Baillie Gifford™

Stewardship Report

Managed Fund

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Baillie Gifford™

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Contents

Introduction

We are happy to present the Managed Fund stewardship report for 2023.

The Fund's objective is to achieve long-term capital growth. Even so, we recognise that the way in which this is achieved matters to you, our clients. We firmly believe that considering environmental, social, and governance (ESG) issues is accretive to our investment objective. This report seeks to demonstrate why this is the case and show how we incorporate ESG considerations into our decision making.

The report begins by outlining how we view our stewardship responsibilities on our clients' behalf. Engagement examples are provided, including some deeper dives to provide greater insight on our approach. We also take this opportunity to provide you with some up-to-date metrics on the Fund's environmental impacts specifically.

We recognise that the last few years have been rocky for investors in the Fund, especially those who have invested in more recent years. There have been similar bouts of unrest in markets throughout the course of the Fund's almost 40-year existence; Black Monday (1987), the dot-com bubble (2000), and the Global Financial Crisis (2008) to name but a few. What has always mattered most in the uncomfortable periods has been our commitment to long-term, active growth investing. Our process has evolved over time but is fundamentally unchanged since inception. For example, this year, in response to feedback from some of our clients, we implemented ESG-related process improvements within the Managed Fund. These included the adoption of a Net Zero objective, and the application of an exclusion policy around the United Nations Global Compact's ten principles. The latter is entirely separate from Net Zero but allows us to demonstrate a minimum standard of responsible investing. More information is available later in the report.

Above and beyond a focus on stewardship, we have confidence in the ability of the Fund to meet its long-term investment goals on behalf of our clients. Our website contains more material on the reasons for our optimism from here.

We hope you find this report helpful and insightful. Thank you for your ongoing support.

Iain McCombie and Steven Hay

Lead Managers

Stewardship in practice

Consideration of ESG starts in the research process. In equities, we recognise that we invest in real-world businesses with unique features. Therefore, we prefer to examine and engage with companies individually in our research and ongoing company relationships. We consider the long-term motivations of management, as well as corporate culture. Our investment research is led by individual investment strategy teams, often involving one or more of our ESG analysts. Research is supported by specialists in our central Climate Team, and others with expertise in governance and voting.

In corporate bonds, sustainability analysis is a critical component in assessing an issuer's resilience. As well as providing warning signs of potential issues, positive sustainability indicators may also signal that a company is becoming a more attractive investment. Likewise, in sovereign bonds, we assess whether a country is on a sustainable trajectory, such as by determining alignment with the Paris Climate Agreement and the UN Sustainable Development Goals. Factoring in these elements helps to provide a more holistic picture of the opportunities and threats for any company or country issuing bonds.

The ESG credentials of a company (or, indeed, a country) cannot be distilled into a single metric. Reality is far more nuanced. Our research is therefore focused on understanding the materiality of ESG-related issues to holdings, and ultimately to investment performance. We take a broad view of potential materiality, with a company's specific circumstances driving the level of ESG consideration. As an example, we are more likely to engage with a fossil fuels business as a priority when it comes to carbon emissions, than we would a capital-light technology company. This is where our strength as bottom-up stock pickers comes to the fore.

Once we have invested on behalf of clients, the focus turns to ongoing review, engagement, and voting, which is all performed in-house. For voting, we evaluate proposals on a case-by-case basis, based on what we believe is in the best long-term interests of our clients. Where possible, we vote all our clients' shares globally and vote against proposals that are not in our clients' interests. When we do not vote in line with management's recommendation, we seek to discuss our concerns and communicate our decision with the company before submitting our vote.

Our approach to ESG spans the lifetime of our interaction with a company, from initial research to investment and ongoing reviews. Our genuine long termism (average holding period is c7.5 years) is a meaningful edge when it comes to engagement with companies, and the close relationships we build have two overarching strands. On the one hand, we seek to be trusted, patient partners with the businesses we hold. This ensures they have the support to get through tougher periods that every company can expect, and is a recognition that a fantastic management team may be one of the main reasons we invested in the first place. Secondly, a long-term relationship engenders trust. That gives us the credibility to constructively challenge, seeking to effect change where it is needed. Specific engagement examples follow later in the report.

↑ Back to contents

Our commitments

Climate change and the energy transition provide opportunities and pose risks which we must address as part of our stewardship of client assets. In addition, some Managed Fund clients have encouraged us to make a formal climate commitment. We have, therefore, enhanced our ESG process in 2023. We implemented a commitment for holdings to a) be aligned with a long-term Net Zero objective, and b) adhere to the United Nations Global Compact's (UNGC) ten principles.

Please note this applies to the Managed Fund (henceforth the Fund) only. Segregated clients can discuss this with their Client Contact should they wish to implement a similar commitment.

Net Zero

To guide our actions, we have integrated the following commitments and actions into the Fund's approach:

1. By 2030, we commit that 75 per cent of the Fund's holdings by count (excluding government bonds, cash and derivatives) will have strategies and targets that demonstrate robust alignment[1] with the achievement of global net zero emissions by 2050. All holdings will be so aligned by 2040. New buys will have an extra two years to meet the commitment.

2. We expect the increasing alignment of companies in which the Fund is invested to result in both direct and indirect support for the development of climate solutions.

3. We commit that our equity and fixed income teams responsible for the management of the Fund will incorporate climate-specific analysis into their investment research. This will inform our decisions about engagement priorities and potential divestments.

We accept that overall global progress towards net zero, and thus the pace at which companies are able to align, remains subject to effective policy support. We will review our targets and commitments at least every five years, and report on progress and action at least annually.

What do these commitments mean?

First and foremost, they mean that we commit to supporting the goal of net zero greenhouse gas ('GHG') emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5C.

Secondly, they implement waypoints by which to measure our progress towards this ultimate goal, namely that by 2030, 75 per cent of holdings will have targets that demonstrate robust alignment with our 2050 goal. This is in keeping with the stipulations of the Net Zero Asset Managers Initiative.

Above all, changing societal and environmental expectations matter to the ability of companies to add value for you in the long term. Therefore, we believe these targets will help us to be better investors on our clients behalf, holding the shares and bonds of companies who move with the times, rather than go against the flow of a turning tide.

Responsibility for adherence to these commitments ultimately lies with the underlying regional equity and credit investment teams. To support the robustness of our process, we will undertake a six-monthly review of the Managed Fund and other similarly run portfolios with our Climate Team.This will allow engagement priorities to be set,and ensure recent purchases are captured.

We will provide regular reporting to clients to evidence that we are following through on these commitments, primarily by way of the Fund's Taskforce on Climate-Related Financial Disclosures (TCFD) report. More information on current alignment is available later in the report. The data shows we are starting from a position of strength.

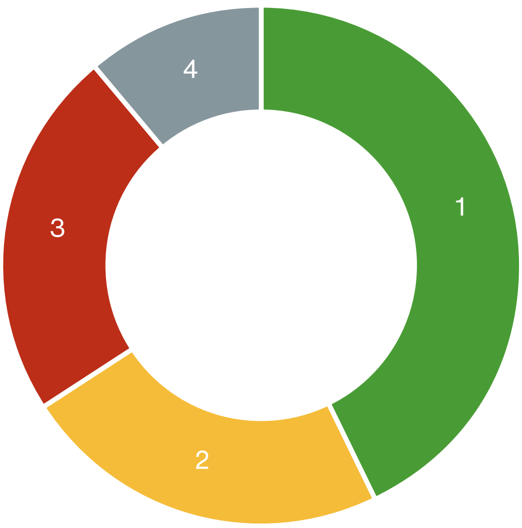
[1]Alignment will be assessed on a company-by-company basis paying due attention to the realities of specific industries and regions. We expect the pace of the climate transition, and the science to evaluate climate outcomes, to continue to evolve. We commit to the ongoing development and refinement of our assessment process.

↑ Back to contents

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.

In the fourth quarter of 2023, one holding, Washington H Soul Pattinson (0.4 per cent of Fund) was sold as a result of the implementation of this Net Zero Commitment. This holding company invested in a business that was actively expanding thermal coal production, which we deemed to be entirely at odds with the spirit of the Net Zero commitment. We therefore decided to sell the holding.

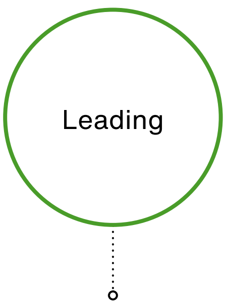
Emissions reduction goals and performance



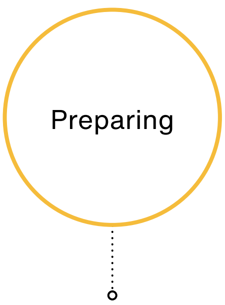
AUM		%
1	% of total AUM with targets assessed as Leading	**43**
2	% of total AUM with targets assessed as Preparing	**23**
3	% of total AUM with targets assessed as Lagging	**23**
4	% of total AUM with targets not assessed	**11**

Figures may not sum due to rounding.

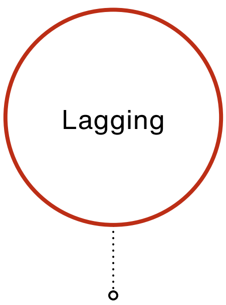
Source: Assessed according to Baillie Gifford's internal assessment framework, as at 31 December 2023.



Companies committed to reductions in line with their fair share of a science-based 1.5C-aligned pathway, with appropriate demonstrations of targets, intent and strategic coherence.



Companies with disclosure and narrative that suggests they are preparing to set 1.5C-aligned targets in the near future.



Companies lacking sufficient disclosure or suitably robust targets, where the pathway to improvement is currently uncertain.

UNGC Exclusion Policy

The UNGC is a strategic initiative launched by the United Nations (UN) to encourage businesses worldwide to adopt sustainable and socially responsible practices. By incorporating UNGC principle adherence, we aim to ensure holdings meet a minimum standard of sustainability. For now, government bonds, derivatives and cash are excluded from this commitment given the data limitations that persist for these asset classes. This may change as data improves.

The UNGC focuses on 10 principles in the areas of human rights, labour, the environment, and anti-corruption. These are designed to help businesses in contributing to sustainable development goals, thereby creating a better world. More can be read on the principles themselves **here.**

We use two third-party data providers, MSCI and Sustainalytics, to flag businesses which may be non-compliant with any of the ten principles. The UNGC assessment is qualitative. There is no single golden source of compliance published by the UN. Therefore, if a company is deemed to be non-compliant, we will conduct our own research to ascertain whether we agree with MSCI and/or Sustainalytics's assessment. This would include considering the materiality of the issues raised, the likely trajectory of them and any response of the company to rectify the issue. It may also involve direct engagement with the company in question. We will continue to hold if we believe there is sufficient evidence contradicting a non-compliant rating. If we agree a holding is in breach of one of the UNGC principles, the Fund can hold the investment for up to three years, subject to a formal engagement and monitoring process. If an investment fails to show sufficient progress within three years of the commencement of the process, that investment will be sold.

If either MSCI or Sustainalytics puts a holding on their watchlist, enhanced due diligence will be required. As above, this will typically involve the investment team and/or ESG analyst reviewing the factors contributing to the watchlist status and consider them in context of the investment in question.

This decision-making process is summarised on the following page. It is overseen by Baillie Gifford's ESG Assurance Group which is made up of specialists from our Legal and Compliance, Business Risk, Investment Services, Client and ESG teams.

↑ Back to contents

New purchase based on third party classification

New purchase		Sustainalytics		
		Compliant	Watchlist	Non-Compliant
MSCI	Pass	Invest	Enhanced due diligence	Further evidence required
	Watchlist	Enhanced due diligence	Enhanced due diligence	Further evidence required
	Fail	Further evidence required	Further evidence required	Further evidence required

Existing holding process where there is a change in third party classification

Existing holding		Sustainalytics		
		Compliant	Watchlist	Non-Compliant
MSCI	Pass	Continue owning	Enhanced due diligence	Further evidence required
	Watchlist	Enhanced due diligence	Enhanced due diligence	Further evidence required
	Fail	Further evidence required	Further evidence required	Further evidence required

Existing holding process at the end of the three-year period

At the end of the formal monitoring period		Sustainalytics		
		Compliant	Watchlist	Non-Compliant
MSCI	Pass	Continue owning	Ongoing due diligence	Sale without significant progress
	Watchlist	Ongoing due diligence	Ongoing due diligence	Sale without significant progress
	Fail	Sale without significant progress	Sale without significant progress	Sale without significant progress

UNGC compliance – as at 31 December 2023 data

The Managed Fund holds the following securities which were highlighted as non-compliant by Sustainalytics as at the end of 2023. Since May 2024, Compliance is monitored against both Sustainalytics and MCSI data feeds.

The following holdings were highlighted as non-compliant with UNGC principles according to Sustainalytics at the end of 2023:

- Norilsk Nickel (Russia)
- Sberbank (Russia)
- Tencent (China)
- Volkswagen (Germany, bond holding)

The securities of Norilsk Nickel and Sberbank are frozen due to ongoing sanctions. The Volkswagen bonds were sold for investment reasons following the end of the period.

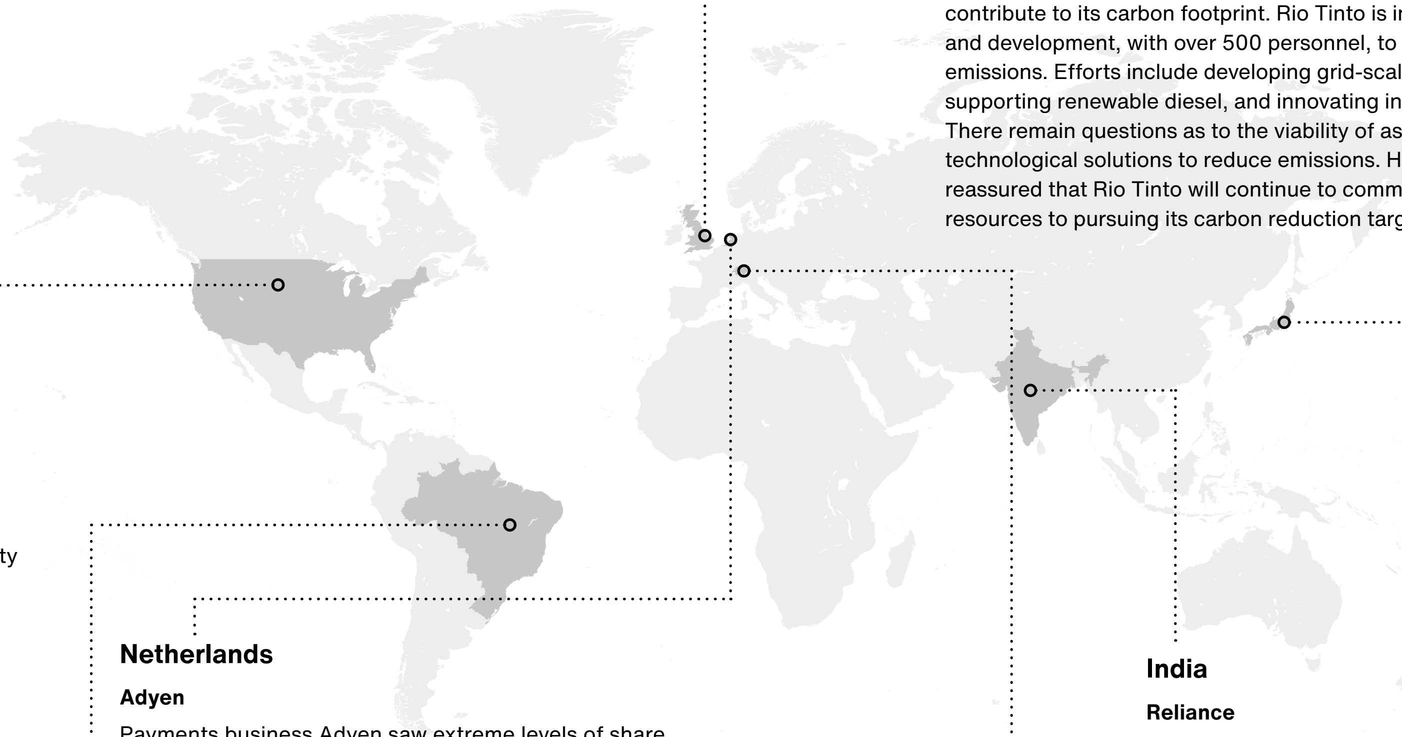
Tencent Holdings Ltd is assessed as Non-Compliant by Sustainalytics. It is considered to be in violation of Principle 2 of the UN Global Compact – Businesses should make sure they are not complicit in human rights abuses.

The concern has been that Tencent is complicit in actions carried out by the government of the People's Republic of China (PRC) in Xinjiang which contributes to serious harm to Uyghur and other groups. In 2019 and 2020, an interdisciplinary laboratory at the University of Toronto (Citizen Lab) published research related to WeChat surveillance and censorship of private chats. Sustainalytics reported to us that they designated the company non-compliant due to an increase in media reports of censorship and surveillance activities connected to WeChat but did not disclose specific details.

Based on research to date, our current assessment is that Tencent should remain on a UNGC watchlist for Principle 2 of the UNCG. Hence, we disagree with the third party rating of non-compliance. The platforms provided by the company may facilitate speech that may not otherwise take place and they appear to be taking action to 'the greatest extent possible' to ensure compliance with the law in PRC as well as alignment with international norms. We have an engagement plan in place for the holding and will continue to monitor progress.

↑ Back to contents

Engagement examples



USA

Roblox

We met gaming company Roblox's Chief Scientist Morgan McGuire, to discuss the company's commitment to online safety. The company plans to enhance safety through artificial intelligence (AI)-driven content moderation, which is also being used to reduce costs. Roblox recognises that investment in safety is essential for maintaining community strength and retaining users as they age, underscoring Roblox's innovation in product improvement through safety. This engagement provided us with comfort that Roblox prioritises internet safety over growth, recognising the impact of even a few nefarious users on the platform as a whole.

Cloudflare

Cloudflare is a US-listed software-as-a-service company. We used this engagement to communicate our concerns about changes to compensation arrangements. During the year, the company adjusted stock options and performance targets for management equity awards. We argued these changes were a reaction to short-term market conditions, and did not align with our clients' long-term interests or Cloudflare's stated compensation principles. We voted against the resolution at the annual general meeting (AGM), which received a 26 per cent oppose vote (a pass). We have reiterated our remuneration expectations to the board, affirming our role as constructive shareholders and our optimism for Cloudflare's future.

Venture Global LNG (bond)

Venture Global processes and exports liquefied natural gas (LNG). We believe the company is compatible with a sustainable economy, given that LNG has a role to play in the energy transition. We engaged with management as part of our monitoring of milestones around progress in carbon capture and storage (CCS) projects, which we see as a critical element of the company's lower-carbon strategy. Progress has been slower than we expected, but management has signalled that they are making gradual improvements. The financial implications of these projects remain opaque. We will continue to monitor progress and will engage again if it is not in line with our expectations.

Netherlands

Adyen

Payments business Adyen saw extreme levels of share price volatility through the year. We met with the company several times to discuss management change, culture, and investor communications, among other things. In all, these conversations provided us with confidence in Adyen's long-term growth trajectory. Succession planning is being well thought through, and culture remains differentiated. In addition, following our feedback, Adyen stated its intention to improve market communications which may be seen, to some degree, as partially responsible for some of the share price volatility.

Brazil

MercadoLibre

Our climate team met with ecommerce company MercadoLibre's sustainability team to discuss the climate resilience of the company's business model. The discussion highlighted MercadoLibre's efforts in making its operations more sustainable, including transitioning to an EV logistics fleet and facilitating the discovery of sustainable products by customers. The discussion reinforced our belief that MercadoLibre's sustainability initiatives are market-leading.

UK

Rio Tinto

We met mining company Rio Tinto's Chief Scientist, Nigel Steward, to discuss the company's decarbonisation strategy, particularly for its aluminium and iron ore operations, which significantly contribute to its carbon footprint. Rio Tinto is investing in research and development, with over 500 personnel, to tackle its high emissions. Efforts include developing grid-scale energy storage, supporting renewable diesel, and innovating in iron ore processing. There remain questions as to the viability of as-yet unproven technological solutions to reduce emissions. However, we are reassured that Rio Tinto will continue to commit material resources to pursuing its carbon reduction targets.

Enquest

Enquest is a UK-listed oil and gas company. We went to Enquest's Aberdeen headquarters to discuss their energy transition strategy. Since acquiring BP's North Sea assets in 2017, EnQuest has focused on adapting some of the assets it inherited for reduced operations and aligning with energy transition goals. EnQuest's commitment to net zero direct emissions by 2040, ahead of the UK's 2050 target, is commendable. We recognise the challenges ahead and plan to support their decarbonisation efforts through continued engagement.

India

Reliance

Reliance is one of India's largest companies, with interests in varying sectors from energy to the internet. We met Reliance to discuss its approach to emissions and strategic direction. Reliance has the ambition to be the provider of 'the world's most affordable green energy within this decade,' and aims to be Net Zero by 2035. It is looking across its business for efficiencies, and considering how best to disclose the true impact of its emissions given the potential for third parties to underestimate these.

Switzerland

Richemont

We engaged with Richemont due to board changes, and concerns about executive pay practices at the luxury goods company. Despite our efforts to discuss these issues with senior figures, we were only able to speak with an Investor Relations representative. Our concerns were heightened by Richemont's refusal to disclose LTIP targets, citing commercial sensitivity. At the 2023 AGM, we opposed the Remuneration Committee Chair and the variable remuneration component. While both resolutions passed, a 23 per cent oppose vote against executive variable remuneration reflected ongoing dissatisfaction among shareholders.

Japan

Olympus

We met with Stefan Kaufmann, CEO of optics company Olympus, to discuss issues raised by the US Food and Drug Administration related to drug safety. Following the warnings, Kaufmann has prioritised patient safety, acknowledging a clash between Japanese manufacturing and American regulations and practices, as well as disjointed internal systems. Olympus is enhancing its quality assurance and implementing IT tools for better feedback loops, including incentivising staff with quality-related bonuses. We were encouraged by Kaufmann's commitment to change management and his efforts to improve patient outcomes, leaving us optimistic about Olympus' overall direction.

Recruit

We met with online recruitment company Recruit to seek to understand its new social impact targets, and changes to executive compensation. The company aims to halve hiring times by 2035 and improve job access for 30 million underserved individuals, focusing on education, criminal records, disabilities, and military experience. Additionally, Recruit is aligning executive compensation structures between its Japan-based operations and subsidiary company Indeed in the US, promoting longevity and transparency in targets. We will continue to monitor how this evolves.

↑ Back to contents

Amazon

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Background

Amazon engages in the retail sale of consumer products and subscriptions through online and physical stores in North America and internationally. It provides storage, database, analytics, AI and other services to enterprise customers around the world. The global scope and scale of Amazon's business model introduces material sustainability considerations for its owners. As long-term, active shareholders we are well placed to discharge our stewardship responsibilities with this holding.

Focus areas

Employee welfare

Amazon has become one of the world's largest employers, making attraction and retention of workers a critical challenge. How it manages this task, while continuing to introduce technological innovations, is material to its future success.

Digital governance

Amazon's products and services are at the forefront of advanced computing and machine learning. Not only is governance critical to effective operation, but it must manage the integration of these advancing technologies into society. This requires effective partnerships with a wide range of stakeholders.

Climate strategy

Amazon has positioned itself as a climate leader by setting ambitious decarbonisation targets for itself and establishing The Climate Pledge to accelerate climate action by the world's top companies. With one of the largest value chains in the world, Amazon's sustainability initiatives can mitigate risk of supply chain disruptions, support its brand and reputation, and contribute to operational efficiencies and long-term cost savings. We believe its approach to decarbonisation is a material engagement focus.

Amazon

- **1999** First meeting
- **2004** Purchase
- **2009** Pre AGM call about disclosure
- **2012** Compensation discussion
- **2016** Met first sustainability executive
- **2017** Corporate culture, data privacy, tax and working conditions
- **2018** Discussion on board diversity
- **2019** Corporate reporting, human capital management
- **2020** Shareholder resolutions – supported gender pay gap and climate change reporting
- **2021** Labour rights
- **2022** Engagement on climate strategy, unionisation and employee health and safety
- **2023** Met with Head of ESG to discuss sustainability initiatives

2023 – what's changed this year?

In September 2023, we engaged with the company on progress in decarbonisation, including the decision to step back from its previous commitment to establish Science Based Targets initiative (SBTi)-approved targets. Amazon referred to methodological differences with SBTi regarding business complexity and differentiated pathways made particularly pertinent by its high rate of growth. While recognising the significant, accumulating efforts in renewable energies and logistics, we repeated our long-standing encouragement that Amazon broadens the scope of its current targets to include upstream emissions from first and third-party sellers on its platform.

Later in the year, we met with two of the non-executive directors and a number of senior managers in Washington DC. The conversations covered employee relations, decarbonisation, board effectiveness and AI governance.

Engagement snapshot – December 2023

Objective

We were invited to attend in-person meetings with non-executive directors and senior management in Washington DC. We took the opportunity to raise questions in relation to our ESG focus areas.

Engagement

A representative of Amazon Workplace Safety presented convincingly on efforts to make the company an exemplar for safety excellence and transparency. There is similar ambition for the 'career choice' training programme, which some 150,000 employees have joined so far. Ensuring good workforce conditions and employee relations is critical if Amazon wishes to maintain the operational flexibility it thinks it needs for continuous improvement in process and automation.

On climate, there is continued progress in renewable fuels. Company representatives also acknowledged a need to respond to our long-standing request for expanded Scope 3 disclosures and we hope that this will be addressed in the forthcoming release of expanded supply chain standards. The use of AI was also raised. We discussed the advance of AI as a tool for both Amazon retail and enterprise customers, and gained some insight into the company's interaction with regulators. We also sought to understand how the board plans to educate itself on this fast-moving topic.

Outcome

Amazon's main agenda for the meeting came across as twofold: to demonstrate the engagement of the independent directors and the efforts being devoted to employee satisfaction. We reiterated our expectation on expanded supply chain engagement and the opportunity for Amazon to lead on responsible and transparent AI.

Next steps

We will continue to engage with Amazon across the range of ESG topics we believe are material to long-term financial success. Advanced computing and AI governance will be a particular area of focus for the coming year, alongside encouraging greater transparency in supply chain decarbonisation and monitoring of employee relations.

EnQuest

© EnQuest.

Background

EnQuest is an oil and gas exploration and production company with operating assets predominantly in the North Sea. Formed in April 2010 by a combination of the demerged assets of Petrofac and Lundin Petroleum, the company has subsequently acquired additional North Sea assets from BP, including the Sullom Voe Terminal (SVT) in the Shetland Islands. While the company's proven fossil fuel reserves will support continuing extraction for at least a decade, we believe EnQuest can potentially become an industry leader in providing CO_2 storage, creating long-term value for shareholders.

Focus area

Climate transition strategy

Companies operating in the oil and gas sector are faced with choices with respect to the energy transition. Will they take a long-term view and adapt their business accordingly, ultimately strengthening financial prospects, or will they seek to maximise short-term returns?

2023 – what's changed this year?

We had an on-site engagement in September 2023, following the completion of an internal climate transition analysis. Management outlined proposals to transform the SVT into a carbon capture and storage (CCS) hub, aiming to ultimately become carbon negative by repurposing infrastructure and reducing legacy operational capacity, while also switching to a 100 per cent renewable power supply.

EnQuest

2010

First acquired in certain Baillie Gifford funds

First acquired in UK funds

2015

Environment engagement on climate change risks with management and Chairman

2019

Governance engagement with board on change of Chairman

2020

Governance engagement with new Chairman on EnQuest approach to climate change risk

2022

March
Engagement with management including discussion about its New Energy and Decarbonisation division

October
Governance engagement with board regarding appointment of new Chairman

2023

June
Internal climate transition framework analysis

September
EnQuest established scope 1 and 2 net zero commitment by 2040

Climate engagement with site visit

Engagement snapshot – September

Objective

We spent a day with operational leaders across the business at the headquarters in Aberdeen. This provided an opportunity to understand how the company is addressing different aspects of the energy transition. We discussed various challenges faced with existing oil and gas production as well as opportunities for new revenues from providing large-scale carbon storage.

Engagement

Sullom Voe Terminal (SVT) is one of Europe's largest oil terminals. EnQuest operates SVT on behalf of 19 different companies. We spoke to management about current projects at SVT, including decommissioning the power plant by 2025 as the terminal connects to the local onshore wind farm that will begin operation in 2024. EnQuest is also planning to reduce operational capacity at the terminal to match declining anticipated throughput volumes. Consequently, the company will create brownfield opportunities at SVT which can be repurposed to generate commercial revenues aligned to the energy transition. The company believes that the most significant is the potential to develop SVT as a CCS hub.

We learned about EnQuest's ambition to receive up to 10 million tonnes of captured CO_2 every year from UK and European customers. The terminal would take delivery by vessel, provide temporary storage and sequester the CO_2 through repurposing existing pipeline infrastructure that connects depleted offshore fields to the terminal. The company was recently awarded four CCS licenses by the UK Government to explore this commercial opportunity. If successful, this project would enable EnQuest to substantially reduce its operational emissions footprint and potentially become carbon negative. In contrast to all other CCS projects that have received early-stage approval from the UK Government, EnQuest intends to provide a merchant operation at SVT, which could reduce the time taken to secure regulatory approvals.

Outcome

EnQuest has now established a net zero decarbonisation commitment for its direct emissions by 2040, substantially ahead of the UK government's 2050 target. The company has also recently created a wholly-owned subsidiary, Veri Energy, to focus on commercialising potential energy transition opportunities. We are encouraged by various initiatives undertaken by EnQuest to reduce the company's direct emission footprint. However, we recognise that many significant challenges remain given the company is currently at an early stage in the development of the large-scale infrastructure projects.

Next steps

Since 2015, when we first engaged with EnQuest concerning climate change, we have observed substantial change in the company's approach to managing climate risk, in terms of both governance and operations. We are encouraged by the progress that EnQuest has made, particularly in establishing a 2040 net zero emissions commitment and pursuing the substantial CCS opportunity. For the company to manage the risks and opportunities from the energy transition, it is important that EnQuest delivers on both. We will continue to monitor the company's progress and engage with the management on these topics.

↑ Back to contents

Case study follow ups

Company	Focus area	Next steps outlined in 2022 Stewardship Report	Summary of 2023 engagement and outcomes
Genus	Decarbonisation	We intend to continue monitoring decarbonisation progress over time and encourage the company to act as a leading industry voice in investment in decarbonisation – particularly in emerging markets.	In March, we spent a full day with the management of Genus' beef and dairy division. The carbon reduction benefits associated with genetic improvement were set out by the company.
			Outcomes: We are cognisant of the long-term nature of decarbonisation of livestock chains. However, our engagement with Genus supports its focus on acting as a leading industry standard-setter.
Li Ning	Supply chain management	We will continue to monitor the company's adherence to human rights commitments and encourage further disclosure and supply chain transparency.	We have used Li Ning as one of the companies to test our Human Rights Framework developed during the year. It has aided our understanding of Li Ning's supply chain management process and choices. We sold the Li Ning holding in November 2023.

Let’s talk data

Climate metrics

Addressing climate change is one of the most significant challenges of our time. From shifting weather patterns that threaten food production and disrupt supply chains, to rising sea levels that increase the risk of catastrophic flooding, the impacts of climate change are global in scope and unprecedented in scale. Growing societal pressure and regulatory action combine with the physical impacts of climate change to create new risks and opportunities for companies. As long-term investors, we must consider these to understand the implications for long-term value creation.

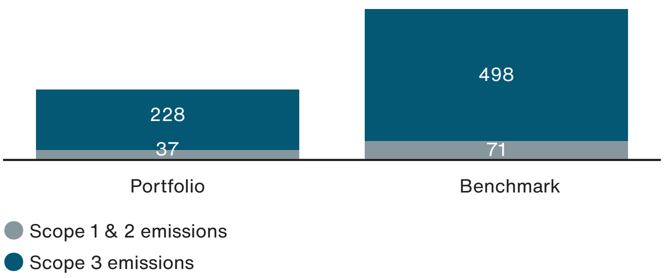
What it is: These metrics allow the comparison of portfolios containing companies of different sizes and across industries. We recognise that climate metrics analysis is imperfect. In addition to concerns about data accuracy and availability, this analysis can only tell us where a company is, not where it is going. We follow guidance from the TCFD and the Partnership for Carbon Accounting (PCAF) in calculating such metrics.

Carbon footprint: Represents the aggregated greenhouse gas (GHG) emissions per million £/$ invested and allows for comparing the carbon intensity of different portfolios. The terms ‘Weighted Average Greenhouse Gas Intensity’ (WAGHGI) or ‘Weighted Average Greenhouse Gas Intensity by Enterprise Value Including Cash’ (WAGHGI by EVIC) refer to the same metric and may be used interchangeably. We use the term ‘carbon footprint’ consistently throughout this report.

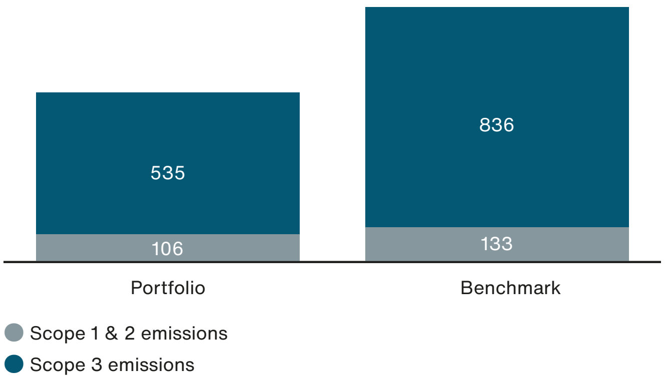
Weighted Average Carbon Intensity (WACI): The WACI of the portfolio represents the aggregated carbon intensities per $m revenue of the companies in a portfolio, scaled by size of holding. The WACI metric therefore helps measure a portfolio’s exposure to high carbon intensity companies and can be used for comparisons with other portfolios.

What the data tells us: The Fund’s carbon footprint and WACI are considerably lower than the benchmark when scope 1, 2 and 3* emissions are considered. This is illustrative of the sorts of businesses we are typically excited about. For example, the Fund does not hold many oil and gas companies since, for the most part, we do not believe there is a long growth runway for these types of businesses. We anticipate that the Fund’s carbon footprint and WACI will decrease in the long term as holdings do more to mitigate their climate impacts.

Carbon footprint for ‘corporate-like’ assets of the portfolio
(tCO_2e per $m invested)



Weighted average carbon intensity (WACI) for ‘corporate-like’ assets
(tCO_2e per $m invested)



Source: MSCI. As at 31 December 2023.

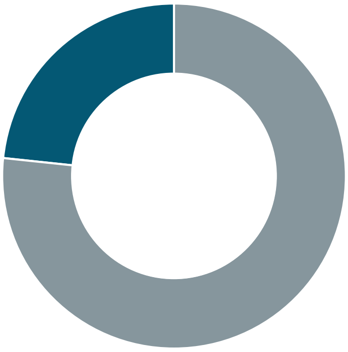
The benchmark used for this portfolio is composed of regional equity and bond indices which reflect the Managed Fund’s strategic asset allocation of 75% equities, 20% bonds and 5% cash.

*Scope 1 emissions are direct emissions from owned or controlled sources. Scope 2 emissions are indirect emissions from the generation of purchased energy. Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.

Proxy voting report

Management resolutions: breakdown of voting activity

Remuneration



●	For	76.7%
●	Against	23.2%
●	Abstain	0.1%

Richemont – Sep 2023

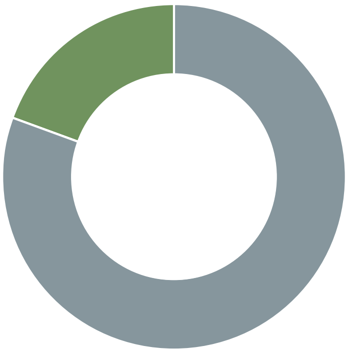
We opposed the approval of executive variable remuneration due to ongoing concerns with remuneration practices which we do not believe are in the best long term financial interests of shareholders.

We engaged with investor relations in advance of voting. We discussed our concerns with them and followed up with an email to confirm our voting decisions and the specific improvements we would like to see.

Voting results

76.7% For / 23.2% Against / 0.1% Abstain

Elect Director(s)



●	For	80.6%
●	Against	0.2%
●	Abstain	19.2%

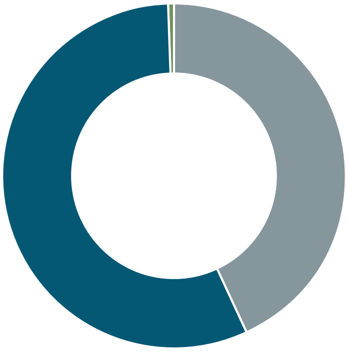
Petrobras – April 2023

We opposed the resolution to allow our votes to be recast on the slate of directors should the slate change, due to concerns regarding unknown candidates being added. Under cumulative voting – which allows an investor to apply all their votes to one candidate – we abstained on eight resolutions to elect directors chosen by the controlling shareholder, instead choosing to support the candidates nominated by minority shareholders to improve board independence.

Voting Results

80.6% For / 0.1% Against / 19.2% Abstain

Shareholder Resolution – Governance



●	For	43.2%
●	Against	56.5%
●	Abstain	0.3%

Netflix – June 2023

We opposed a shareholder resolution to amend the requirements for shareholders to call a special meeting. We do not agree that removing the requirement to have held stock for at least a year is in the interests of long term shareholders. This resolution is significant because it was submitted by shareholders and received greater than 20% support.

Voting Results

43.2% For / 56.5% Against / 0.3% Abstain

Source: Baillie Gifford. As at 31 December 2023.
Figures may not sum due to rounding.

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