Baillie Gifford™

Net Zero Alignment

Sustainable Growth

The undernote applies to the following vehicles:

Baillie Gifford Worldwide Sustainable Growth Fund
Baillie Gifford Sustainable Growth Fund

As noted in our firmwide **statement of climate-related intent and ambition**, we are agents of our clients and stewards of their assets. We believe a successful transition that keeps increases in global temperatures to well below 2C, and ideally to 1.5C this century offers our clients a better opportunity for strong long-term investment returns than a failed transition.

Our investment process takes into account the long-term prospects (including long-term sustainability) of an investment. We believe that consideration of climate-related factors and competitive positioning are inherently aligned to our investment process and that companies that are effectively managing the risks and opportunities posed by climate change and the transition to a low carbon economy are likely to have a durable competitive edge.

The portfolio is managed to support the goal of net zero greenhouse gas ('GHG') emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5C ("net zero"). This includes the assessment and engagement of portfolio companies on a prioritised basis, for alignment with this goal. Such alignment will be assessed company-by-company, paying due attention to the realities of specific industries and regions. The following guidelines are used to monitor progress towards net zero:

i. By 2030, all Sustainable Growth's 'climate-material' portfolio companies will be aligned with net zero and new buys will have an extra two years to meet this alignment. If this is not the case, we will explain why this is consistent with our commitment to investing in a way that is aligned with net zero.

ii. Between now and 2030, we will audit the portfolio on an annual basis and report to clients on the progress of our holdings in aligning with net zero and our climate-related engagement.

We define 'climate-material' holdings using greenhouse gas (GHG) emissions within a company's entire supply chain and are guided by the 'High Impact Material Sectors' as articulated within the **Net Zero Investment Framework** from The Institutional Investor's Group on Climate Change.

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

We expect the portfolio's financed emissions to decline over rolling five-year periods, thanks to the progress made by portfolio companies. If this is not the case, we will also explain why this is consistent with our commitment to investing in a way that is aligned with net zero. As a reminder, the portfolio excludes companies deriving more than 10 per cent of their revenues from fossil fuel extraction and production.

The portfolio's financed emissions will include scope 1 and 2 data for all holdings from the outset, with increasing inclusion of scope 3 data as disclosure and estimation improve. In line with guidance from the Partnership for Carbon Accounting Financials – an industry-led partnership to facilitate transparency and accountability of the financial industry to the Paris Agreement – we will include scope 3 emissions from energy and mining activities from the outset. Over time, we will take account of the emissions pathways appropriate to the relevant industries and regions in our reporting.

The concepts of alignment and decarbonisation pathways continue to evolve. Our aspiration and ability to align with net zero is influenced by a wide range of parties and factors that can be outside of our control, such as client mandates, industry guidance, technology and societal trends, regulation and government action. Consequently, we will periodically review our portfolio-level guidelines to take account of these factors.

Risk Factors and Important Information

All investment strategies have the potential for profit and loss, your or your clients' capital may be at risk. Past performance is not a guide to future returns.

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