
ESG

Head of ESG Catherine Flockhart on how we consider our ESG-focused portfolios and the importance of bottom-up analysis.

All investment strategies have the potential for profit and loss, your or your clients' capital may be at risk.

This communication was produced and approved in December 2022 and has not been updated subsequently. It represents views held at the time of filming and may not reflect current thinking.

Catherine Flockhart: ESG is an acronym that refers to the environmental, social and governance factors of the businesses we hold. If we break this down, it's fairly intuitive: environmental factors help to define how businesses impact the planet, social analysis aims to reveal how businesses impact people, and governance looks to understand how a business is run.

The long-term, active approach we take to investing at Baillie Gifford frames how we consider our ESG-focused portfolios. Because we are long-term investors, we can use ESG factors as another lens to help us understand the investments we make. Over the long term, we believe sustainability and returns can be complementary. As active investors, we're engaged in building relationships with the management teams of the companies we hold, helping them to remain focused on their long-term vision. We think this puts us in the best position to influence change when needed.

When considering ESG we ask, "What are the one or two material things that a business is doing which really matter?" We acknowledge that there's no such thing as the perfect company, and so understanding the ESG factors of the investments we make requires detailed research and, at times, an understanding of nuance. This is just as true for ESG as for traditional financial analysis.

We are not looking to excel at the box-ticking approach that is so often used because it looks good or is easy. There are no shortcuts or rules of thumb to truly understanding the sustainable credentials of an investment. We think this must be based on proper, good old-fashioned bottom-up analysis. It takes time and patience, but those are skills that we have.

We do this very simply because we believe it makes us better investors, and because it matters. We do this because we want to hand on the portfolios which we manage for our clients to the next generation of investors in good shape, and to leave the world in which we all live in better shape, too.



Important information and risk factors

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

This communication contains information on investments which does not constitute independent research. Accordingly, it is not subject to the protections afforded to independent research, and Baillie Gifford and its staff may have dealt in the investments concerned.

Baillie Gifford & Co and Baillie Gifford & Co Limited are authorised and regulated by the Financial Conduct Authority (FCA).

