

Baillie Gifford™

Exclusion Policy



Risk factors

The views expressed should not be considered as advice or a recommendation to buy, sell or hold a particular investment. They reflect opinion and should not be taken as statements of fact nor should any reliance be placed on them when making investment decisions.

This communication was produced and approved in December 2024 and has not been updated subsequently. It represents views held at the time of writing and may not reflect current thinking.

Potential for profit and loss

All investment strategies have the potential for profit and loss. Past performance is not a guide to future returns.

This communication contains information on investments which does not constitute independent research. Accordingly, it is not subject to the protections afforded to independent research, but is classified as advertising under Art 68 of the Financial Services Act ('FinSA') and Baillie Gifford and its staff may have dealt in the investments concerned.

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

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

[bailliegifford.com](https://www.bailliegifford.com)

Exclusion Policy

This policy sets out Baillie Gifford's approach to implementing exclusions as part of our investment activities. Further details of individual fund-specific exclusions are available in relevant fund documentation on Baillie Gifford's website.

Firmwide exclusion

Controversial weapons

Certain types of military weapons are considered controversial because of their potentially disproportionate or indiscriminate effects. International treaties and conventions exist to limit their production and use, though this is an inherently complex area that continues to evolve.

Baillie Gifford seeks to avoid investment in holdings directly involved in producing controversial weapons, or the components or services that are essential to and tailor-made for them. This policy applies specifically to the following types of weapons:

- Anti-personnel mines
- Biological and chemical weapons
- Cluster munitions
- Depleted uranium weapons
- White phosphorus incendiary weapons
- Nuclear weapons (where such weapons are likely to be in breach of the objectives of the Treaty on the Non-Proliferation of Nuclear Weapons).

This firmwide exclusion applies only to companies held directly within portfolios we manage on behalf of our clients. Exposure obtained indirectly (e.g. through an investment fund not managed by Baillie Gifford) will not automatically take account of this exclusion. We use external research providers to help us identify excluded companies and, where appropriate, supplement this with our research to determine our position on individual companies.

Fund-specific exclusions

Some of our investment funds will exclude holdings with more than a defined level of exposure to specific sectors or business practices. Full details are available in relevant fund-level materials on Baillie Gifford's website.

These 'threshold-based' (or sector-based) exclusions may include:

- Adult entertainment
- Alcohol
- Fossil fuels (oil, gas and thermal coal)
- Gambling
- Tobacco
- Military weapons
- Civilian firearms

Investment funds may apply 'Principles-based' exclusions on holdings deemed inconsistent with the United Nations Global Compact (UNGC) Principles and related standards. The UNGC Principles are shown on the following page.

Client-specific exclusions on request

For segregated clients, we can accommodate specific exclusion requests. Clients wishing to request additional exclusions should speak to their main Baillie Gifford client contact.

Exclusion monitoring and divestment approach

Exclusion monitoring is done for prospective holdings being considered for a portfolio and existing holdings within a portfolio. Prospective holdings are screened for breaches before being added to a portfolio. For existing holdings, we carry out periodic monitoring for any breaches that may occur due to changes in holdings' activities.

We use independent data provider screens to carry out these assessments. These screens may be supplemented with other data, information from the holding itself, and our research. If breaches are identified we may conduct further analysis to understand a holding's current position and the likely future trajectory. We may also engage to seek clarification.

Threshold breaches*

If a threshold breach is identified in a prospective holding, the holding cannot be added to the portfolio. If a threshold breach is identified in an existing holding, and no immediate change is anticipated, we will divest from the holding:

- At the first opportunity where it is possible to do so without causing significant financial harm to clients and taking due account of their interests.
- At a maximum within one month from the date we identified the threshold as being breached, based on our internal research.

Principles-based breaches*

Funds that apply 'Principles-based' exclusions will not invest in prospective holdings (equities and/or corporate bonds) that, in the investment manager's judgment, are inconsistent with the Principles and/or do not have a positive trajectory following identification of a historical issue (ie not showing clear time-bound intent and evidence to improve).

If we determine an existing holding's activities are inconsistent with the Principles (which is informed by our internal research alongside data feeds from third-party sources) we implement a formal engagement and monitoring process. We would expect to see material improvement within a reasonable timeframe (a maximum of three years), and should a holding fail to demonstrate progress, then we would divest:

At the first opportunity where it is possible to do so without causing significant financial harm to clients and taking due account of their interests.

At a maximum, within one month from the date the formal engagement process is deemed to have failed based on our internal research.

UN Global Compact Principles**Human rights**

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

Principle 10: Businesses should work against corruption in all forms, including extortion and bribery.

*This approach applies to those funds within the Irish UCITS, UK OEICs, US Mutual Funds, Collective Investment Trusts, Canadian Pooled Funds and Investment Trusts (together the 'Baillie Gifford Funds'), which apply specific sector-based exclusions and principles-based evaluations, at the time of purchasing an investment. This policy applies to the Baillie Gifford Funds only and does not relate to segregated mandates. Should there be any conflict with the rules of a particular jurisdiction in which a Baillie Gifford Fund is established and this policy, the rules of that specific jurisdiction will prevail.

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