex Pharmaceuticals

Priority engagement objectives

| | KPI | Progress in 2024 | First engaged on topic | Status |
|--|--|---|------------------------|--------|
| Promote equitable access to medicines | <ul style="list-style-type: none"> Increased access to CF treatments in low- and middle-income countries Expanded eligibility of treatments for CF patients Successful reimbursement agreements for Suzetrigine | <ul style="list-style-type: none"> We had two discussions on this topic in 2024 and sent a letter to the CEO and chair emphasising its importance Vertex announced expanded access in South Africa and came to access agreements in England, Canada and Australia | 2024 | New |
| Encourage net zero alignment | <ul style="list-style-type: none"> Setting a long-term net zero goal | <ul style="list-style-type: none"> Vertex has set credible scope 1-2 emissions targets | New | New |

Topics engaged on in previous years: not applicable, company added to the portfolio in 2024.

Engagement activities in 2024



Bank Rakyat Indonesia

First invested January 2017
Base of the pyramid

Positive Change hypothesis

Bank Rakyat Indonesia (BRI) offers microfinance in Indonesia, a country where roughly half of the adult population remains unbanked. BRI's competitive advantage in microfinance stems from its extensive network of rural branches and its growing investment in mobile and agent-based banking. This allows it to build trust with customers and provide financial services at low cost. Financial services, which can have a transformative effect on social outcomes, are underpenetrated in Indonesia, offering a very long runway for growth and impact.



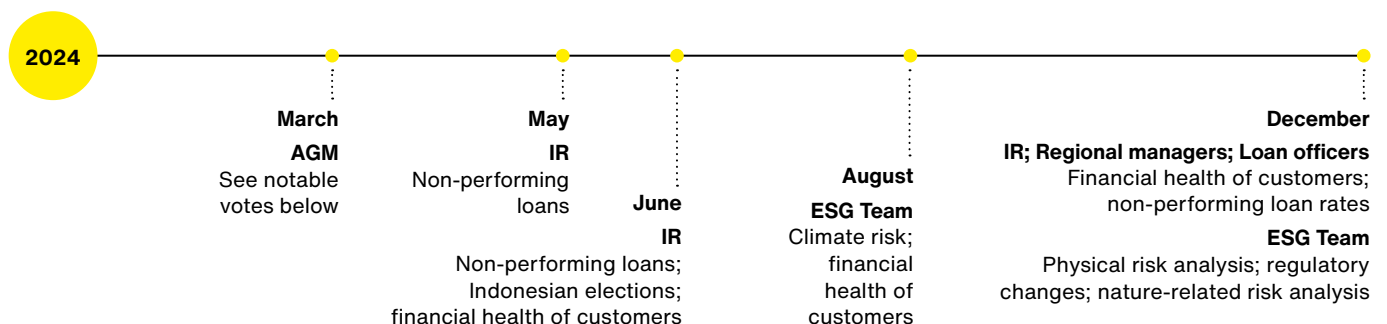
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Priority engagement objectives

| | KPI | Progress in 2024 | First engaged on topic | Status |
|--|---|--|------------------------|---------|
| Encourage increased focus on the financial health of microfinance customers | <ul style="list-style-type: none"> Non-performing loan (NPL) rate in the micro segment Customer financial health disclosure | <ul style="list-style-type: none"> Increasing NPL rates in the micro segment Fewer customers have micro insurance policies We visited loan collection officers and customers in Indonesia to hear their experiences first hand | 2019 | Ongoing |
| Improve the management of environmental risks | <ul style="list-style-type: none"> Climate and nature related risk reporting; exposure to high-emitting sectors; | <ul style="list-style-type: none"> First Climate Report released Transition risks assessed for >71 per cent of the portfolio Our conversation with the company revealed further work is being undertaken on physical risk analysis | 2022 | Ongoing |

Topics engaged on in previous years: digitalisation of customers; MSME education; rural access to finance; governance practices; government relationship; competition; mergers.

Engagement activities in 2024



Proxy voting – notable votes

| Resolution | BG Vote | Reason for vote | Result |
|----------------------------|---------|--|--------|
| Non-Executive Remuneration | Against | We opposed the remuneration for the board as independent directors and commissioners receive incentive-based pay, which we believe could compromise their objectivity. | Pass |
| Elect Director(s) | Against | We opposed the changes to the company's management composition because they did not disclose the changes. | Pass |

Remitly

First invested December 2022
 Base of the pyramid

Positive Change hypothesis

Remitly provides mobile-based remittance services for migrants. The global remittance market is large and rapidly moving online. Remitly uses mobile technologies to give peace of mind and help lower fees. As an early mover in mobile remittances and with a strong operational track record, Remitly has been quickly gaining market share. Remitly plans to open more remittance corridors over the coming years and build out financial services beyond remittances, helping the company to serve more customers and drive strong revenue growth.



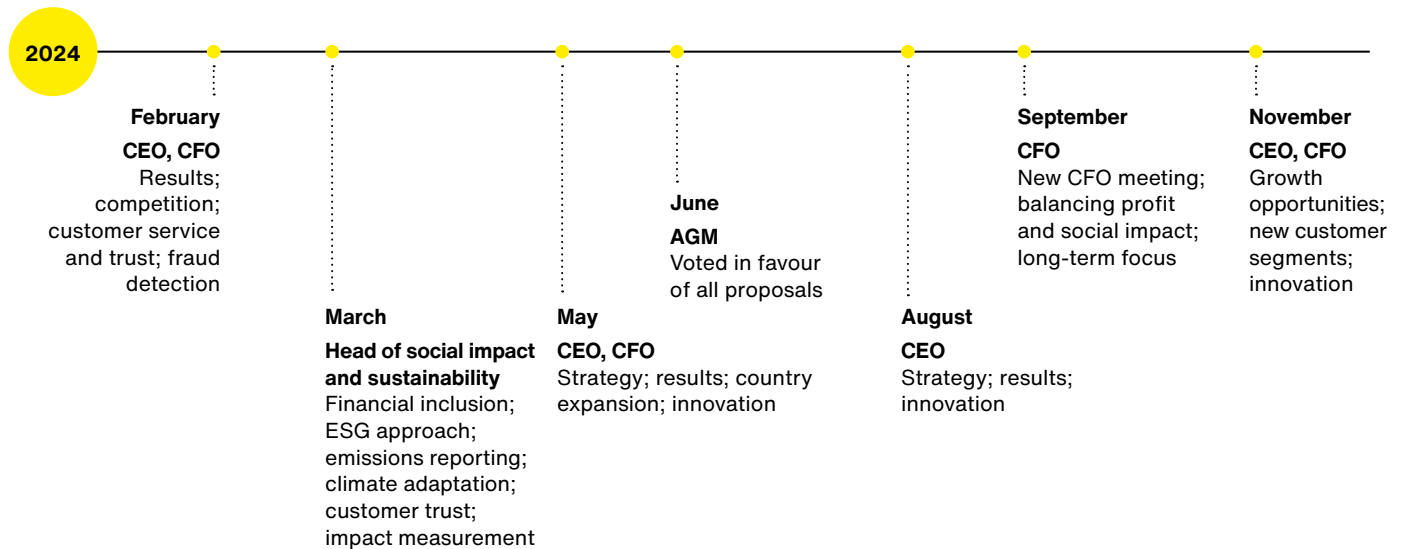
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Priority engagement objectives

| | KPI | Progress in 2024 | First engaged on topic | Status |
|------------------------------|--|---|------------------------|---------|
| Encourage net zero alignment | <ul style="list-style-type: none"> GHG emissions disclosure Setting of emissions targets | <ul style="list-style-type: none"> Discussed with company. It is working on first disclosures. | 2024 | Ongoing |

Topics engaged on in previous years: business strategy; innovation; corporate culture; board dynamics and governance; artificial intelligence.

Engagement activities in 2024



External collaborations 2024

The following are just some of the organisations that the Positive Change Team has engaged with in 2024. Others include those we have reported on in the past, such as the James Hutton Institute's Climate Positive farming project and the Baillie Gifford Chair in the Ethics of Data and Artificial Intelligence at Edinburgh University. We continue to build a network of organisations that support the Positive Change's Team's research and engagement efforts.

Research initiatives

Deep Transitions Project

Since 2020, we have collaborated with and funded the Deep Transitions Project. It is an innovative interdisciplinary research project that strives to understand how the unsustainable systems our societies are built on emerged and how they can be unmade. Its **Deep Transitions Lab** (DTL) aims to support investors in channelling capital and influence in a way that enables positive systems change. In 2024, we worked on an experiment with the DTL team to understand how we might incorporate elements of Deep Transitions theory into our impact analysis framework.

In September 2024, we joined DTL's growing community at its first formal conference in Barcelona. The conference united academics, policymakers, and investors from various asset classes, highlighting the multi-disciplinary collaboration required to achieve fundamental systems change. We presented our experiments alongside the DTL team. These included work on climate risk scenarios and the systems changes required in digital technologies and mining to make them more sustainable. This was particularly helpful for our thinking about Epiroc, a new holding in 2024 which we believe is well-placed to enable low emissions equipment adoption across the mining industry. We continue to incorporate elements of Deep Transitions theory into our work and explore how it can help us become better impact investors.



CGAP – Financial Inclusion 2.0

The Consultative Group to Assist the Poor (**CGAP**) is a research organisation housed within the World Bank. CGAP’s world-leading researchers have been at the forefront of understanding the dynamics of financial inclusion for many years and have advised companies and regulators on how to maximise impact and minimise harm in this area. We have been speaking with researchers at the organisation for several years to help with our impact analysis and engagements with companies.

In 2024, we formalised our involvement with CGAP in two ways. First, at CGAP’s annual meeting in June 2024, we formally became a Strategic Partner as part of CGAP’s first private sector cohort. We also chose to become members of its eleven-strong Champions Group, a strategic advisory board of leading organisations working on financial inclusion worldwide. The Champions Group aims to advise on CGAP’s strategy. It runs various projects to move the understanding of financial inclusion beyond usage and access to valuing its usefulness, which will help decision-makers worldwide make better choices.

We believe that our involvement with CGAP will help inform our investment decisions and help us engage with financial service providers on areas such as consumer protection, risk management and access. This is relevant to several companies in our portfolio, such as MercadoLibre, Nu Holdings and Bank Rakyat Indonesia.

Fairwork

Fairwork is a project coordinated by the Oxford Internet Institute and the WZB Berlin Social Science Center, focusing on how digital trends affect the labour force. It has evaluated many companies operating in the gig economy using the Fairwork Principles. A framework that considers key areas of importance for companies operating in the gig economy: Fair Pay, Fair Conditions, Fair Contracts, Fair Management, and Fair Representation.

We hosted Fairwork in our offices for a seminar to learn more about how companies can be evaluated using these Principles and hear about Fairwork’s latest research, which considers worker rights in the AI value chain. Fairwork’s research provides a differentiated insight into companies operating in the gig economy, such as Grab in the Positive Change portfolio, and we plan to continue our informal relationship with Fairwork to understand how we can best encourage companies to adopt best practices.

Industry initiatives

Community of Practice on impact investing in public markets, Impact Investing Institute

The inaugural meeting of the **Community of Practice (CoP) on impact investing in public markets** took place in 2024, convened by the **Impact Investing Institute** in the UK. There are circa 15 asset managers and asset owners involved in this CoP, which aims to promote impact investing in listed markets through promoting best practice and considering opportunities to enable consistency and comparability in impact reporting.

At the first meeting in November, much of the discussion surrounded the Financial Conduct Authority's Sustainability Impact Label; at the time, our UK fund was one of only a few funds that had achieved the label and we shared insights into the process with the group.

GIIN Listed Equity Working Group

Following our involvement in previous phases of the Global Impact Investing Network's (GIIN) **Listed Equities Working Group**, which resulted in the Guidance for Pursuing Impact in Listed Equities being published in 2023, we have joined the group again in its new phase. The proposed focus areas include developing guidance for designing theories of change, characterising investor contributions, and using impact performance indicators. As a member of the GIIN, at the GIIN Impact Forum in Amsterdam, we joined over 1,500 delegates who convened to promote the impact investing industry and its effectiveness at driving positive change. Many topics were covered in the sessions and seminars, including systems change investing, health system efficiency and outcomes measurement, all of which are relevant to the Positive Change portfolio.

Baillie Gifford associations and memberships

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- UN Global Compact;
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- Taskforce on Nature-related Financial Disclosures;
- UK Centre for Greening Finance and Investment;
- UK Stewardship Code;
- Farm Animal Investment Risk and Return;
- Taskforce for Climate-related Financial Disclosure;
- Investor Stewardship Group;
- Focusing Capital on the Long Term;
- Institutional Investors Group on Climate Change;
- the Investor Forum;
- International Corporate Governance Network;
- Extractive Industries Transparency Index;
- Carbon Disclosure Project;
- Asian Corporate Governance Association;
- Japan Stewardship Code;
- the Council of Institutional Investors;
- European Fund and Asset Management Association Stewardship Code.

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