Baillie Gifford™

Year ended 31 December 2023

Keystone Positive Change Investment Trust

Positive Conversations

Risk factors

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For a Key Information Document for the Keystone Positive Change Investment Trust, please visit our website at bailliegifford.com

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Contents

Welcome

Welcome to Positive Conversations, the Keystone Positive Change Investment Trust's environmental, social and governance (ESG) and engagement report. It delves into the business practices of portfolio holdings, providing insights into how these companies operate.

The Keystone Positive Change Investment Trust's Positive Conversations report concentrates on the companies' operational practices and accompanies our annual Impact Report. The Impact Report details the impact of our portfolio companies' products and services.

Having 'positive conversations' allows us to support and influence management teams on our clients' behalf. We believe this approach helps maximise investment returns and increase the portfolio's impact. The report covers the following key areas:

Environment

- Carbon footprint and key contributors to emissions in the portfolio
- Update on Net Zero Asset Managers commitments and progress towards net zero alignment
- Assessing portfolio exposure to biodiversity loss and dependencies on nature
- A summary of our approach to climate-related risks and opportunities

Social

- Summaries of some of the social issues we have discussed with companies in 2023, which have included human rights in supply chains, the impact of artificial intelligence (AI) and advanced technologies and equitable access to medicines
- Case studies of social engagements undertaken in 2023, including some of the research that supported these conversations

Governance

- Commentary on the untapped insights that long-term investors can glean from engaging more frequently with board directors, particularly on topics such as management quality, culture and strategy
- Summaries of some of our engagements with non-executive board directors in 2023 that benefited us and portfolio companies

Engagement and voting

- Detailed examples of company engagements from 2023 – why, how and who we engaged
- Summary of all engagements and voting activities over the past 12 months (to the end of December 2023)

We hope you find this report an interesting reflection on our ongoing conversations.

How we think about business practices

When assessing the positive change hypothesis of the companies we invest in, we look at their business practices as part of our analysis. Responsible business practices are fundamental to sustainable long-term growth and addressing global challenges.

As with all parts of our process, our understanding of a company's business practices is based on bottom-up fundamental research and covers the company's entire value chain. It considers the following areas.

Environment

- What contribution does the company make to the wider environment?
- Is the company committed to reducing its environmental footprint and intensity?
- Is it ambitious with its targets and commitments?
- Are its emissions aligned with a 1.5C warming trajectory?
- What impact does the company have on nature, and how does the company depend on it?

Social

- What societal contribution does the company make by interacting with stakeholders, including employees, customers and suppliers?
- Are employees respected and treated fairly, and can the company attract and retain talent?
- Will customers share in the success of the company?
- How is the company's supply chain managed and vetted for responsible social and environmental practices?
- We also look at the broader contributions to society by analysing how they approach matters such as paying taxes, human rights and diversity and inclusion.

Governance

- How do governance structures support the company's responsible, long-term, sustainable growth through independent oversight, incentives and shareholder alignment?
- What behaviours does the company display that would support the business' long-term success?
- Does the composition, experience and diversity of the board support long-term growth?

What is good practice?

What constitutes good practice is subjective and varies by company and its context. Companies will not always perform well across all value chain components: there are significant differences in market practice between geographies, industries and levels of company maturity. For example, high insider ownership and dual-class share structures are commonly seen as harmful governance practices but in the right circumstances, they can be beneficial in maintaining focus on a long-term vision.

We must consider these different contexts, while also trying to constructively encourage companies to move towards internationally accepted good practice in important operational areas. We often share good practice examples with companies to help to raise standards of business responsibility within industries around the world.

We also need to set different expectations for private companies which operate in very dynamic and resource constrained environments.

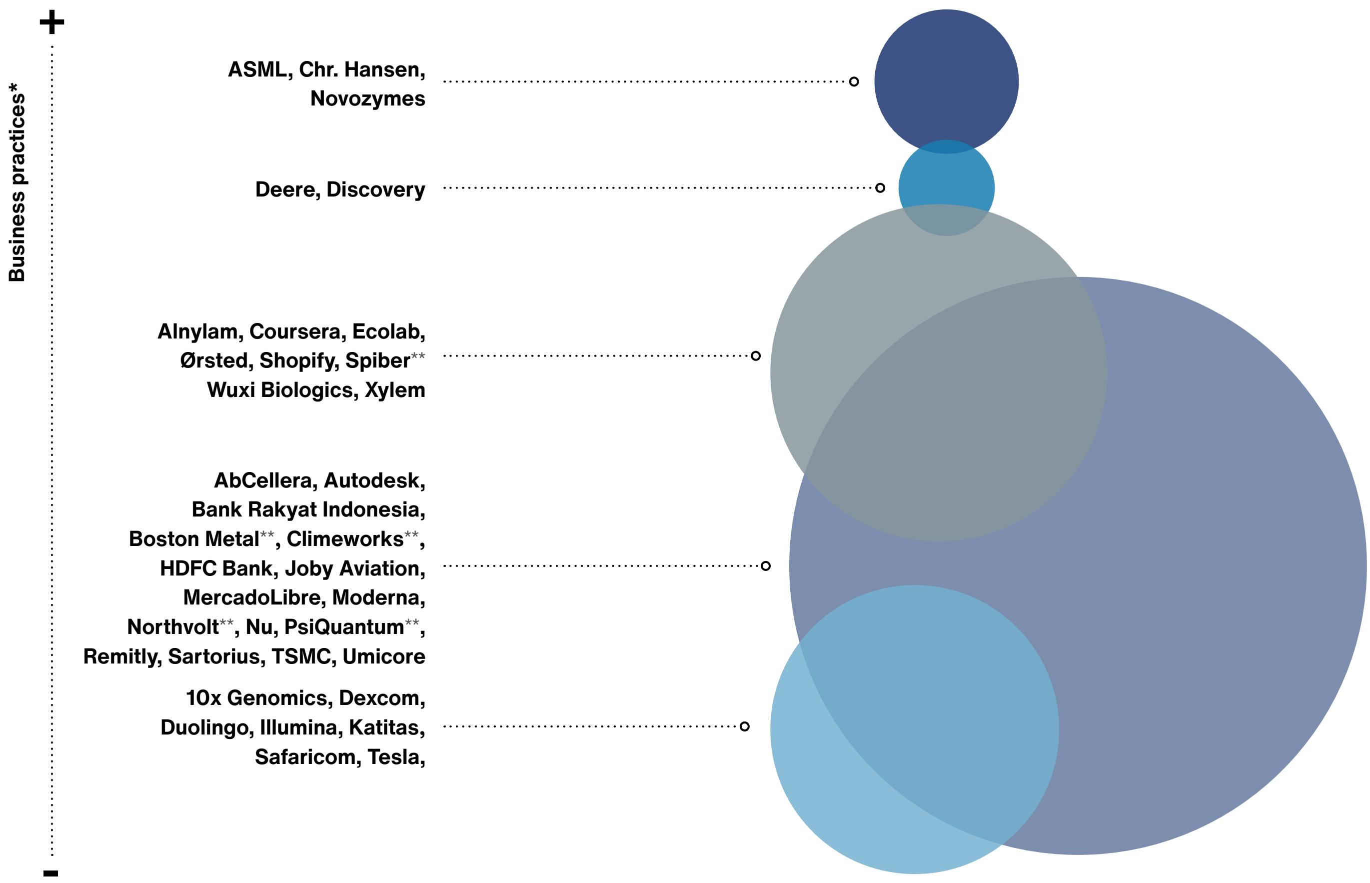
What is our role?

As long-term investors, we aim to be supportive shareholders of exceptional companies by helping management teams achieve their objectives over meaningful periods. However, an exceptional company is not a perfect company, and our role is crucial in helping steer companies to make good decisions over the long term. There are times when we need to provide constructive challenge to the companies in which we invest; we firmly believe that challenge is most likely to be successful when positioned within a long-term and supportive shareholding.

A positive and proactive approach to ESG issues can be a competitive advantage. Good governance can support better decision-making; good social performance can create a more productive workforce and good community relations can support a company's social license to operate and provide resilience in bad times; good environmental performance can lower operating costs and secure long-term access to natural resources.

The portfolio

The diagram below illustrates the relative performance of companies within the Keystone Positive Change Investment Trust based on our assessment of their business practices. While this is a static representation, the reality is much more fluid. Our understanding of business practices changes over time as we engage with companies, as governance structures evolve, transparency increases, incidents occur and performance against key metrics develops. The size of the circles represents how many companies are in it.



*Relative performance within the context of Keystone Positive Change Investment Trust portfolio companies.

**Private companies.

Environment

The natural environment is the fundamental cornerstone for our societies and economies, providing vital resources and ecosystem services that underpin our collective well-being and prosperity. The benefits of nature, such as clean air and water, pollination, carbon sequestration and disease control, impact sectors as diverse as agriculture, energy, pharmaceuticals and tourism. We should not think of the natural environment as a resource to exploit but as a priceless legacy that safeguards the well-being and prosperity of all.

However, the rapid warming of our climate, the degradation of ecosystems, the loss of biodiversity and the disruption of delicate ecological balances jeopardise the well-being of the natural world and humanity. These changes erode the cornerstone upon which so much of our society is built, threatening billions of people with precarity and scarcity.

In doing so, it is a source of risk which cannot be ignored and an opportunity for companies to develop solutions. As active shareholders, our role is to understand these risks, support opportunities and promote responsible action. Positive Change is determined to play a role in addressing these challenges by actively incorporating climate and nature considerations throughout our investment approach.

This section provides an update on our exposure to this global challenge and our work as responsible shareholders.

A focus on carbon

Portfolio carbon footprint: Scope 1 and 2

In the figures below, we represent the carbon footprint of the portfolio. This only includes direct operational emissions, otherwise known as Scope 1 and 2 emissions, which arise mainly from burning fuel and using electricity.

As with previous years, we report our emissions against the MSCI ACWI Index, the index for our investment performance, and 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 of the Paris Agreement and avoid the worst impacts of climate change.

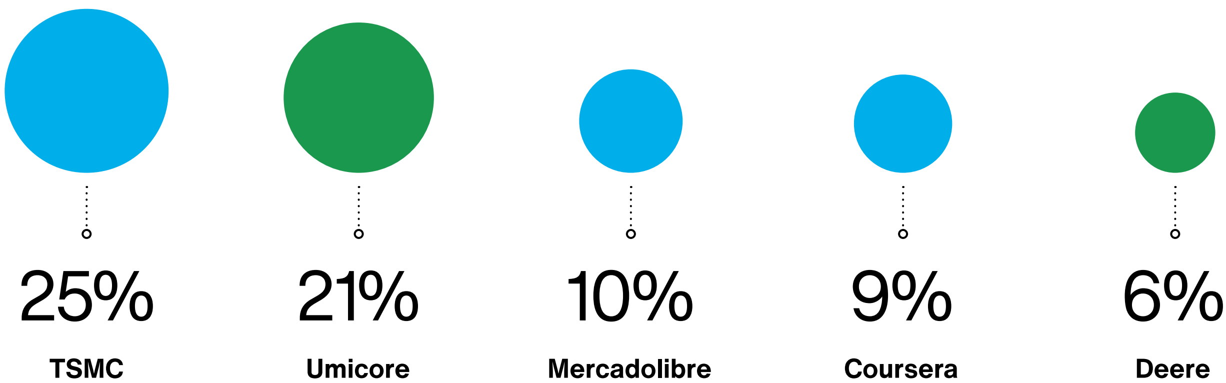
Both the portfolio's weighted average carbon intensity (WACI) and carbon footprint are below that of the Paris-Aligned Index. The portfolio's WACI is also lower than in 2022 due to the sale of Ørsted at the end of the year[1].

As of 29 December 2023, the total financed emissions of the portfolio are estimated to be 1,689.47 tonnes of CO_2 equivalent (tCO_2e).

	Carbon footprint (financed emissions) tCO_2e/\$m invested	**Weighted Average Carbon Intensity tCO_2e/\$m revenue**
Keystone Positive Change (listed companies)	7.6	30.8
MSCI ACWI Index	53.8	122.9
MSCI ACWI Paris-Aligned Index	8.5	35.9

Source: Baillie Gifford & Co and MSCI. As at 31 December 2023.

Highest contributors to emissions for Scope 1 and 2



[1]As of 29 December 2023, the trust had a 0.6 per cent position in Ørsted. The sale was completed on 4 January 2024.

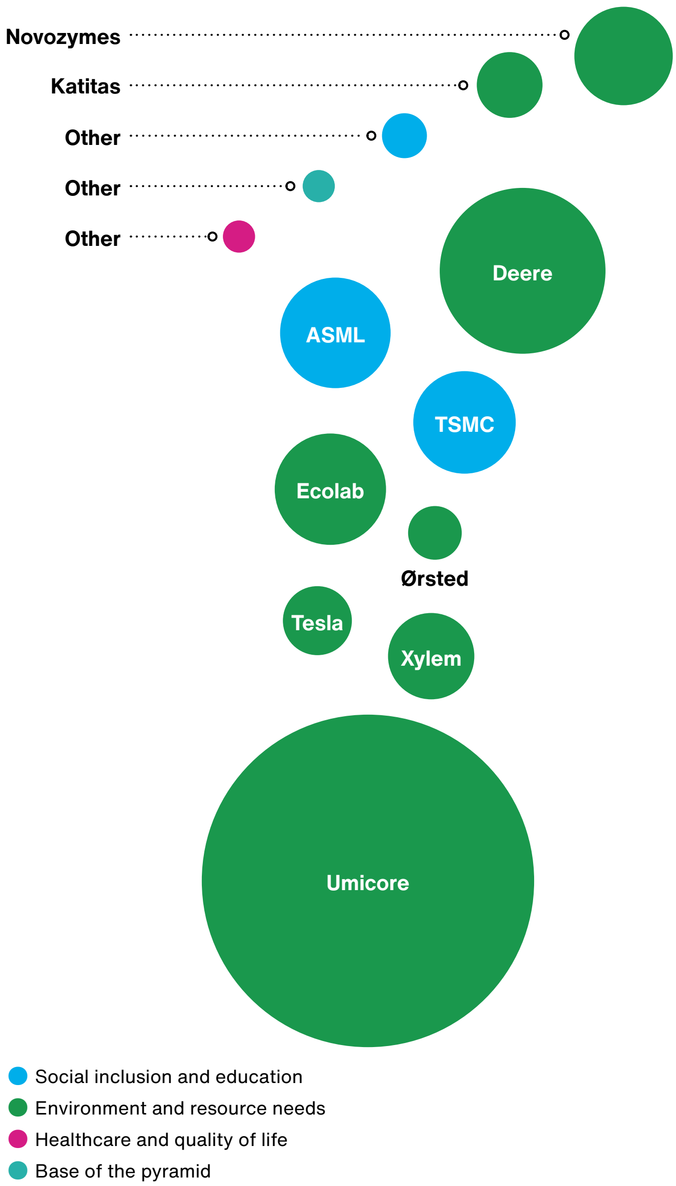
Scope 3

In most sectors, the largest sources of a company's emissions lie upstream and downstream of its core operations, for example, producing the raw materials to make a product. This makes it vitally important to reduce these emissions, known as Scope 3 emissions, but significantly more challenging to measure.

Below is the portfolio's footprint, including the Scope 3 emissions of the 12 holdings (ASML, Chr. Hansen, Deere, Ecolab, Joby Aviation, Novozymes, Ørsted, TSMC, Tesla, Umicore and Xylem) from specific material sectors, as per guidance from the Portfolio Carbon Accounting Framework (PCAF).

PCAF has adopted a phase-in approach for integrating Scope 3 emissions into financed emissions accounting. The first phase, from 2021, required the inclusion of Scope 3 emissions from companies in the energy and mining sectors. From 2023, companies from the transportation, construction, buildings, materials and industrial activities sectors were also included. As a result of entering this new phase, the number of names from material sectors has risen dramatically since last year's reporting. Subsequently, the portfolio's material Scope 3 emissions have also increased.

Portfolio Footprint: Scope 1, 2 and 3*



	Carbon footprint (financed emissions) $tCO_2e/\$m$ invested	Weighted Average Carbon Intensity $tCO_2e/\$m$ revenue
Keystone Positive Change (listed companies)	115.3	282.6
MSCI ACWI Index	330.0	617.0
MSCI ACWI Paris-Aligned Index	56.3	230.7

Source: Baillie Gifford & Co and MSCI. As at 31 December 2023.

* Includes the scope 3 emissions for the 12 holdings from specific material sectors as outlined by the guidance from PCAF.

Net zero asset managers initiative

In November 2021, Baillie Gifford joined the global Net Zero Asset Managers (NZAM) initiative to formalise our commitment to supporting a net zero aligned economy. The Keystone Positive Change Investment Trust was among the first of Baillie Gifford's investment trusts to set out its commitment to net zero. The portfolio's progress is measured by aggregating our alignment expectations for each of the individual investee companies.

Our expectations are primarily focused on the next five years as we feel strongly that action on climate change cannot wait until 2050 or even 2030. We set out our key expectations below and our progress to date. At the end of 2023, our expectation that 90 per cent of the portfolio would be reporting their Scope 1 and 2 emissions was almost met.

At this time we have omitted companies that were private in 2023 from Baillie Gifford's NZAM commitments because they are at such an early stage of growth that disclosure is limited and the emissions of the companies are likely to be insignificant when compared to the larger companies in the portfolio. As at 31 December 2023, just over 5 per cent of the portfolio was held in private companies.

More information on **our commitment** can be found on our website.

Specific expectations of the portfolio within this framework include:

01. All holdings are being actively assessed and prioritised for engagement on alignment on an ongoing basis.
02. 90 per cent of holdings will demonstrate robust strategic alignment with appropriate 1.5C/net zero pathways by 2030. All holdings will be so aligned by 2040. New buys will have an extra two years to meet this commitment.

Also, we have the following expectations over the next five years:

		Status	Target
2023	By the end of 2023 (or within 2 years of entering the portfolio) we expect 90 per cent (by number) of the portfolio to be reporting their Scope 1 and 2 emissions.	87%	90%
2024	By the end of 2024 (or within 3 years of entering the portfolio) we expect 75 per cent (by number) of the portfolio to be reporting material Scope 3 emissions	71%	75%
2026	By the end of 2026 we expect 90 per cent of companies to be reporting material Scope 3 emissions	71%	90%
2026	By the end of 2026 (or within 5 years of entering the portfolio) we expect 75 per cent (by number) of the portfolio to have appropriate net zero aligned targets	42%	75%

Having engaged with several companies this year on disclosure and target setting, we believe the portfolio is on track to meet the expectations set at the outset of our NZAM commitments. From company reporting and conversations over the past few years, we have good reason to believe that over 90 per cent of the portfolio will be reporting their Scope 1 and 2 emissions for the 2023 financial year.

For instance, Duolingo has purchased carbon offsets over the past two years to neutralise its emissions and is therefore in a position now to report emissions. As some of the smallest companies in the portfolio, Remitly, AbCellera and 10x Genomics have the furthest to go. We have been in touch with them regarding our commitments and to offer tailored support.

32 per cent of holdings' near-term targets are validated by the Science Based Targets initiative

Company	Scope 1 and 2 reporting	Scope 3 reporting	Near-term targets validated by SBTi	Scope 1, 2 and 3 net zero date
10X Genomics				
AbCellera				
Alnylam	Yes	Yes		
ASML	Yes	Yes	Yes	2040
Autodesk	Yes	Yes	Yes	2021
Bank Rakyat Indonesia	Yes	Yes	Committed	
Chr. Hansen	Yes	Yes	Yes	2050
Coursera	Yes			
Deere	Yes	Yes	Yes	
Dexcom	Yes	Yes	Committed	
Discovery	Yes	Yes		2050
Duolingo				
Ecolab	Yes	Yes	Yes	2050
HDFC	Yes			
Illumina	Yes	Yes	Yes	2050
Joby Aviation	Yes			
Katitas	Yes			
MercadoLibre	Yes	Yes	Committed	
Moderna	Yes		Committed	
Novozymes	Yes	Yes	Yes	2050
Nu	Yes	Yes		
Ørsted*	Yes	Yes	Yes	2040
Remitly				
Safaricom	Yes	Yes	Yes	2050
Sartorius	Yes	Yes	Committed	
Shopify	Yes	Yes		
Tesla	Yes	Yes	Committed	
TSMC	Yes	Yes		
Umicore	Yes	Yes	Yes	
Wuxi	Yes	Yes	Committed	2050
Xylem	Yes	Yes	Committed	2050

● Yes ● Committed *No longer held

Climate-related risks and opportunities

Global efforts to address the emissions responsible for climate change and its physical impacts pose potential 'transitional' and 'physical' risks and opportunities for every portfolio company. Transitional risks and opportunities arise from the shift towards a zero-carbon world and can come from changes in consumer demand or legislation. Physical risks and opportunities stem from the physical impacts of a changing climate, such as rising sea levels or extreme weather events.

Next we summarise the strategy's governance of climate-related risks and opportunities and what we believe the near-term implications to be.

Our governance of climate-related risks and opportunities

Responsibility for identifying and assessing climate-related risks and opportunities is shared across the Keystone Positive Change Investment Trust's managers, including with our dedicated impact analysts. Baillie Gifford's central climate team also supports the trust's managers. During our bottom-up company analysis, the trust's managers assess climate-related risks and opportunities related to the investment and impact case.

Oversight of this process sits with the trust's managers, consisting of both investment managers and senior impact analysts. They are responsible for making impact investment and portfolio management decisions. Baillie Gifford's Investment Risk and Compliance functions provide additional oversight. You can find out more about our firmwide governance of climate-related risks and opportunities in the **Baillie Gifford TCFD-aligned Climate Report**.

Implications of climate change for our portfolio

Over the medium term (3–10 years), we think the impact of an orderly versus a disorderly energy transition will diverge. Under an orderly transition, we expect significant opportunities for companies providing climate solutions and for those that can reduce their emissions substantially this decade. However, under a more disorderly transition, we expect these opportunities to be more muted as regional diversity in climate policy introduces additional complexity. Smaller, regional companies will face different challenges from those seeking to operate globally. Some may be able to continue to earn returns from high-emitting activities for longer. Others will need to accelerate to low-carbon operations.

Over this timeframe, we also expect the physical impacts of climate change to become more systemic, albeit with slight variance between the scenarios until the 2030s. The geographical and sectoral diversity of holdings across the portfolio may provide some resilience to regional climate impacts. However, the portfolio holds some businesses with higher levels of potentially significant geographic concentration in regions with low adaptive capacity (such as HDFC in India, Safaricom in Kenya and Bank Rakyat in Indonesia) and others reliant on complex international supply chains (such as TSMC). Additionally, several holdings (such as Deere, Novozymes, and Chr. Hansen) have exposure to the agricultural industry. Given this industry's direct dependence on stable ecosystems and weather patterns, its exposure to physical climate risks over the next 10 years will likely be more significant than our other holdings.

The portfolio is also exposed to opportunities, mainly through those holdings providing technologies that enable societies to adapt to the physical impacts of climate change, such as the precision agricultural technology of Deere, the water efficiency technology of Xylem and the enzyme technologies of Novozymes. Our analysis has concluded that by weight, just over a quarter (Boston Metals, Climeworks, Deere, Ecolab, Joby Aviation, Katitas, Northvolt, Novozymes, Ørsted*, Spiber, Tesla, Umicore and Xylem) of the portfolio is made up of companies directly contributing towards climate change mitigation through their products and services.

*No longer held

Nature and biodiversity

Our approach

Building knowledge and networks

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 Taskforce for Nature-Related Financial Disclosure (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 that aim to help investment funds and companies measure their impact and dependencies on nature. We have not yet found a solution that can effectively assist us in achieving our objectives. 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, particularly given our comprehensive knowledge of individual companies in a focused portfolio.

Company progress

At the start of 2023, we spoke to a member of Ørsted's biodiversity team to understand better the company's approach to its world-leading target for all new projects to have a net-positive impact on biodiversity. Ørsted has set up regional biodiversity teams that work with local business units to advance the net-positive agenda. The company's priority is to standardise the measurement of biodiversity impacts to aggregate the data and produce external communication at the corporate level.

In 2023, Ecolab, a global leader in water, hygiene and infection prevention solutions, reported piloting the TNFD guidance. We spoke to the chief sustainability officer to learn more and to express our support for this initiative. Phase one is nearly complete and has focused primarily on assessing how the company impacts nature and working to mitigate these impacts. Phase two is underway to understand the company's dependencies on nature. From the preliminary work shared, it appears that Ecolab has a strong water dependency at its manufacturing sites, and there may be opportunities to cut costs or increase resilience through nature-based solutions. Managing stakeholders across water catchments can be challenging, but we were encouraged that Ecolab is already acting in this area. For example, by supporting the Water Resilience Coalition's efforts in the Colorado River Basin.

Engaging for action

Early in 2023, we spoke to **Xylem**'s vice president (VP) of sustainability and advocated for a preliminary assessment of Xylem's impact and dependencies on nature to identify potential risk areas. As a global water technology company, Xylem's products and services have a notable positive impact by reducing water use and pollution. However, as a manufacturing company, we wanted a deeper understanding of how it depends on nature. A point we reiterated when we were invited to participate in the company's stakeholder survey.

We also completed a survey for **Taiwan Semiconductor Manufacturing Company** (TSMC) and conveyed our view that water management is one of its most material ESG risks. Semiconductor manufacturing relies heavily on water, and climate change is endangering the reliability of rainfall in Taiwan. While TSMC is very good at reporting, we want to see more evidence of the company considering forward-looking scenarios for how water scarcity could affect the company and the Taiwanese population.

Following a review of the impact case for **Dexcom**, who design, make and sell continuous glucose monitoring (CGM) devices for diabetes patients, we identified that the single-use plastics in its products were difficult to recycle. That means they could end up in the natural environment, contributing to the growing plastic pollution problem. During the year, we engaged with Dexcom on several occasions, working to understand the volume of plastic in question, and encouraging action to help its customers reduce, reuse and recycle to increase material circularity. See **P28** for more details on this engagement.

We continued conversations with **Deere**, the precision agriculture company, to explore how the company can deliver technologies that enable farmers to operate in a more nature-friendly manner. We were fortunate to visit its Intelligent Solutions Group in Iowa, where we spoke to the chief technology officer (CTO) and others. Deere is actively pursuing lower-impact technologies, such as no-till equipment and precision sprayers. However, this meeting raised a concern that some of the more advanced technological solutions, which have great promise in addressing some of industrial agriculture's environmental footprint, come with a high maintenance burden for customers.

In addition to this work, we began engagement activities with other companies in the portfolio and will provide updates on our progress in future **Positive Conversations**.

Social

Encouraging responsible social practices is not only ethically sound but will benefit the investment and impact cases for our companies over the long term. 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 for our clients.

The latter is covered in our **Impact Report**, but here we highlight some of our work relating to the first two areas. Researching and engaging on social business practices is complex and multi-faceted, not least given the vast differences in attitudes towards disclosure and social norms worldwide. Our research and engagement with companies during 2023 continued to deepen our understanding of some of the issues that we believe have enduring relevance to the portfolio, as highlighted in the table overleaf. We believe engagements have the greatest chance of success when underpinned by a strong understanding of the issues and the context.

As you will see from the Engagement section of this report, we have discussed a wide range of social topics pertinent to portfolio holdings in 2023.

Safaricom

Understanding social impact strategy

AbCellera

Building domestic capacity

Deere

Right to repair;

Technician shortages

Dexcom

Pay equity

Duolingo

Impact of AI;

Consumer engagement

Joby Aviation

Workplace safety and well-being

Shopify

Offerings for small merchants;

Impact of AI

Wuxi Biologics

Talent attraction and retention;

Impact of AI

Autodesk

Controversial industry exposure;

Generative Design;

Customer feedback

Bank Rakyat Indonesia

Digital efficiencies and customer relationships;

Talent management

M3

Implications of digitalising health

Moderna

Equitable vaccine access;

Drug pricing

Supply chain risks

Tesla

Why we are engaging

With the fallout from the pandemic and increased geopolitical tensions, supply chains are a frequent topic of conversation. Many of the companies in our portfolio have complex supply chains, but those in the semiconductor, renewable energy and automotive industries are particularly convoluted and exposed to social risks. We have exposure to all three in our portfolio. Our sense is the financial risks associated with adverse social conditions within supply chains are rising, but new technological solutions offer promising ways to mitigate these issues.

Our research

During 2023, we conducted specific research into human rights risks within the automotive industry and solutions for improving supply chain transparency. We also participated in Baillie Gifford's Human Rights Working Group, an initiative to facilitate human rights training and to raise collective understanding within the investment department.

Our engagements

In 2023, we met with Tesla's vice president of supply chains to explore how the company is navigating the more challenging geopolitical environment. Tesla is no stranger to supply chain risks; we previously discussed the company's cobalt supply chain and its commitment to ethical sourcing.

Our conversations with Tesla have broadened to consider other key minerals for electric vehicle batteries, including lithium and graphite. The extraction and refining of many of these minerals are concentrated in China, where transparency is a challenge. Several of the suppliers of Tesla's Chinese suppliers have been accused of being involved in human rights abuses. Tesla explained that although it can and does conduct audits on its direct suppliers, it is unable to conduct audits on the suppliers of suppliers. Moreover, Chinese anti-espionage regulations mean that only third-party Chinese consultants can be engaged for such audits.

We were reassured that Tesla has reinforced its team working on sustainable supply chains and that it has a particular focus on battery minerals. Tesla is also focusing on transparency initiatives such as battery passports. These are positive steps but do little to mitigate the most significant challenge facing Tesla's supply chain: geopolitics.

A confluence of human rights concerns and the US Inflation Reduction Act speaks to the benefits of local sourcing. However, China's dominance in many of the materials needed for the green transition means this is not always viable. Tesla noted that the US factories increasingly rely on supply chains from Mexico, while 88 per cent of materials for its Berlin gigafactory are from local producers. Tesla is trying to localise certain supply chains, for example, exploring refining lithium in the US.

Our assessment

Throughout the engagement with Tesla, we emphasised transparency. The company is taking sensible actions to ensure it has the relevant expertise in sustainable supply chains. Nonetheless, many green technologies are reliant on supply chains that are opaque and where there may be human rights concerns. Transparency allows the company and its investors to be clear about precisely what human rights risks they will tolerate and, importantly, where more can be done. We are committed to the transition to green energy and also aware of the many social risks involved in its realisation. We will be doing more in this area.

Equitable access to medicines

Moderna

Why we are engaging

For the Keystone Positive Change Investment Trust, equitable access to technologies is very high on our priority list, and none more so than vaccines and the treatments of disease. We continue to be supportive shareholders of Moderna, not only in its mission to create a new generation of transformative medicines but also in its efforts to reach as many patients as possible worldwide. We have engaged with the company in the last four years, with discussions covering areas such as drug pricing, intellectual property and its manufacturing footprint.

Our research

Alongside Baillie Gifford's Health Innovation Team, we have developed a relationship with UNICEF, the United Nations agency responsible for providing humanitarian and developmental aid to children worldwide. This has been particularly useful for learning about access to medicines in low- and middle-income countries and what needs to happen to address last-mile delivery challenges, a key area of expertise for UNICEF. We also conducted our own research into generic medicines. This furthered our understanding of the complexities of drug distribution, patents and pricing that enable wider access to medicines.

Our engagements

In May, before Moderna's annual general meeting (AGM), we met with the chair and the general counsel to discuss governance and a shareholder proposal filed by Oxfam. The proposal recommended commissioning a third-party report on facilitating the production of Covid-19 vaccines in low- and middle-income countries, to improve equity of access. We also met with Oxfam to hear the arguments for the proposal, but we felt that it did not get to the root of the problem – which lies in the distribution rather than supply – and consequently voted against it.

Moderna explained that vaccine delivery is more complex than vaccine production; last-mile delivery and poor infrastructure are the most significant factors preventing vaccines getting into people's arms. Moderna is working with local supply chain partners, including national governments, supply chain businesses and international organisations to address this.

Leveraging internal expertise, we have been working with Baillie Gifford's Health Innovation Team to actively encourage Moderna to engage with multilateral organisations to facilitate last-mile distribution in lower-income countries. Nonetheless, Moderna is also expanding its global manufacturing footprint, which should help with future production volumes and international demand.

Pricing has also been a focus in conversations with Moderna this year. We were pleased to hear that the company has been working with multinational organisations to ensure that the most in-need end beneficiaries get free access to the vaccine. The price of sales to multi-national organisations is kept stable, with any increases in line with inflation levels in developing countries.

In contrast, price increases in the US have been substantial, and in Europe and other developed markets, they have also exceeded inflation by some margin. Nonetheless, this is a listing price for buyers and does not necessarily reflect the price end beneficiaries pay. Even with these price increases, the listing price is still considerably below the price calculated using value-based pricing.

Our assessment

With Covid-19 now in an endemic (steady state) phase, we must continue reviewing Moderna's approach to pricing and distributing its vaccine. However, our priority is to see Moderna convert more of its pipeline of transformational drug candidates to the commercial stage. As and when this happens, including for diseases such as HIV, we will continue to discuss its pricing and distribution strategy because these matter to investment and impact outcomes.

Digital disruption and AI

Wuxi Biologics, Bank Rakyat Indonesia

Why we are engaging

There was a phase when generative AI came up at every meeting this year. Subsequently, the conversation has become more nuanced. We may be far from knowing the full impact that AI and other digital trends will have on workforces and broader society. However, we are beginning to have some fascinating conversations with companies about its impact on them. Given the transformative risks and opportunities posed by digital tools, it's vital that shareholders understand and assess how these can be responsibly adopted.

Our research

Given the complexity of social issues, we often speak to experts in specific fields and commission bespoke work to support our research and engagement. We commissioned a report from 60 Decibels, an impact measurement company, to explore how digital platforms impact people running micro-, small- and medium-sized businesses (MSMEs) in Asia.

We have holdings in several models that support such businesses across our portfolio, including Shopify, Bank Rakyat Indonesia and MercadoLibre. The research supported the positive case for adopting digital platforms on the incomes and well-being of MSME owners. It also highlighted their main concerns – online security and digital skills – something we intend to engage on further.

Our engagements

One relevant engagement on this topic in 2023 was with **Bank Rakyat Indonesia (BRI)** the country's leading provider of microfinance loans, which has increasingly adopted digital processes to improve its efficiency, speeding up the disbursement and convenience of loans. While positive, loan officers now have a much larger portfolio of clients. Does the increased use of technology lead to loan officers losing touch with their clients in a microfinance industry that relies on human contact? BRI continues to reassure us that this is not the case. Loan officers are recruited from the local community and are very familiar with the local area. Despite processes becoming more digitised, the loan officers still conduct in person visits.

Later in the year, we took a holding in **Wuxi Biologics**, a contract research development and manufacturing organisation based in China. It supports biotechnology companies with all steps of the drug development process, an area where AI has significant potential. In our discussions with Wuxi Biologics, its team highlighted two areas where AI will have a positive impact:

- **Drug discovery** – the automation of its databases can help calibrate and validate drug candidate ideas for its clients;
- **Production processes –** the company is very optimistic about how AI will create efficiencies in production. Wuxi noted that automation is more affordable than people in production lines, an essential consideration for Wuxi's expansion plans, but one which will have ramifications for labour forces across the globe.

Our assessment

Given the innovative nature of companies in the Positive Change portfolio, it is perhaps unsurprising that most companies we speak to see digital technologies as an opportunity to enhance their products' power and reach or for more efficient operations. We agree, but we are also aware of the risks to people and the planet from digital transitions. There will inevitably be winners and losers and our aim is to engage with companies to ensure that digital tools, such as AI, create many more of the former than the latter.

Governance

The value of non-executive insights

Market attention often focuses on management teams. The press laps up the personal profiles of the chief executives (CEOs) running companies. But unless there is an activist battle or major succession issue, non-executives are rarely in the spotlight. Board analysis is often delegated, with proxy advisors often making the calls on board composition and tenures. The result is that analysing the supervisory board can quickly become a governance box-ticking exercise.

This is not how we review corporate boards in Positive Change. We think boards have untapped insights, and we make sure investors and impact analysts work together to unlock these insights. Boards have a fiduciary duty to take a long-term, strategic view of the companies they steward, so our time horizons are aligned. As long-term investors, engaging with boards helps us become better owners. Governance and board engagement have been a greater focus for us this year, and our team arranged an away day at the beginning of the year to deepen our shared understanding of the topic.

We see direct engagement between non-executives and long-term shareholders as mutually beneficial. Investors can get another angle on management, culture and strategy. Boards get a better sense of what their shareholders expect from the management team, the pressures that they are under from the market, and which investors they can rely on for support. Non-executive directors typically seem very open to these long-term, strategic conversations.

How we engage with board directors

We start with our forward-looking hypothesis on the business and use our engagement to determine if the board is fit for that purpose. Every board is different. Companies require different skill sets for governance to be constructive and productive at different times. Ultimately, we approach conversations with boards as we do investment – on a bottom-up basis with a long-term time horizon.

We often focus our board engagement on the chair for two reasons. First, our priorities usually align with those of the chair. We want to understand how board composition is optimised for the business's strategy and to what extent long-term thinking underpins the board's agenda. Second, deepening our relationship with the chair can offer us a gateway to the rest of the board.

We are not looking for the chair of a board to fit a particular profile. The requirements placed upon the position and key characteristics needed by the person who fulfils this position are determined by the business's age, stage and operating environment. The right relationship between a chair and the CEO is paramount, but that could sit anywhere between fierce challenge and mentorship, depending on the circumstances. However, we observe some common characteristics in successful chairs: humility, resolve, the ability to make and live with difficult decisions and a willingness to put the business before individual ambitions.

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Board conversations in 2023

This year, we had a helpful discussion with the chair at **Xylem**, the US-based water management company. The discussions illuminated the degree of open dialogue between non-executives and executives, one of the characteristics we look for in a well-functioning company. The chair informed us of some positive governance changes, including implementing the recommendations of a recent board evaluation and reorganising the capital allocation committee. This meeting also let us have a frank conversation about the CEO's remuneration plan. We explained how we felt it was unconstructive for the CEO's total shareholder return metric to vest below the peer group median. Since our meeting, the company announced a major acquisition and a CEO succession. Our relationship with Xylem's board should help us navigate what are the inevitable changes that any company may experience over the long term.

While our engagement often focuses on the board chair, we will go directly to a relevant board member to discuss a specific topic. Earlier this year, we wanted to discuss succession planning at lithography company **ASML** and its remuneration policy. We had a direct dialogue with the chair of ASML's remuneration committee, who is also a member of the nomination committee.

We learned that a rigorous succession planning process existed for key executive positions and discussed how ASML's approach to succession planning balances professionalism and rigour (such as scenario analysis and the advice of longstanding external consultants) with flexibility (for example, an open mind to internal and external candidates). Our meeting was timely because ASML has since announced a transition for its two key executives, the CEO and CTO. Our conversation prepared us for this news flow and reassured us about the shared long-term outlook between us and the company's board.

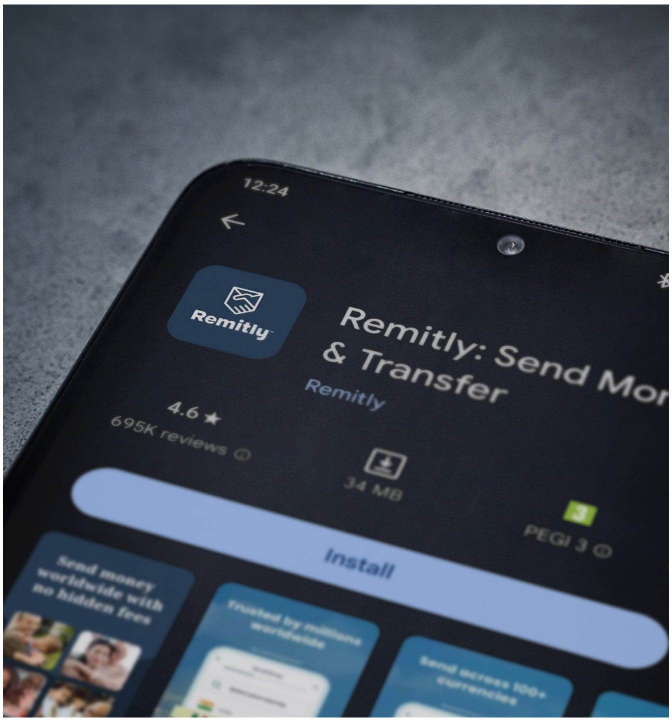
As these examples show, we aim to start conversations with the board early, proactively, before a piece of news flow or crisis hits. For instance, following our initial investment in **Autodesk** in December 2022, we started building our relationship with Autodesk's chair. Our primary objective was understanding how the board engages with the executive team. Going into the meeting, we had been curious about the board's seeming lack of industry experience, but we left with a better understanding of how the board keeps up to speed with relevant topics and debates in the fast-moving industry.

Following our meeting, we wrote to the chair, outlining our areas of interest as long-term impact investors, including customer and product focus and improving sustainability within the built environment. The follow-up letter was very well received, with Autodesk noting that few shareholders had taken the time to explain their perspective and priorities in such detail.

We also took the opportunity to introduce ourselves to the board of **Remitly**, which is another of the newer holdings. Speaking with the chair of Remitly's audit and risk committee, we learned about the board's evolution as a public company following its initial public offering in 2021. We were particularly interested in how directors' skills have evolved through this transition. As technical expertise is important for Remitly's long-term strategy, we used the meeting to understand how the board is sufficiently educated on data privacy, cybersecurity and AI. Sufficient oversight is important for Remitly's success over the next five to ten years.

Inevitably, there are occasions when a more urgent or time-sensitive issue prompts our conversations with boards. An example of this is the series of discussions and meetings we have had with Illumina board members in 2023, initially prompted by an activist shareholder challenging the board and management. Baillie Gifford has invested in Illumina for over a decade, and has been a holding in the Trust since Baillie Gifford began managing it. The strong relationship forged over these years enabled us to have prompt and direct engagement with the board and management during the proxy battle. This engagement allowed us to understand more about the company's decision-making around the Grail acquisition, which was the prompt for activism; it allowed us to challenge through questions and dialogue, and it meant we could offer support and encouragement for a long-term focus and the core sequencing business. We also sought to influence the board in its approach to remuneration by articulating why we would oppose the remuneration package. There have been changes to the board and the management team, so forging new relationships and engaging with non-executives has been integral to being long-term owners of the business.

We will continue to meet with board members of portfolio companies in 2024, with meetings already planned with non-executive directors at Wuxi Biologics and ASML.



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Engaging for Positive Change – company conversations

Engaging with companies is fundamental to our role as impact investors and stewards of our clients' capital. We think deeply about what to engage on, the best methods for doing so, and how we should prioritise our engagement efforts. Knowing that our time with company management and board members is precious, we focus on the most pressing companies and relevant topics. In 2023, we had 105 engagements with 37 companies, 61 per cent of which were at the executive level; reflecting our good access to companies and strong relationships with management teams.

Our approach

Mirroring our approach to investing, we aim for our company engagements to be thoughtful, long term and based on bottom-up analysis to maximise our impact.

We invest in companies that we are excited about and are typically run by people we admire, so most of our meetings are 'positive conversations' about topics relevant to the company and society. Many continue over multiple years. In such cases, success cannot be measured within a calendar year. Our long-term engagement objectives fall into three categories: Understanding, Relationship Building and Influencing. Detailed examples are given of each, followed by a summary of all engagements with portfolio companies over the year.

Engagement objective

65%

U **Understanding**

18%

RB **Relationship building**

17%

I **Influencing**

01. Understanding

Understanding is the most common objective for us when engaging with companies. It is vital to help build our insight and conviction in the investment and impact potential of the portfolio holdings. We aim to meet with investee companies every 18 months. We often collaborate with other Baillie Gifford strategies and have systems for sharing insights across our investment department.

Deere

Objective: To gain a deeper understanding of Deere's innovation and the rollout of new technologies.

Discussion: Deere's CEO and chief financial officer (CFO) visited us in our offices in Edinburgh. This meeting clearly showed that the company hasn't taken its foot off the pedal regarding innovation and rolling out new technologies. Deere continues to partner with start-ups with innovative solutions, and is transferring its advanced technologies for farming into areas such as higher-value crops, construction, road building and forestry. This marks the success of CEO John May's strategy, which he initiated on his appointment in 2019. Technician shortages have been a growing problem for dealers in the US, putting Deere's customer trust at risk. It was, therefore, encouraging to discuss in this meeting how Deere is making it easier for farmers to repair its equipment outside of the dealer network. This should hopefully free up capacity for more complex repairs. The company's remote diagnostics tools should stop minor issues becoming big ones.

Outcome: Ongoing. This proved a welcome conversation on Deere's ability to keep innovating, and is an area which we will continue to monitor and engage on.

Xylem

Objective: In response to the news that the CEO and CFO were stepping down, we had a call with the current and incoming CEOs to understand the reasons behind the departures and the transition plans.

Discussion: The transition plan for the new CEO, Matthew Pine, has been in motion for well over a year now. Pine was promoted to COO last year and has gained valuable experience, which will position him well in his new role. We were glad to hear he values the culture and mission of the company, and we expect this to be reflected in the new strategy when it is announced in spring 2024.

Outcome: We left the meeting impressed with the company's succession planning for the new CEO and understanding of the decision made by the outgoing CFO. We will support Matthew Pine as he settles into his new job and will engage with him this year to further understand his strategy for Xylem. We were comfortable with the rationale for the departure of the CFO, and the company has since appointed a successor.

02. Relationship building

Building a constructive relationship with investee companies is a key objective because, from our experience, it enables impactful engagement during our holding period. That is why we prefer to engage directly with companies rather than through external investor collaborations – although we consider each of these on merit.

Illumina

Objective: Following changes to the board composition, the departure of the CEO, and the appointment of a new one, we sought to understand the process of new appointments and the priorities of the new chair and CEO, as well as establish a relationship with these key individuals.

Discussion: In our engagement with the new chair, new non-executives and some of the longer-standing non-executives, we heard about the rigorous process involved in identifying a new CEO and his relevant attributes with his global experience in life sciences and genomics. Our meeting with the new CEO highlighted his admiration for the core sequencing business, his desire to focus on this and his determination for clarity over the Grail acquisition. His ambitions to democratise access to sequencing and for Illumina to be at the forefront of technology developments align with our positive change hypothesis: this is a company with an attractive runway for growth, playing an important role in advancing the understanding, diagnosis and treatment of disease.

Outcome: We were reassured by both meetings. Our initial sense is that Illumina is in good hands. While too early in the CEO's tenure to dive into the specifics of his strategy, Thaysen's high-level vision for the company aligns with our investment case. We also welcomed his eagerness to clarify the Grail acquisition status as soon as possible and move the company forward.

Climeworks

Objective: We met with members of the management team at Climeworks, the direct air capture carbon removal company, to learn more about the company's operational and cultural advancements.

Discussion: In this meeting with the CFO and Head of Corporate Finance, we had a wide ranging discussion which covered everything from operational progress at the Mammoth plant in Iceland – which is designed to remove 36,000 tons of CO_2 per year – to the cultural evolution of the company as it grows its team in the US. We also used the time to discuss Climeworks' strategy for expanding operations in the US.

Outcome: We were pleased to spend such a long period of time with members of the management team. This meeting allowed us to explore the successes and challenges of the company and the individuals who lead it. Through more of a conversational style, we were able to delve deeper into certain topics and provide advice where appropriate.

03. Influencing

Where we feel our stewardship activities can add value, we aim to have a positive impact by engaging with investee companies. We will offer insight into actions that might maximise a company's potential to pursue growth and impact. Where we believe a company's behaviour is detrimental to either, we will also engage, offering our views and encouraging change where appropriate. If we vote against management, we inform them of our reasons for doing so. Measuring the progress of these engagements, many of which will take place over several years, is challenging, but we continue to hone our approach to influencing companies where appropriate.

Moderna

Objective: Ahead of the 2024 AGM, we met with Moderna to provide feedback on some proposed governance changes and to give our view on executive compensation practices.

Discussion: During the meeting, we discussed how corporate governance is changing as the company matures. The board proposes adopting a majority voting standard for director elections, a proxy access by-law and the right of shareholders to call a special meeting. We found these updates acceptable and supported continued governance improvements. We also discussed compensation. Moderna has ended its first cycle of equity awards linked to performance conditions and was open about the challenges of setting long-term targets.

Outcome: Moderna requested further feedback from us once compensation performance targets are disclosed to help calibrate how challenging the targets are. We remain interested in how the board will evolve in the short- to medium-term.

Dexcom

Objective: To discuss Dexcom's approach to circularity and push for improvements in the three R's (reduce, reuse, recycle) of the company's continuous glucose monitors (CGMs).

Discussion: Dexcom's return policy only covers defective supplies, due to the challenges associated with retractable needles and hazardous medical waste classifications. Dexcom has increased wear time for the latest version of its CGM, which could reduce annual consumption by up to 30 per cent. There is still room for improvement in the other two R's (reuse and recycle). Reuse could significantly reduce plastic consumption, embedded energy and carbon emissions, but product design challenges and usability for older patients must be considered. Dexcom acknowledged the environmental and financial opportunity and assured us that its operations and research and development (R&D) teams are collaborating to work on reusable components and robust takeback programmes.

Outcome: We were reassured that this is an area of focus for Dexcom, and urged continued action. As shareholders that want Dexcom to maximise its impact while minimising harm, we continue encouraging the company to strive for increased material circularity, which could lead to Scope 3 emissions reductions and financial savings.

Company engagements

U Understanding RB Relationship building I Influencing

Company	Date	Engagement
10x Genomics	June U	We visited the single-cell analysis business, 10x Genomics, at its headquarters in Pleasanton, California, and met with the CEO and new chief commercial officer (CCO). This was a good opportunity to get to know the new CCO and understand his strategy for commercialisation with new types of customers. We also used this time to probe the CEO's thoughts on the future of this industry, particularly around what could be unlocked through long-read sequencing and multiomics and understand how he uses the board as he grows the business.
	June I	We had a call with 10x Genomics ahead of the AGM to discuss the one-off awards, which were part of the executive compensation scheme. We took the time to learn the intentions and process behind the awards and provided feedback on some specifics, such as explaining why we don't encourage share price targets. We briefly discussed how compensation might develop over the coming years and offered to support the company in developing an appropriate plan. However, we opposed this compensation scheme.
AbCellera	June U	We met with the CEO and CFO of AbCellera separately in Baillie Gifford's New York and Edinburgh offices. The meetings focused on AbCellera's new strategy, which shifts the business model away from being an antibody discovery platform that biopharma companies can partner with to discovering more drugs for themselves. This shift was inevitable to some extent given the capital constraints and the experience of bottlenecks in translational science and manufacturing. AbCellera is now more selective about which programmes it wants to work on and which partners it wants to onboard through co-ownerships. The company intends to deepen the relationships with select partners and increase stakes in its highest conviction programmes.
	June U	We again met the AbCellera management at a healthcare conference in California. We used this time to explore what management is prioritising at this stage of the business and how the company's culture is evolving. On the first point, the company's priority is to professionalise its account building with large pharmaceutical customers, with a relationship-based approach to business development. On culture, most of the talent is located in Vancouver, but the company is excited about expanding into Sydney. Both cities have great universities which offer an abundance of talent. However, as the company moves more into translational science, it is finding that it needs to hire experienced professionals from other parts of the world and relocate them.
	August RB	We spoke with AbCellera's CFO and investor relations as part of our regular dialogue with the company. We received an update on business activities, including the ongoing partnership with the Canadian government to build domestic drug development and manufacturing capability. We also discussed the progress of the company's pre-partnered programmes and business development efforts.
	November U	We met with AbCellera management to continue building our relationship and understanding following some strategic changes. Our discussion focused on its investments in technology to improve antibody discovery and prioritising quality over volume when working on targets. Management was pleased to discuss its longer-term ambitions and how changing market dynamics have informed its recent decisions. Bringing more discovery in-house is possible because of AbCellera's strong balance sheet and access to great talent. It was reassuring to hear about management's discipline, too. There will be many opportunities over the next decade. Management believes AbCellera's core skills in intellectual property design, development and monetisation will be prioritised over any capital-intensive or later-stage delivery.

	December U	We contacted management after the announcement that AbCellera was laying off 10 per cent of its staff. We wanted to understand the rationale for this decision and how it fed into AbCellera's long-term strategy. The challenging environment for biotech combined with AbCellera's strategic shift towards in-house drug development left its partner-oriented business areas overstaffed. Notable areas of reduction were early-stage discovery and the communications team. With this context, we viewed the reductions as a prudent and proactive capital allocation discipline. AbCellera is well-capitalised, having secured Canadian government funding earlier this year, but management expressed humility in not being able to predict the turn of the biotech funding cycle. We also used the opportunity to receive an update on the company's in-house antibody development programmes, which seem to be progressing well. Finally, we discussed AbCellera's proposed technology advantage in unlocking harder-to-target areas of biology.
Alnylam	June U	We met with the biotechnology company's CFO during a healthcare conference. With so many exciting RNAi opportunities to go after, we asked about the company's priorities. The CFO clarified that they look for (1) a genetically validated target, (2) confidence in a particular biomarker and (3) a significant unmet medical need. These priorities help explain Alnylam's move into more prevalent disease areas. We also discussed how the company's profitability target is helpful in that it forces organisational discipline. Finally, we covered interactions with its impressive scientific advisory board. We were reassured by the links between the board and the broader organisation and the robustness of the board's challenge.
	August U	We met with Alnylam's president at its headquarters in Cambridge, Massachusetts. We talked about the evolution of the RNAi technology platform and key milestones that Alnylam has achieved over the past decade to get to where it is today. That led to a discussion of further bottlenecks to improving the platform, including the need to discover new delivery pathways other than the liver. We are encouraged by the progress so far and share management's enthusiasm that Alnylam will likely continue leading the RNAi field in the future, given its relentless focus on innovation.
	November RB	We met with management to deepen our understanding of the business model, strengthen our relationship with management and develop our research into RNAi. We discussed the Food and Drug Administration's disappointing decision on ONPATTRO therapy for treating transthyretin amyloid cardiomyopathy (ATTR-CM), an underdiagnosed and potentially fatal disease of the heart, and were pleased that management was already focusing on the next targets; agreeing that market responses were disproportionate. We also explored the possibility that future phase 1 trials might be communicated to the market later so as not to invite competition early on.
ASML	March U	We met with the remuneration committee chair of ASML, the world-leading developer and manufacturer of lithography equipment. We sought to understand the changes to ASML's remuneration policy and the board's approach to succession planning. We learned that there was a rigorous process for key executive positions, notably the long-tenured CEO and CTO. ASML's approach to succession planning seems to balance professionalism and rigour (such as scenario analysis and the advice of longstanding external consultants) with flexibility (for example, an open mind to internal and external candidates). We also learned that ASML is building a diverse talent pipeline, with new female hires introduced as a metric in executives' long-term compensation plans. We were reassured that ASML is thinking not just about recruiting diverse talent but also about onboarding, mentorship and retention.

Autodesk	April U	Autodesk is a leading 3D-design software provider. We met with the CFO and head of investor relations in person. The purpose of the meeting was to understand its exposure to harmful industries. Most of Autodesk's revenue comes from the architectural engineering and construction, and product design and manufacturing sectors. However, we understand that as a leading supplier of design software Autodesk's products could be used in harmful industries. Removing all electrical energy generation customers, Autodesk estimates that around 2 per cent of its revenue comes from oil, gas and coal; a de minimis proportion but one we will monitor closely. We also acknowledge that it is difficult to track other harmful industries that 'off-the-shelf' design software could be used to support. We are satisfied with the level of detail Autodesk provided on exposure to the fossil fuel industry, and its estimates are in line with our company analysis.
	June U	We met with the CEO and CFO and discussed various subjects. Customer feedback on the new Forma product has been very positive as it speeds up work needed during the bidding process for new projects and enables customers to work more collaboratively.
	November RB	Following our initial investment in Autodesk in December 2022, we had the opportunity to meet the company's chair in autumn 2023. This was an opportunity to learn more about how the board engages with the executive team and keeps up to speed with the fast-moving industry. We left the meeting with the impression that Autodesk has a very engaged board, and we are confident that the board can provide Autodesk's executive team with sound advice. As a follow-up to the meeting and to help build a deeper relationship with the company, we wrote a letter directly to the chair covering areas we are interested in as long-term investors. These included (1) customer/product focus, (2) long-term focus for some divisions, and (3) improving sustainability within the built environment. The letter was received very well by Autodesk ('it's worth its weight in gold'), and it was noted that very few shareholders take the time to write such a detailed letter. We look forward to continuing to build our relationship with Autodesk over the coming years.
Bank Rakyat Indonesia (BRI)	January U	We had a call with the Indonesian bank, BRI, to discuss the CFO's career trajectory and talent management within the organisation. We also discussed increasing digitalisation in microfinance and how this affects micro-entrepreneurs. It was encouraging to hear about the efforts made to develop employees and help them develop their career paths. Trends towards digitalisation showed how microfinance activities can become increasingly efficient. It will be interesting to discuss further how standardisation may affect client experiences for microentrepreneurs.
	May U	To clarify previous discussions about how increasing efficiencies would impact microfinance clients, we met with BRI's finance director and investor relations. It emphasised that apps are making a real difference to loan officers' efficiency. It enables them to accelerate approval processes and makes it easier to follow up with clients. These changes do not harm BRI's relationship with its clients – maintaining a personal relationship is still fundamental to its model. Microloan officers are familiar with the local geographies and are respected in their community. This meeting reassured us that digitalisation was prompting efficiencies, but not at the expense of client relationships.
	November U	We had a lunch meeting with BRI's CEO and investor relations. We discussed the bank's long-term strategy, including the increasing emphasis on micro-finance and digital technology. We also discussed the asset quality of the loan book and how the bank treats customers when they go into arrears. Finally, we discussed the bank's close relationship with the Indonesian government.

Boston Metal	October U	We had a video call with the Senior Vice President of Business Development at Boston Metal. We discussed the company's progress in Brazil, specifically the construction of a facility in Minas Gerais. This facility will use the company's technology to recover high-value metals from mining slag. The ramp-up is progressing well, and we learned about its approach to permitting and health and safety. Additionally, Boston Metal is advancing its research on anode stability for green steel production and has applied for a grant from the US Department of Energy to support the capital expenditure for the first chromium manufacturing facility.
Chr. Hansen	January U	We met with the CEO of the Danish bioscience company, Chr. Hansen to discuss the proposed merger of Chr. Hansen and Novozymes. The CEO thinks the merger makes strategic sense with their complementary areas of expertise (cultures and enzymes). He believes the premium offered to Chr. Hansen shareholders is attractive and that now is the right time for the companies to combine given their convergence over the past decade and because this is a pivotal moment in unlocking the value of biology. This conversation is another input to our merger considerations, along with our engagement with the executive team at Novozymes in December and discussions with Novo Holdings in March. Similar to the Positive Change portfolio, Novo Holdings is a shareholder in both companies, so we were keen to hear its perspective. It was unsurprisingly supportive but provided alternative insight into the motivations of the merger and an encouraging perspective on how vital the two companies are to the biologics revolution.
	August U	We continue to engage with Chr. Hansen management to understand the merger with Novozymes regarding cultural integration, economic potential and ability to catalyse growth. The merger is due to be completed in 2024.
Climeworks	March U	We had a call with the CFO and the new Chief Commercial Officer (CCO) of Climeworks to hear about operational updates, including plans for the USA and progress on their new Mammoth plant in Iceland; its second commercial plant for permanent carbon dioxide removal.
	April RB	We met with the CFO and Head of Corporate Finance in New York. This was a great opportunity to spend more time with the management team and learn more about the company's operational and cultural advancements.
	August RB	During our regular catch-up with the Climeworks management team, we discussed the company's progress with the Orca facility and the construction of the Mammoth facility. Climeworks recently announced that it has advanced into negotiations with the US Department of Energy for grants supporting its projects in the US. We also discussed the next stages of the company's US expansion, including the construction timeline, and provided feedback on the company's financing plans.
	November U	We met with Climeworks' CFO to discuss the progress of the new Mammoth facility in Iceland, which will have a capacity of 36,000 tons of CO_2 removal per year, as well as project development work in the US. We also talked about the company's commercialisation efforts with key corporate customers. Following this meeting, we had a call with Climeworks' co-CEO to discuss the company's proposed changes to the board.
Coursera	April U	We met with investor relations to get an update on each of the different segments of the business. While the overall number of learners continues to grow strongly, translating these to paying customers will be difficult, particularly as the number of degree customers is slowing down due to macro-headwinds. We discussed how the company might overcome these headwinds, such as localised pricing for emerging markets.
	December I	We had a call with Coursera's investor relations and general counsel to provide feedback on executive compensation. We clarified the one-off nature of the 2022 CEO restricted stock unit grant, and we encouraged the company to lengthen the vesting period of its long-term incentive plan. We also provided our views on the use of performance-based incentives relating to executive compensation.

Daikin
(Sold Oct 2023)

June
U

This was an introductory meeting to learn a little more about Daikin's competitive edge and whether there is any complacency around its technology. The competitive advantage is connected to a vertically-integrated model, which Daikin has considered (but decided against) changing. It sees its control of manufacturing and sales as a key advantage, enabling the accumulation of knowledge and experience that peers lack.

Daikin is looking to spend approximately ¥140bn of its capex budget in Europe to acquire salespeople who will be vital for cross-selling/servicing. Daikin is actively seeking new refrigerants and is excited about using propane as a low global warming potential (GWP) alternative. This could be used in heat pumps by 2024, but wider rollouts require further R&D because it is highly flammable. We left feeling positive about innovation and Daikin's edge.

October
U

We took a holding in Daikin because of its leading position in the heating, ventilation and air conditioning (HVAC) industry. We were encouraged by Daikin's innovation and environmental leadership in air conditioning and its growing heat pump business. Before purchasing the stock, we recognised that Daikin had less than 1 per cent revenue exposure to defence, and we asked the company questions about this as part of our pre-buy research. We were satisfied with the information provided and purchased the stock.

Subsequently, we were notified that Daikin is involved in producing white phosphorous smoke bombs for the Japanese Ministry of Defence for training purposes. White phosphorus can have controversial use cases, so we undertook further research and engagement. We communicated with Daikin's investor relations team and several military experts to verify the exposure. Although we were reassured that white phosphorus weapons manufactured by Daikin would not be used for incendiary purposes, given the concerns surrounding any exposure to white phosphorus and Baillie Gifford's controversial weapons policy, we decided to sell.

We communicated our rationale to Daikin, noting our disappointment that the company had not been transparent with us about its white phosphorus exposure during our pre-buy research, which contributed to our decision to divest.

Deere

April
RB

We spent several hours with Deere, visiting the Intelligent Solutions office before moving on to a tour to see some of its large equipment being produced. We met with the CTO and several other people in his department. Over the day, we gained a greater appreciation of Deere's edge in hardware and data and the advantages of being vertically integrated as it continues to build more advanced equipment. The visit also gave us an appreciation of the different cultures within Deere and how the company is addressing the diverse needs of employees.

September
U

The CEO and CFO of Deere visited us in our Edinburgh offices. The meeting covered several topics, but it was clear that the company has not taken its foot off the pedal on innovation and rolling out new technologies. It continues to partner with start-ups with exciting new technologies and transfer its advanced crop technologies into other areas such as high-value crops, construction, road building and forestry. We see this as a mark of the success of John May's smart industrial restructuring plan, which he embarked on when he became CEO in 2019.
We also used the opportunity to discuss the technician shortages dealers are facing, which could harm customers' trust that they can get their equipment repaired. Deere has made it easier for farmers to repair equipment outside its dealer network. This should free up capacity for more difficult complex repairs, with the company's remote diagnostics tools stopping minor issues from becoming big ones. We will continue to monitor the effectiveness of these measures.

November
U

We had a call with Deere's investor relations after its Q4 earnings results. While the agricultural market is expected to weaken in the near term, Deere announced that it expects to achieve higher through-the-cycle margins. We discussed the drivers of improved profitability, which Deere attributed to a more efficient organisation, higher uptake of precision agriculture offerings and better inventory management. We also discussed Deere's construction and forestry business and the potential to integrate technology into its product offerings.

Dexcom	June RB	Keen to deepen our relationships with this longstanding holding, we met Dexcom's chief operating officer (COO) and chief commercial officer (CCO) in person in Dexcom's HQ in San Diego. The COO talked to us about product development. We discussed the evolution of Dexcom's highly accurate, reliable, continuous glucose monitoring into the state-of-the-art G7 product and more accessible Dexcom ONE. We also examined how hardware and software can adapt as the company expands. We questioned the COO about potential disruptive threats to diabetes management, which we will continue to monitor over time. With the CCO, we discussed her motivation to join Dexcom, her plans to restructure the commercial team and her experience as a woman on a male-dominated executive team. We were inspired by the CCO's global outlook and her vision of the future. In the very long term, the CCO sees Dexcom as a leader in personal sensoring technology, at the heart of a health ecosystem that helps prevent a range of diseases.
	August I	We had a call with Dexcom to understand better the challenges associated with improving material circularity and setting emissions targets. When asked what improvements it could make, Dexcom mentioned the increased wear time, ie up to 15 days for the G7. This would contribute to reducing the annual consumption of a high-utilisation patient by approximately 30 per cent, which is a step forward. We discussed the other two r's (reuse and recycle). Reuse would seem to be an easier win as Dexcom could significantly reduce the consumption of plastic, embedded energy, and carbon within a year's supply of products. Dexcom mentioned a product design challenge from older, less dexterous patients struggling with reloading the needle mechanism. It could also be responsible for circulating close to a billion single-use plastic items over the next decade or so. Notwithstanding the importance and focus that Dexcom puts on patient outcomes and high product quality, as shareholders we urged the company to continue to improve all three of the r's and strive for increased material circularity.
	August I	We had a call following this year's shareholder proposal around pay equity disclosure, which we decided to oppose and engage. Dexcom has conducted off-cycle internal pay equity reviews for the past four years to avoid choosing between pay equity and performance compensation. However, we believe Dexcom could be doing more here and found its argument for off-cycle reviews relatively weak. While there is no material progress to report on the work of the external consultant, we were pleased to hear that Dexcom is considering unadjusted pay equity and look forward to seeing its reporting next year. We have requested Dexcom explains the nature of the adjustment in its next ESG report.
	December I	Over the past couple of years, Dexcom has become more focused on improving health outcomes for patients and going beyond diabetes. With this in mind, we contacted Dexcom to explain the potential benefits of linking health awareness, such as flu immunisation programmes, alongside diabetes management systems. The idea came from this year's World Conference on Public Health. The economic, societal and health benefits of linking immunisations with comorbidities such as diabetes and hypertension were shown at it, as well as the improvements associated with the economic stability of households and patient longevity.
Discovery	October U	We had a video call with Discovery's CFO and other senior management team members. We discussed the company's operating progress in 2023. Despite a challenging macroeconomic backdrop in South Africa, Discovery demonstrated solid fundamental performance. It continued to grow in the UK as consumers started to appreciate the benefits of private health insurance. Discovery is focusing on its Amplify Health joint venture with AIA in Asia and growing key markets in Japan and China. Overall, while Covid-19 was challenging for Discovery, the company appears to be coping well. There are signs that the pandemic has brought a greater interest in health, which should support Discovery's long-term growth.

Duolingo	August U	We visited Duolingo's headquarters in Pittsburgh to meet a few management team members. The purpose was to understand more about Duolingo's culture and commitment to balancing monetisation and mission. We came away feeling reassured. The meeting also covered product improvement and marketing efficiency areas that have contributed to Duolingo's impressive growth since the IPO. Management revealed some of the new product features that incorporate generative AI, which it believes will allow Duolingo to be a better teacher than a human tutor. Management also revealed that music will be its next teaching focus.
Ecolab	May U	We met Ecolab's investor relations at our offices to explore strategy updates and discuss the company's governance arrangements. After focusing on retaining business during the pandemic, Ecolab is now pivoting its strategy back to being more 'offensive'. In the US, expanding industries, such as mining and life sciences, and corporate efforts to achieve sustainability targets present new growth opportunities. Data and new sales team structures are helping customers realise synergies between Ecolab's businesses, ultimately supporting their sustainability efforts. We covered several other pertinent areas, including inflation, and questioned why Ecolab continues to have a joint chair/CEO amid substantial shareholder opposition. The board wants to retain flexibility on this, and there are measures in place to reduce any risks or conflicts that may arise with joint chair/CEOs at other companies. We are comfortable with Ecolab's arrangement because the CEO is not on any committees, and there is a lead independent director who holds several closed-door meetings each year.
	June I	We had a helpful call with Ecolab's long-tenured head of sustainability, Emilio Tenuta. The company has progressed on social aspects of its business practices – such as establishing a human rights policy and expanding efforts around diversity and inclusion – but it has made the most progress on its environmental efforts. The company has come a long way since we last spoke to them on biodiversity in 2020 and has started piloting the TNFD framework to assess its impact and dependencies on nature. Ecolab is establishing its Scope 3 emissions reduction plans, which it will confirm next year. There remain some challenges around sourcing environmentally-responsible materials, but the call highlighted how committed the company is to sustainability.
FDM (Sold Aug 2023)	July U	We had a call with the founding CEO and long-standing CFO again to explore the company's growth aspirations and succession planning. The opportunity for growth could be significant due to the global imbalance between supply and demand for IT specialists. However, growth is proving more difficult to unlock as the company is more exposed to external events than anticipated. It is proving more challenging than expected for the company to sell its unique proposition to new customers. Additionally, we were unable to gain clarity on succession planning.
HDFC	June U	The CEOs of HDFC Bank and HDFC Corp visited us before the two companies merged. This allowed us to get to know and hear the vision of Sashi Jagdishan, who is the CEO of the bank and will become the CEO of the merged entity. He wants to replicate the relationship-based approach engrained in the mortgage business across the merged entity and to use this to enable cross-selling of different banking products to customers. Converting staff from product specialists to relationship managers is a risk, but the use of IT should increase the probability of success by equipping staff with relevant data and systems. Both sounded confident in merging the two cultures and the outlook for rising financial services penetration in India. The merged entity may have higher returns (through an uplift in revenues through cross-selling and lower funding costs), but we are watching closely what this means for the impact case.

Illumina

March
U

We have had a series of calls with Illumina, the global leader in gene sequencing, to discuss the suggestions made by the activist shareholder Carl Icahn in his letter to shareholders. Our engagements have included exploration of the proxy fight instigated by Icahn and further exploration of the future of Grail, the early-stage diagnostics company acquired by Illumina in 2021.

May
I

We engaged with Illumina's board and management team when they visited us at our offices in Edinburgh, primarily around the regulatory challenge surrounding the acquisition of Grail, the interjection of activist investor Carl Icahn and the opportunity for the core sequencing business in a more competitive environment. Throughout these discussions, we made clear the importance of a long-term approach and urged for a focus on the core business.

June
RB

Before learning of the resignation of the CEO, we had asked to visit Illumina to extend our relationships beyond the CEO and CFO. With the CEO having only resigned a few days before our visit, we were delighted that the company still accommodated our request to meet with the CTO. This allowed us to hear first-hand about Illumina's approach to innovation and the changes he has made to the R&D department structure to increase the cadence and probability of success. We were also glad to speak with the chief people officer to hear more about the company's culture and approach to talent development in an increasingly competitive field. It was pleasing to learn that although there have been some departures, turnover is lower than the historical average.

November
RB

Through a period of disruption and change at the company related to the regulatory challenges surrounding the Grail acquisition, it was valuable to meet the new chair and other board members. Illumina's board has undergone notable change, with a new chairman and two new directors having recently been appointed. This was an opportunity to establish relationships with recruits and deepen relationships with existing board members.

We were particularly interested in hearing about the new CEO's credentials. The board is excited by the new CEO's global experience and scientific background, as well as his passion and vision for the core Illumina business. We also welcomed the board's candour on other recently announced management changes and an update on changes to the remuneration philosophy, which is now more closely aligned with performance and value creation.

December
RB

Less than two months after taking the position, we were glad to have a call with Jacob Thaysen, Illumina's new CEO. He has experience in life sciences and genomics after leading a large business unit at Agilent. His admiration for the core Illumina sequencing business was evident, as well as his resolve to restore the company back to its former self as one that is democratising access to sequencing and at the forefront of technology developments. He is eager to establish clarity over the Grail situation, which we welcome. It was too early in his tenure for him to be specific in his views on the scale of the opportunity, but his high-level vision was very reassuring. He recognises that Illumina has a vital role in society and is an exceptional business.

Joby Aviation

January
U

We used a call with the chair of Joby Aviation, the developer of electric aircraft, to learn about what it takes to achieve the company's long-term vision. We gained insight into how the company is developing its technology, working with regulators, vertically integrating and what it takes to unlock demand.

September
U

We met with CFO Matt Field to discuss progress in Joby's regulatory approvals and understand the company's approach to workplace safety and wellbeing. The company has submitted all certification plans to the Federal Aviation Administration (FAA) for review, two-thirds of which have already been accepted. Joby is now focused on the next approval stage: testing and analysis to demonstrate compliance with safety regulations. Interestingly, because the technology is new, Joby has been cooperating closely with the FAA to develop some required tests.

With the company increasingly turning its attention to production, the CFO emphasised that Joby's vertical integration and partnership with Toyota contribute to manufacturing efficiency and safety. This discussion was helpful in understanding how Joby, while still very nascent in its growth, is being thoughtful about societal considerations relating to its business.

	October I	We met with Joby to provide feedback on its first ESG Report, particularly on the environmental section and the lifecycle assessments carried out. Joby is a young and fast-growing company, so it was understandable to hear about the challenges it faces around current disclosure levels. It was encouraging to hear how much thought has gone into the report and what areas the company is looking at in more detail. Joby has produced its first lifecycle assessment (LCA), which compared Joby's eVTOL and an electric vehicle. We thought it would be helpful if a helicopter baseline could be shown along with functional units of measurement such as $kgCO_2$/mile and or $kgCO_2$/eVTOL. Joby's LCA also omits the cumulative energy demand, which we highlighted as being important for making comparisons across technologies as the world decarbonises. We also discussed the challenges associated with reporting material Scope 3 emissions; however, we stressed that this would be a metric we would like to see reported in the future.
	October RB	We attended a community engagement event organised by Joby Aviation. The event featured a fireside chat between the CEOs of Joby Aviation and Delta Airlines, where they talked about their partnership to bring Joby's air taxi service to New York. The event also included a speech by a representative from The Port Authority of New York and New Jersey about the wider social and economic impact of Joby's services.
M3	May I	Ahead of our meeting with the CEO, Itaru Tanimura, we sent questions about how M3 manages the trade-offs between the needs of pharmaceutical companies, physicians, and patients. Mr Tanimura was forthright about the need for patients to come first for its business model to be sustainable. However, within that principle, the company must navigate the practicalities of working with pharmaceutical companies and only pursue business activities where the balance of return to risk is attractive. Mr Tanimura provided examples of where they facilitated the success of superior treatments, but its core business, a medical platform for physicians, must be a neutral marketplace that provides doctors with all the information they need to make the best decisions for their patients. Mr Tanimura said he appreciated the discussion and would consider establishing an internal stakeholder review board to ensure robust discussion of these ideas. We believe managing these evolving issues successfully will be critical to M3's future success and our clients' returns. We also explored growth outwith Japan and the acquisition strategy, both of which are core pillars of development.
MercadoLibre	January U	We had an encouraging call with the CFO and the sustainability team of Latin American ecommerce leader MercadoLibre. It is evident to us that the CFO sees the environmental sustainability of MercadoLibre's business model as wholly integrated with his role and essential for the company's growth. We discussed MercadoLibre's various green initiatives, including transitioning its delivery fleet to electric, working with suppliers, sustainable labelling and carbon offsetting, which we believe are market-leading. Baillie Gifford's Climate Team joined the call to provide perspectives and learnings on how different businesses approach their Scope 3 emissions, a challenging issue for ecommerce platforms.
	August U	We had a call with MercadoLibre's CFO. MercadoLibre has been consistently gaining market share in ecommerce over recent quarters, and we discussed the drivers of this. The CFO attributed the share gain to investment in logistics, a bigger engineering team and a step up in marketing quality. The investment in logistics has also enabled MercadoLibre to expand its addressable market by profitably serving lower-priced items. With increasing scale, operating leverage is coming through, and the company is seeing rising margins. On fintech, the CFO commented that MercadoLibre has the individual products and services but is still yet to piece them together in a way that resonates with consumers and gains a word-of-mouth effect.

December
U

We had a meeting with MercadoLibre's CFO and senior management team members. We started the meeting by discussing MercadoLibre's ecommerce business, focusing on growth opportunities such as first-party commerce and supermarkets, and the current competitive landscape. We then discussed MercadoLibre's fintech business, including the company's competitive underwriting advantage and how it's using data to fine-tune its credit model. Finally, we discussed MELI+, the company's new loyalty and content distribution offering.

Moderna

February
I

We engaged with the chief legal officer and corporate secretary to continue exploring how the company and board plan to evolve and nurture the culture as the company scales, to engage further on pricing and to learn more about its approach to some ESG topics.

It was pleasing to hear that the corporate culture is a priority for the board and management, and that they seek inspiration and guidance from a diverse range of organisations. Pricing is emotive and grabs headlines; we encouraged management to be bold in trying to inform the narrative and to help increase awareness of the high return on investment of vaccines.

Moderna's ESG approach is ambitious: areas of interest we explored included its approach to diversity and inclusion and environmental standards. On the former, notable actions are its efforts to include diverse patient populations in its clinical studies; on the latter, the company wants to meet global standards, not just local standards, when building its Kenyan facilities. The meeting provided further evidence of Moderna's thoughtful and ambitious approach.

February
U

We had a call with its CEO and its investor relations to discuss its respiratory vaccine franchise opportunity and the rapidly evolving progress it is making in personalised cancer vaccines. The exploration of these opportunities confirmed our hypothesis that Moderna is much more than a Covid-19 vaccine company and is, in fact, a true platform with multiple growth levers.

In our discussion, the CEO's humility and ambition were evident. For example, he elaborated on where there is scope to improve its speed to market on strain-specific Covid-19 vaccines. It was fascinating to hear him talk about a 'blue-sky' future where liquid biopsies could diagnose early-stage cancer, which could then be treated with personalised cancer vaccines.

May
I

In advance of voting at Moderna's AGM, and following a meeting with the chair, we had a call with Moderna's associate general counsel to help inform our voting decisions on three key areas: executive compensation, director re-elections/board composition and a shareholder proposal filed by Oxfam. We queried whether executive pay increases were in line with Moderna's workforce. While the increase was higher for senior managers, the workforce did receive a bump in 2022, particularly in equity awards. The fact that all employees are offered stock options is a source of pride.

On the board, we questioned whether it is fit for purpose given Moderna's rapid growth and asked for more information on the dynamics of the audit committee. Board enhancements are imminent, and we will follow up on this soon. Finally, having spoken with Oxfam previously, this call allowed us to hear Moderna's counterargument and to encourage constructive dialogue.

After our meetings and much internal discussion, we supported all management recommendations at the AGM. We care deeply about equitable access to vaccines and have taken the shareholder proposal extremely seriously; however, we do not believe its enactment will lead to a material difference in vaccine equity today. We also trust that Moderna has suitably considered its IP licensing approach and acted appropriately in all stakeholders' interests.

June
U

We met with Moderna's investor relations team in Cambridge, Massachusetts. It allowed us to continue advancing our understanding of Moderna's competitive moat in mRNA therapeutics. We discussed how Moderna uses data from past clinical programmes to inform future drug development. We also discussed how data and know-how of the lipid nanoparticles delivery mechanism translate to a quicker development timeline and a cost advantage. Finally, we shared our thoughts on how Moderna could enhance reporting of its social impact.

Company	Month	Engagement
	November I	Ahead of the 2024 annual general meeting, Moderna reached out to get our feedback on some proposed governance changes and to ask for our view on certain compensation practices. We discussed the proposed governance changes, which are uncontroversial and aim to continue developing Moderna's governance as it matures as a company. We also discussed compensation. Moderna has ended its first cycle of equity awards linked to performance conditions and was open about the challenges of setting long-term targets. Moderna would like our feedback again once compensation performance targets are disclosed to help it calibrate how challenging the targets are, which we agreed to do. We remain interested in how the board will evolve in the short- to medium-term.
	December I	Baillie Gifford's Health Innovation Team visited Moderna at its headquarters in Cambridge, Massachusetts. During the visit, the team had several meetings spanning E, S and G. First, it discussed Moderna's net zero emissions plan with its sustainability team and suggested that the company considers diversifying and improving its carbon offsetting, in particular by supporting renewable energy projects at remote healthcare facilities. Second, in trying to encourage the company to improve access to its pipeline of innovative medicines, the team discussed the current state of cold chain infrastructure in Africa and technological solutions to improve it. Finally, the team met with Moderna's chair and CEO separately to discuss the strategy for board refreshment and evolution as the company matures. We had discussed these previously, but in these meetings the Baillie Gifford team emphasised some criteria that we believe make successful boards in biotech firms.
Northvolt	August U	We spoke to Northvolt's Senior Vice President of Cell Operations to gain insights into the progress of Ett: Europe's first homegrown gigafactory. Our focus was on understanding the challenges faced by the company in increasing production while maintaining high safety standards. Northvolt's Ett site is in the process of ramping up production, with an interim goal for this year to achieve a production capacity of 1 GWh at a utilisation rate of over 70 per cent. This ramp-up has involved the simultaneous design, development, and installation of various production lines, which has naturally created teething challenges for phase 1. Currently, the greatest risk of incident arises from manual interventions, such as changing and toggling production lines on and off, rather than from the speed of the production lines themselves. Once operational, the production lines will be mostly automated, which will reduce the risk to workers.
Novozymes	August U	We met with the CEO to understand the merger with Chr. Hansen concerning cultural integration, economic potential and the ability to catalyse growth. This meeting was more positive in that management was passionate and excited about the change, which should inject some energy into growth ambitions. The merger is due to be completed in 2024.
Nu Holdings	October U	We met with Nu's investor relations at our Edinburgh office to learn more about some of Nu's progress in new products such as payroll loans and new geographies of Mexico and Colombia. Overall, we continue to be impressed by Nu's execution and the company's willingness to experiment with its credit underwriting model. This will lead to higher non-performing loans in the short term and will help gain more data about customers to improve the model in the long term.
Ørsted (Sold Jan 2024)	February I	We met with the UK biodiversity specialist of offshore wind company, Ørsted, at an event on the Scottish blue economy to understand how the company is pursuing its target to deliver a net-positive biodiversity impact from new projects commissioned from 2030. We believe this to be important to maintain the company's good relationship with regulators and its social license to operate. Ørsted has put together an impressive team of specialists across the key regions where it operates and is working hard to establish a methodology to measure improvements to biodiversity and standardise the results across locations. Overall, we were impressed by the company's ambitions for its operations and improving the whole industry. However, we encouraged it to move beyond methodologies that measure mean species abundance as we believe they are severely limited.

	May U	We had a call with Ørsted's CEO and CFO. We learned that the company's data and experience give it an advantage in bidding on projects. However, the company has a higher target for value creation than its competitors. It has developed internal procedures to remain focused and prioritise certain bids. We also touched on employee turnover. Changes at the leadership level have slowed down, and there were good reasons for individuals leaving.
	September U	We had an in-depth discussion with management about Ørsted's emerging business on green hydrogen and e-fuel. We discussed the scale of the opportunity, including which markets might be the first to adopt green hydrogen. We also talked about what would unlock the opportunity, such as the buildout of pipelines and storage infrastructure and regulatory support. Finally, we discussed the economics of green hydrogen, both in terms of how quickly this technology could reach price parity relative to fossil fuel and the economic impact on Ørsted's business. This was a helpful meeting to understand Ørsted's strategy for this emerging business and what time horizon might become material for the investment case.
	November U	We had a call with investor relations to learn more about the challenges the company is facing in the US offshore wind market. It explained how a lengthy permitting process, supply chain disruptions, higher interest rates and Ørsted's decision to commit capital to suppliers resulted in a significant impairment expense. We discussed the company's response to this and implications for Ørsted's businesses in other geographies.
Peloton (Sold May 2023)	February U	We had a call with digital fitness company Peloton, centring on remuneration. We discussed the evolution of pay since the company was listed in 2019, as well as recent and future changes to the structure, including the decision to remove the annual bonus plan in favour of a greater focus on long-term incentives (LTI). During the last financial year, several equity grants were made in addition to the standard LTI grants, including new hire grants for the new CEO and CFO, retention-related grants and others. Different grants have different vesting periods and we wanted to understand the rationale for this and encourage initial vesting over a longer time horizon to ensure alignment with shareholders. We discussed decisions to make one-off equity grants and their general thoughts on the utility of such one-off awards. The discussion helped us appreciate the company's approach to compensation and decisions made by the compensation committee in the period under review. We want to continue our conversations and, in particular, understand the company's reason for not having any performance conditions within the LTI plan.
Remitly	February U	We had a call with the CEO of Remitly, the provider of mobile-based remittance, which touched on a wide range of topics, including new product development, culture, and the broader remittance industry. We were interested in hearing the lessons the company has learned after dropping its Passbook banking feature, which it sees as a learning experience rather than a failure, and in maintaining the culture as the company grows rapidly across different geographies.
	August U	We continue to meet with the CEO and CFO at Remitly to grow our understanding of the business. The company has consistently recorded healthy active customer and revenue growth in recent quarters. Management attributed this to improved marketing efficiency, and we discussed the drivers behind this in detail. We also explored the company's progress on international expansion, including in the Middle East and Europe. Finally, we discussed how the company thinks margins could evolve in the long term.
	August RB	We had a call with the chair of Remitly's audit and risk committee and a board member. The objective was to learn more about Remitly's corporate governance and how the board functions. We talked about the board's evolution as Remitly became a public company, including the skills and experiences of the board directors. We also discussed how the board functions, including how the agenda is set and how the board supports and challenges the management team. We explored how board members get educated on important technical matters, such as data privacy, cybersecurity and AI. Finally, we learned about the board's role in talent management, executive remuneration and succession planning.

	October U	We had a video call with Remitly's management team after the Q3 earnings result. We discussed the increased investment in marketing and brand-building, including how the company measures the returns on marketing spending. We also discussed how the management team engages with employees and manages the company's culture. Finally, we talked about the impact of AI on Remitly.
Safaricom	March U	After attending Safaricom's inaugural (virtual) investor day, we had a follow-up call with the investor relations team to clarify some of the details about how the company will deliver its strategy and to request information about recent governance changes. The investor day provided details of how Safaricom plans to achieve its nascent ambitions to become a purpose-led technology ecosystem and for Safaricom Ethiopia to reach the scale of its Kenyan operations. We also discussed how new business models will generate revenues and the synergies of an ecosystem approach, particularly for its growing number of enterprise customers. The app is gaining traction, and Safaricom's affordability schemes for devices and data are expanding its use. This will also help increase the use of financial services products, supporting financial health, not just inclusion, which is part of the company's new strategy.
	June U	Safaricom's most recent investor day and investment update highlighted many ambitious growth areas the company was targeting, such as opportunities within the Enterprise department, data usage expansion, M-Pesa Super app development and Ethiopian expansion. Our meeting with the CFO in Edinburgh was an opportunity to understand the structures the company has for executing these ambitions, how it prioritises each opportunity, and their impact on revenue growth. The CFO highlighted that Safaricom decided to build in-house IT expertise, doubling the number of developers hired over the past two years. On the M-Pesa app, consultants from Alibaba's Alipay are providing support. Affordability is important, especially for its impact, and Safaricom is committed to assisting people with handset financing, but supply chain issues such as semiconductor chip shortages have impacted prices, making it tricky. We talked about the Ethiopian opportunity and the many challenges facing its joint venture there. Recent changes in Safaricom's board and management were briefly discussed, but this topic warrants further discussion.
	July U	We had a meeting with Safaricom's sustainability and investor relations teams. The meeting clarified Safaricom's oversight of the sustainability function and the efforts to promote purpose within the organisation, notably within its tech teams. We also learned that sustainability efforts were being replicated in Ethiopia, and various collaborations were in place with human rights in mind. Safaricom is also alert to the risks stemming from indebtedness in Kenya, but it will be helpful to see how efforts to promote a savings culture evolve. This call focused on sustainability, but further engagement with Safaricom is required to understand the governance and management changes which have been taking place.
	November U	During our call with Safaricom, we were pleased to hear about the company's commitment to being a purpose-led technology company. Although there were some changes in management and a degree of board turnover, the reasons have not prompted any significant concerns. We look forward to follow-up to gain more granularity on future plans, and we will continue to monitor the company's strategy and the effects of recent management changes.
Sartorius	May U	We requested a video call with the Sartorius chair/CEO about the progression of a recent large acquisition and two changes at the management level: the announced departure of the long-tenured CFO and the promotion of the head of the Bioprocessing division to CEO of Sartorius Stedim. We learned more about the merger and acquisition strategy and were reassured by the long-term approach to identifying acquisition targets. We discussed the CFO succession plan and felt confident there were no red flags about that announced departure. The chair/CEO engaged thoughtfully with our questions about long-term executive development and talent retention across the organisation.

	June RB	We visited Sartorius at its headquarters in Göttingen, Germany. We had requested to meet the heads of the two Sartorius divisions to broaden our understanding of management bench strength following our call with chair/CEO. These meetings helped us appreciate how the organisation fits together, and we discovered a promising level of collaboration between the two divisions. We also requested a site tour, including a demo of Sartorius's exciting and evolving bioanalytics portfolio. While the pace of growth is not all in Sartorius's control, we were encouraged by how Sartorius is positioning itself for the next decade's growth drivers: more automated cell analysis and drug development in the lab division and a new generation of more advanced therapies in the bioprocessing division.
	December U	We arranged a call with the chair/CEO at the end of a challenging year for Sartorius. We discussed customers' ongoing inventory normalisation after Covid-19 and in a more constrained funding environment, as well as the limited visibility Sartorius has had on the extent of that inventory run-down. We discussed the company's balance sheet and levers to bring debt down from here. We also debated the outlook for the Chinese market. Historically, this has been an area of excitement and opportunity for Sartorius. However, the company's approach to China is now more cautious.
Shopify	February I	We spoke to the head of sustainability of Shopify, the Canadian multinational ecommerce company, to help us understand its progress in leveraging its position as an ecommerce enabler to drive climate action. Instead of traditional approaches to carbon offsetting, Shopify wants to help bring ambitious climate removal solutions to the market, such as direct air carbon capture. Importantly, it wants to enable businesses to become more environmentally sustainable and, should they wish, to contribute to funding these carbon solutions. We agree that this is the way Shopify can have its most significant impact but we would also like to see the company focus on emissions abatement. We plan to follow up with the company to encourage this further. We also discussed Shopify's rationale for not setting carbon emission reduction targets, which the company indicated centres around the belief that inflexible targets would reduce Shopify's ability to drive change.
	July U	Merchant software company Shopify decided to sell its logistics arm in May this year. The company had been investing heavily in building this fulfilment network. We spoke to Toby Lutke, CEO and founder, to understand what drove Shopify's decision to sell and how that sale was executed. Lutke expressed that his reasons for selling the logistics arm centred on investment, culture, margin and opportunity. Expanding on these areas, Lutke noted that a changed cost of capital environment increased the cost of building a logistics network beyond what would make it a viable proposition. On culture and margin, Lutke increasingly believed that Shopify, a high-margin software business, couldn't become a company fixated on basis points of savings and couldn't run the logistics arm at attractive enough margins. Regarding opportunity, Lutke expressed that selling the logistics arm would be better for the business, resulting in more retailers and better margins. He noted that making the business leaner would make it ideally suited to capture the substantial opportunities available from new AI technology.
	August U	We met with Shopify's president, Harley Finkelstein, to learn more about its strategy. The discussion centred on Shopify's decision to offer more business-to-business services and solutions for larger enterprises. Such services, we learned, are a natural evolution of Shopify's product development. They expand the company's addressable market and opportunity to increase the take rate without detracting from the core mission of supporting entrepreneurship. We asked how Shopify continued to solve pain points for small merchants. In response, we learned more about Shopify's exciting AI offerings, which are bespoke for ecommerce.

Spiber	July U	We received an update on Spiber's operations over the past 12 months, dived deeper into the technological advancements made, and discussed upcoming challenges. Overall, we were reassured of the company's strong research and development capabilities.
Tesla	March U	We attended the Tesla investor day at the company's gigafactory in Texas. This was an excellent opportunity to see the new products and to tour the factory. We also learned more about how the company intends to decrease costs and expand access to its products and how it is effectively managing its supply chain. We came away excited about the long-term opportunity that Tesla still has and remain impressed by the company's intent.
	May U	Ahead of the AGM, we had two separate calls with the board chair and two non-executive directors. We discussed Hiro Mizuno's decision to step down from the board, which reduced the number of independent directors, and the appointment of JB Straubel and Joe Gebbia. The new directors add entrepreneurial, executive and design expertise, with Straubel providing deep technical knowledge, given his previous role as a senior executive. We heard a cogent defence of the board's new composition. The chair is confident that the board has a healthy level of independence and retains the ability to have frank discussions and challenge management when required. She would like to add a director with strong financial expertise and experience dealing with global regulations in terms of potential future additions. Our discussions assured us that the Tesla board retains the requisite skills and experience to support management's delivery of the long-term strategy. We will continue to monitor the board's composition and will support future appointments that enhance its ability to provide effective stewardship of the business.
	December U	We met with Tesla's VP of supply chains to understand the company's mineral sourcing, specifically about China and its association with Xinjiang and forced labour. This is a complex area, with profound challenges in auditing upstream suppliers; with Xinjiang at the top of its supply chain priorities list, Tesla stated it has been growing its team, focusing on battery supply chains. We were pleased with Tesla's proactivity and noted its focus on battery passport initiatives and investigations into direct sourcing of brine and spodumene outside of China, with plans for US refining.
	December RB	We met with Tesla's new CFO following the retirement of Zach Kirkhorn. We aimed to understand how he planned to maintain the financial and operations roles the former CFO played at the company and how he sought to support Tesla's future growth. He discussed focusing on maintaining and growing market share in a higher interest rate environment. This will be through a combination of continued efficiency to save costs, making the investments needed in auto innovation and other initiatives. We are pleased to have opened a relationship and aim to continue observing Tesla's progress.
TSMC	December I	TSMC requested our input to understand the most material ESG concerns for the company. We were pleased to communicate our priorities, which include water, energy and emissions, supply chains and talent. We encouraged TSMC to continue improving reporting across these areas, with a particular focus on water as the most material ESG topic. While we appreciate the level of detail provided in TSMC's reporting, we suggested that more forward-looking scenarios might be beneficial for assessing the impacts of physical climate risk and the long-term effects of climate change. Overall, we appreciate TSMC's efforts to engage with stakeholders and address ESG concerns.
Umicore	February U	Following the recent results from Umicore, the materials technology and recycling company, we had a call with the CEO and CFO. It focused on how developments during 2022 may shape the company's trajectory for the years to come. We discussed how legislation in the USA and Europe, such as the US Inflation Reduction Act and the European ban on internal combustion vehicles, will affect Umicore over the next five years. We also learned about Umicore's strategy with its recently announced high lithium and manganese battery chemistry, which is expected to offer 25 per cent higher energy density and be 10 per cent cheaper to make.

	July U	We had a video call with the executive team at Umicore. We discussed the recent restructuring, including the strategic rationale for splitting rechargeable battery materials into a separate legal entity and creating two new committees on the supervisory board. We then discussed the rechargeable battery materials business in more detail, as this will be the main growth engine for Umicore in the coming decade. We addressed the demand for electric vehicle batteries, the competitive dynamics in the industry and the role of different battery chemistries.
	November RB	We travelled to Poland to attend Umicore's capital markets day and visit Umicore's new gigafactory at Nysa. The gigafactory is expected to produce 40GWh capacity in cathode active materials by the end of 2024. Cathodes are a critical component of automotive batteries, so Umicore's factory supports the roll-out of electric vehicles (EVs) in Europe. It was a beneficial opportunity to meet many management team members, especially as Umicore has undergone considerable refreshment over the last two years. The industry structure for EVs is dynamic, but Umicore has a strong position as a European local supplier with quality products and strong sustainability credentials. Through the factory tour, we could see how Umicore's manufacturing base is adaptable to different cathode chemistries over the long term, thanks to its differentiated, modular set-up. Challenges remain around the potential penetration of lithium-ion cathodes in Europe. However, it was helpful and reassuring to discuss Umicore's long-term research and development roadmap. Though Umicore is not interested in moving into lithium-ion cathodes, it still aims to offer at least two cathode chemistry options for carmakers in each market segment.
Wuxi Biologics	September U	We visited Wuxi Biologics' offices and one of its facilities in Shanghai. This was an opportunity to meet the CEO and visit the facility that operated through the pandemic. With access to high-quality and low-cost talent in China being a key competitive advantage, it was helpful to hear how the company attracts and retains talent: we were told how the company can attract talent from the biotech industry thanks to its strong reputation, pace and mission in addition to nurturing internal talent recruited from universities. Reassuringly, if the cost of talent increases in China, the CEO is confident that the company will overcome this through the efficiency gained from cumulative experience. Another differentiating feature of Wuxi is its use of single-use bioreactors, enabling greater efficiency and speed. It was helpful to probe why this isn't immediately replicable by competitors, as it requires human expertise and experience to optimise the processes and to be able to scale. The conversations highlighted the CEO's ambition and determination to support innovation and smaller and newer biotech businesses.
	November U	Wuxi Biologics has a complex corporate structure and a previous history of mergers and demergers. We were therefore interested in having more details on the spinout of Wuxi XDC – Wuxi Biologics' unit focused on antibody-drug conjugates. Wuxi XDC has grown considerably within Wuxi Biologics and now has 1,000 employees. Wuxi Biologics CEO Dr Chris Chen explained that Wuxi XDC can be more agile as a start-up than as an organisation within Wuxi Biologics. From a governance perspective, Wuxi Biologics has ensured there are non-compete clauses between the companies, and clients would have separate contracts if Wuxi Biologics was involved in manufacturing on behalf of Wuxi XDC.
	December RB	We met with Wuxi's CTO, who provided colour on the operations of the research and development function and the emphasis still placed on this area despite the more challenging environment for biotech firms. The CTO also gave us more insight into the technology used at Wuxi Biologics, notably single-use bioreactors and continuous manufacturing processes – which are, in our view, critical components of Wuxi Biologics' competitive advantage.

Xylem

January

U

We met with the chair of Xylem, the water equipment and solutions provider, before announcing the proposed merger with Evoqua. We discussed remuneration and, once again, informed the company that we believe that the total shareholder return metric of the compensation plan should begin vesting at the 50th percentile of performance versus a peer group, rather than the 25th percentile as it is currently set.

We also took the opportunity to ask the chair about the board's functioning. We were reassured that the chair is thoughtful about board composition, balancing broad leadership capabilities with more specific digital and tech expertise. There were encouraging signs of a healthy board. For example, the chair promotes open dialogue between the non-executives and executives.

It was also good to learn that the board has implemented the recommendations of a recent board evaluation (including reorganising the capital allocation committee).

January

U

When Xylem's proposed merger with Evoqua was announced, we had a joint call with the CEO and CFO of Xylem and the CFO of Evoqua. We learned about the origin of the deal and were reassured that this was a friendly, non-competitive process. We learned more about the deal's strategic rationale and the proposed synergies, but it was noted that the company would release more details.

At a high level, we heard how Evoqua can offer more services and industrial customers while Xylem brings more international exposure and digital expertise. We also discussed the companies' complementary cultures. Although discussions about culture can seem intangible, seeing the "real life" cooperation between the two management teams on the joint call was helpful.

April

RB

We met with the VP of sustainability at Xylem's global HQ in Washington, DC. Half of the office is set up (primarily) for the senior leadership, and the other half is an event and co-working space for pretty much anyone in Xylem's stakeholder group to use – including industry bodies, start-ups, non-governmental organisations and shareholders. The meeting was beneficial for understanding how two major announcements by the company – the partnership with GoAigua on Xylem Vue and the acquisition of Evoqua – will enhance the company's impact. We also discussed the role the company could play in improving access to water in Africa by reducing leakage rates, strengthening water companies' profitability and facilitating education and training.

September

RB

Soon after the news was announced that the CEO and CFO were stepping down from their positions at Xylem, we had a call with the current and incoming CEOs. The incoming CEO is Matthew Pine, who was promoted to COO last year and has gained valuable experience, which will position him well as CEO. We were glad to hear the value he places on maintaining the culture and mission of the company, and we expect this to be reflected in the new strategy when it is announced in Spring 2024.

Following last year's office relocation from New York to Washington, DC, the CFO has decided to leave for personal reasons. The search for the new CFO started in May and involved Pine. We left the meeting impressed with the company's succession planning for the new CEO and understanding of the decision made by the outgoing CFO. We will support Matthew Pine as he settles into his new job and will engage in the new year to understand his strategy for Xylem.

December

I

We fed into Xylem's upcoming sustainability reporting. The company already performs relatively well in this area, so we advocated a focus on material issues such as physical climate risk and cybersecurity. We also suggested some improvements that could be made to Xylem's impact reporting and requested the company undertake a biodiversity assessment to identify any material impact or dependencies on nature. We also spent some time discussing the importance of culture in creating an environment for success at the company.

Industry engagements

Deep Transitions Project	Ongoing	As an extension of our work with the Deep Transitions Project, we experimented with the Deep Transitions Lab. Our two workshops in 2023 were designed to upskill the team in systems thinking and consider how the Positive Change portfolio contributes to creating a desirable world. We look forward to continuing our learning in 2024.
Global Impact Investors Network (GIIN)	Ongoing	Following our industry engagement the previous year, the GIIN released its inaugural Guidance for Pursuing Impact in Listed Equities in 2023. This provides valuable insights into investing in publicly traded companies. The guide explores the diverse range of investors and investee companies, as well as the liquidity and dynamic nature of the market. It emphasises the concept of investor contribution and offers a robust framework for asset managers to manage investment funds effectively and set transparent financial and impact goals that align with our commitment to the 'theory of change'. This endorsement from a prominent industry association adds external validation to the Keystone Positive Change Investment Trust and how we approach listed equity impact investing. At the GIIN Impact Forum in Copenhagen, we joined over 1,500 delegates who convened to scale impact investing with integrity. We discussed key insights on climate investing acceleration, untapped opportunities in the global south and responsible AI use. As the 2030 deadline for achieving the sustainable development goals approaches, this is a pivotal moment for asset owners and managers to commit capital towards closing the significant funding gap required for success.

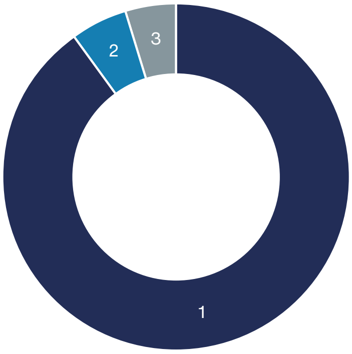
Proxy voting

We voted on all resolutions proposed at AGMs or EGMs for the holdings in Keystone Positive Change Investment Trust. Our internal ESG Services Team, in consultation with investment teams, undertakes all voting. As well as summarising all voting, we show the detail of our voting record where we have voted against resolutions proposed by management, and the votes (for and against) resolutions by shareholders.

Number of AGMs and EGMs

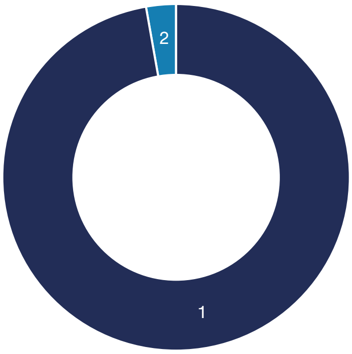
37

Keystone Positive Change Investment Trust proxy voting record (%)



1	For	90.0
2	Against	5.4
3	No vote*	4.6

Management votes (%)



1	For	97.3
2	Against	2.7

Source: Baillie Gifford & Co. As at 31 December 2023.
Based on a representative portfolio.

*The ‘no votes’ all relate to the Illumina AGM on 25 May 2023. There were two proxy cards for the AGM: a management proxy card and a dissident proxy card (issued by an activist investor). We chose to vote on the management proxy card and did not vote on the dissident proxy card.

Resolutions voted for

Companies	Voting rationale
10X Genomics, ASML, AbCellera, Alnylam, Autodesk, Bank Rakyat Indonesia, Chr. Hansen, Coursera, Deere, Dexcom, Discovery, Duolingo, Ecolab, FDM, HDFC, Illumina, M3, MercadoLibre, Moderna, NIBE, Novonesis, Nu Holdings, Ørsted, Remitly, Safaricom, Shopify, TSMC, Teladoc, Tesla, Umicore, Xylem	We voted in favour of routine proposals at the aforementioned meeting(s).

Resolutions voted against

Company	Meeting type	Res	Proposed by	For (%)	Against (%)	Abstain/ withhold (%)	Result	Reason for vote
10X Genomics	AGM 14/06/23	3	Management	82.8	17.2		Pass	We opposed executive compensation due to concerns with the grant of equity awards with share price hurdles. We do not believe that share price is an appropriate performance metric or that these particular awards will necessarily reward a long-term, sustained growth in share price, and therefore do not believe that these awards are in the best interests of shareholders.
Bank Rakyat Indonesia	AGM 13/03/23	3	Management	93.14	6.85		Pass	We opposed the remuneration for the board as independent directors and commissioners receive incentive-based pay that could compromise their objectivity.
Bank Rakyat Indonesia	AGM 13/03/23	8	Management	69.12	30.87		Pass	We opposed the changes to the composition of the company's management due to lack of disclosure of the changes.
Deere	AGM 22/02/23	5	Shareholder	40.9	58.3	0.8	Fail	We opposed a shareholder proposal requesting the company put any senior manager severance package over a certain threshold to shareholder vote. We currently do not have any concerns with how the company remunerates its executives or employees, and think this proposal would provide unwarranted distraction from focusing on the long-term growth of the business.

Company	Meeting type	Res	Proposed by	For (%)	Against (%)	Abstain/ withhold (%)	Result	Reason for vote
Dexcom	AGM 18/05/23	5	Shareholder	35.9	64.1		Fail	We opposed a shareholder resolution asking for a median pay gap reporting. We are satisfied that the company has committed to provide this reporting and is currently working with consultants on it.
Discovery	AGM 16/11/23	NB.11	Management	Result	not available		–	We opposed the remuneration policy due to concerns with the lack of long-term performance measures.
Discovery	AGM 16/11/23	NB.12	Management	Result	not available		–	We opposed the implementation of the remuneration policy due to concerns with the lack of long-term performance measures.
Ecolab	AGM 04/05/23	2	Management	93.4	6.6		Pass	We opposed the ratification of the auditor because of the length of tenure. We believe it is best practice for the auditor to be rotated regularly to ensure independent oversight of the company's audit process and internal financial controls.
Ecolab	AGM 04/05/23	7	Shareholder	44.9	55.1		Fail	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.
FDM (Sold Aug 2023)	AGM 16/05/23	17	Management	82.6	17.4		Pass	We opposed the second authority to issue equity without pre-emptive rights because the potential dilution levels are not in shareholders' interests.
Illumina	AGM 25/05/23	1J 1K 1L	Shareholder Shareholder Shareholder	26.82 8.88 59.37	73.17 91.11 40.62		Fail Fail Pass	We opposed the election of three dissident nominees to the board as we do not believe they present a compelling alternative to the board's candidates.

Company	Meeting type	Res	Proposed by	For (%)	Against (%)	Abstain/ withhold (%)	Result	Reason for vote
Illumina	AGM 25/05/23	3	Management	13.87	83.43	2.69	Fail	We opposed executive compensation as we did not agree with the decision to make one-off retention grants to named executive officers, in addition to annual variable incentive grants, given recent company performance.
Moderna	AGM 03/05/23	4	Shareholder	7.4	92.6		Fail	We opposed the proposal to commission a third-party report into the feasibility of transferring the IP of Moderna's Covid-19 vaccine to companies in low- and middle-income countries. This is a re-file of the same proposal on last year's, which we opposed. Little has changed to warrant a change in view. There is little to suggest that there is a supply issue in low- and middle-income countries. Should Moderna license more of its IP, we are confident it would have limited effect on addressing today's Covid vaccine inequalities and it also comes with substantial risks which, we believe, the company has considered appropriately.
Teladoc	AGM 25/05/23	6	Shareholder	16.5	83.5		Fail	We opposed a shareholder resolution requesting certain bylaw amendments require shareholder approval. Teladoc Health's current requirements do not appear overly restrictive or out of line with peers.
Tesla	AGM 16/05/23	5	Shareholder	5.8	93.4	0.8	Fail	We opposed the shareholder resolution requesting reporting on Tesla's key-person risk, including identification of key persons and actions to ameliorate the impacts of their potential loss. While Tesla discloses that the company is dependent on CEO, Elon Musk, a report identifying key persons could put the company at a severe competitive disadvantage. Further, this level of disclosure is not common practice for other US companies.

Company	Meeting type	Res	Proposed by	For (%)	Against (%)	Abstain/ withhold (%)	Result	Reason for vote
Xylem	AGM 18/05/23	3	Management	83.1	16.9		Pass	We opposed the executive compensation policy as we do not believe the performance conditions are sufficiently stretching.
Xylem	AGM 18/05/23	4	Shareholder	38.8	61.2		Fail	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.

Resolutions abstained

We did not abstain on any resolutions during the period.

Resolutions withheld

We did not withhold on any resolutions during the period.

Please note the voting results data set out above has been provided to us by a third party. No member of the Baillie Gifford group (being Baillie Gifford & Co, Baillie Gifford Overseas Limited and any of their subsidiaries, subsidiary undertakings, holding companies and affiliates from time to time) is responsible for the accuracy or completeness of information supplied by third parties.

keystonepositivechange.com

Calton Square, 1 Greenside Row, Edinburgh EH1 3AN
Telephone +44 (0)131 275 2000