Baillie Gifford™

Sustainable Growth

Sustainability Report 2024

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Risk factors

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

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

All data is based on a representative portfolio, as at 30 June 2024, unless otherwise stated.

Potential for profit and loss

All investment strategies have the potential for profit and loss. Past performance is not a guide to future returns. It should not be assumed that recommendations/transactions made in the future will be profitable or will equal performance of the securities mentioned.

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

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Contents

Foreword

Welcome to our second annual sustainability report.

We realise there are as many definitions of sustainability as there are sustainable funds. For us, a 'sustainable' company is one that delivers enduring growth while creating value for society. But, like all active investing, this is a matter of judgement. That's why we aim for full transparency in our reporting so, for each holding, you can see why we're invested, and why we believe the world will be a better place if the company succeeds. We hope this will allow you to judge whether our strategy aligns with your values. Our goal is to build a portfolio that our clients can be proud of, both because of the returns it delivers and the companies it is backing.

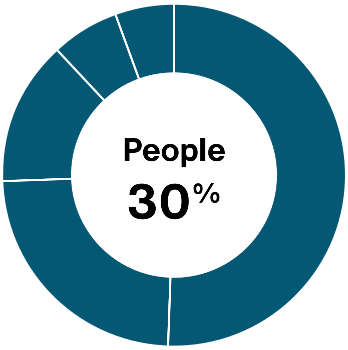
This year, we continue to provide our readers with a high level of granularity, building on last year's report. In the appendix you'll find details of the full portfolio, including each company's alignment with global challenges and the Sustainable Development Goals, where appropriate. We complement this with detailed case studies, focussing on new names in the portfolio, and distinguishing between those where our case rests on impactful products or influential practices. You can also find more information on our engagement activity and voting record.

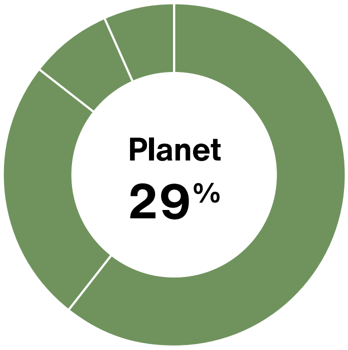
We hope you find this report informative and enlightening. As ever, we welcome your feedback. What would you like to see next year? Let us know via your normal Baillie Gifford contact or scan the QR code at the back of the report for contact details.

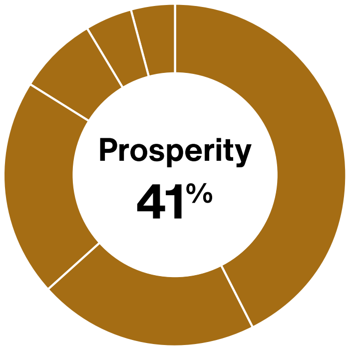
Toby Ross, Katherine Davidson,
and the Sustainable Growth Team

At a glance

Products 51.8% | **Practices 47.7%**





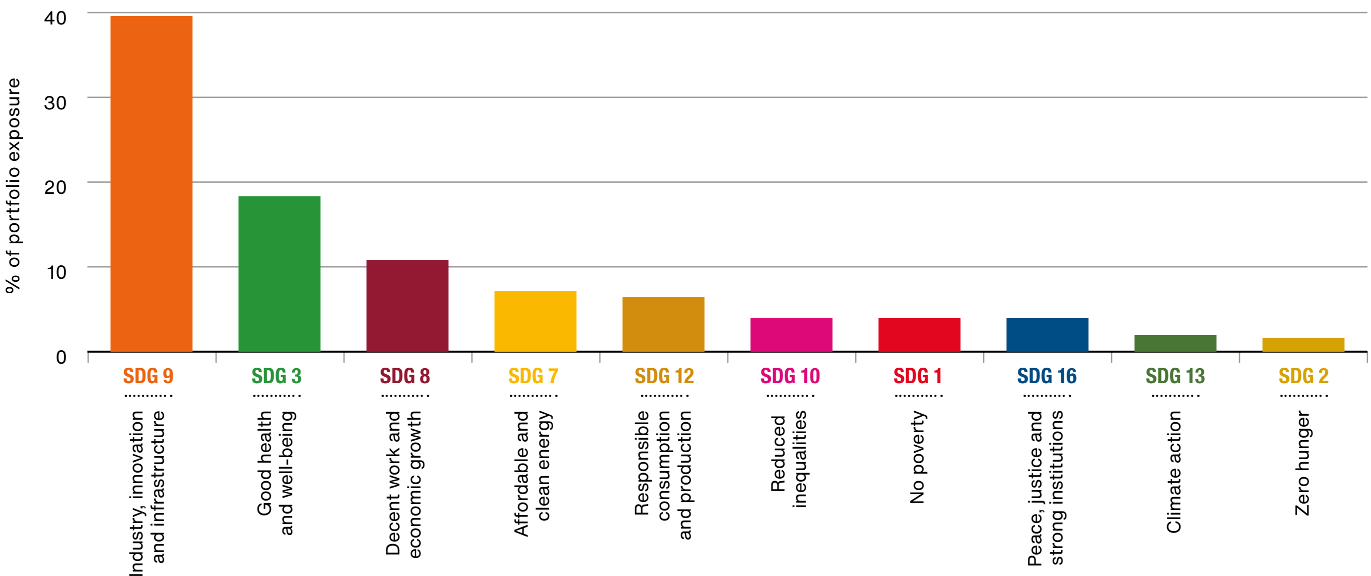


●	%
Extending healthy life expectancy	15.1
Deepening financial inclusion	7.1
Enhancing access to healthcare	4.1
Promoting strong institutions	1.9
Improving food security	1.6

●	%
Doing more with less	17.3
Enabling the energy transition	7.1
Preserving natural capital	2.2
Adapting to climate change	1.9

●	%
Supporting innovation for growth	17.7
Fair and decent work	8.6
Lowering barriers to entrepreneurship	8.5
Safer lives online	3.1
Supply chains with integrity	1.8
Encouraging fair and transparent markets	1.7

Sustainable Development Goal Alignment



Portfolio has exposure to ten of the UN's 17 Sustainable Development Goals. No direct exposure to SDGs 4, 5, 6, 11, 14, 15 and 17.

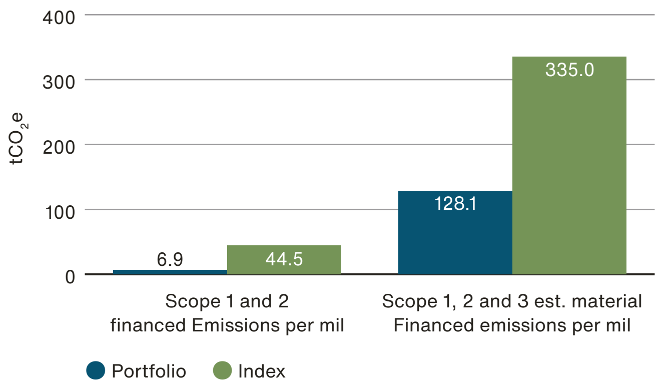
175
company engagements held over the year at strategy level

831
firmwide engagements

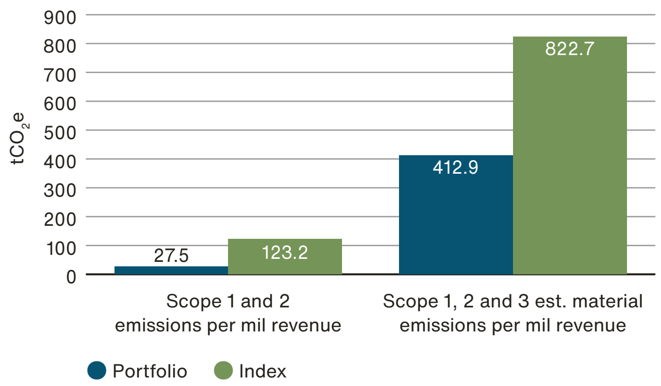
10
engagement priorities

All data is as at 30 June 2024. Totals may not sum due to rounding.

Carbon footprint

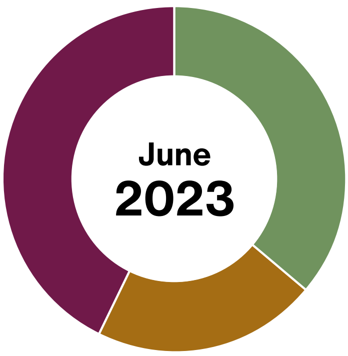


Weighted average carbon intensity



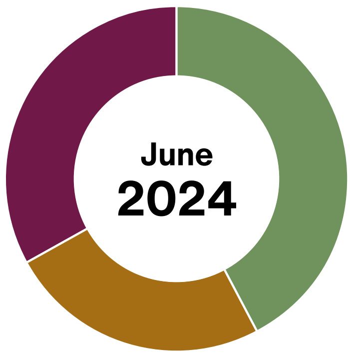
Source: Baillie Gifford, MSCI, FactSet. Carbon Footprint (tCO_2e)/\$m: Normalised measure of a portfolio's contribution to climate change that enables comparison with a benchmark, between portfolios and between individual investments. Metric is Total Carbon Emissions expressed in tCO_2e per million currency invested. Weighted Average Carbon Intensity by Revenue (tCO_2e/\$m revenue) – The aggregate GHG emissions of a company scaled by some measure of their size (revenue, EVIC). Data is fact-checked by our ESG analysts and is considered correct at the time of publishing.

Net zero alignment



Percentage of portfolio	
Leading	34
Preparing	20
Lagging	40

7% of total AUM was not assessed.



Percentage of portfolio	
Leading	41
Preparing	24
Lagging	32

2% of total AUM was not assessed.

By 2030, all Sustainable Growth's 'climate-material' holdings will be aligned with net zero

By 2040, all portfolio companies will be aligned

Exclusions

Rule based*

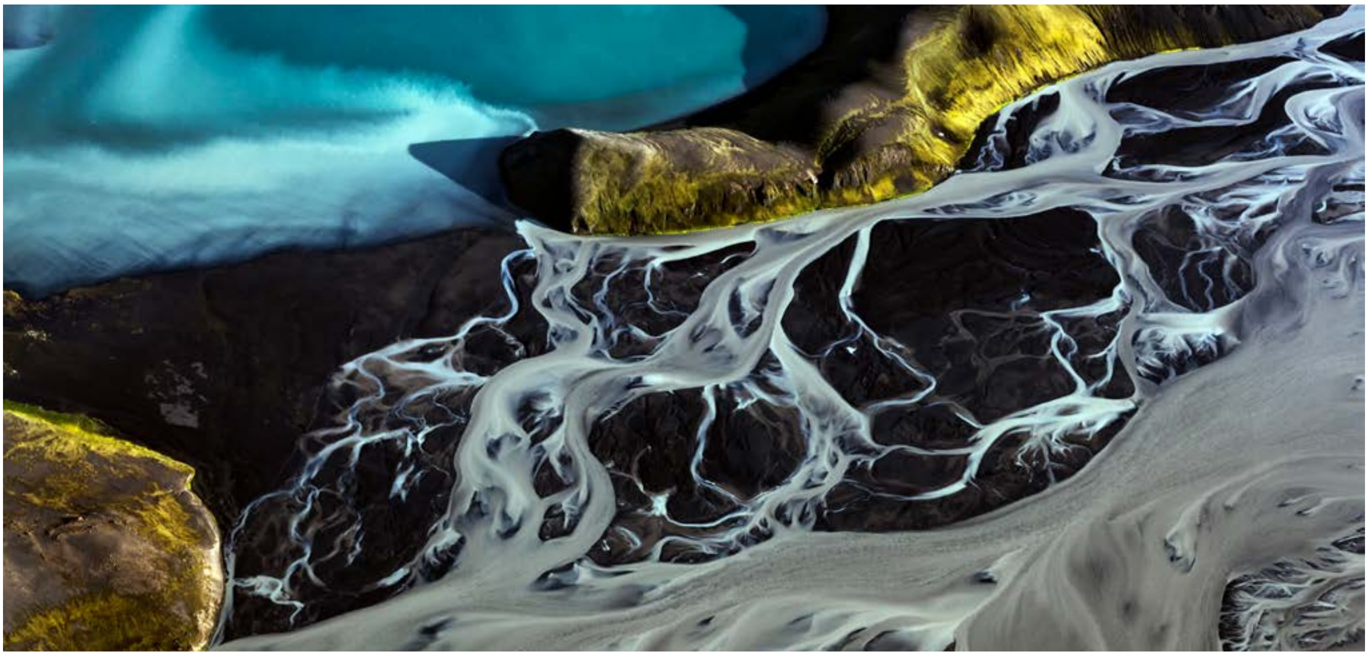
Exclude companies that derive more than 10 per cent of their annual revenue from:

Alcohol	Fossil fuels	Tobacco
Adult entertainment	Armaments	Gambling

Human rights	Labour
Environment	Anti-corruption

*these restrictions apply to the pooled funds

A portfolio to be proud of



Sustainable Growth is based on the fundamental belief that sustainable investment, done properly, will produce superior returns across the cycle. To us, sustainable investment means allocating capital to companies that deliver enduring growth by creating value for society. We believe that those companies that create real value are better placed to see their growth endure for decades. And vice versa, companies delivering long-term growth are in a stronger position to create value. We look to harness these virtuous circles on our clients' behalf, generating returns to be pleased with from a portfolio to be proud of.

Like other sustainable investors, we believe companies with impactful products or services can create the societal value we seek. But we also value the influence of strong business practices, which can role model good behaviours and raise industry standards. Viewing sustainability through a wide-angle lens allows us to build a diversified portfolio, with companies such as bioMérieux, which provides medical diagnostics, as well as firms such as Mastercard, which has ambitious goals for financial inclusion. Business practices are complex and nuanced, so more difficult to analyse, but we have the time and resources to gain a deep understanding here, and we embrace this complexity as a key source of our edge in sustainable investment.

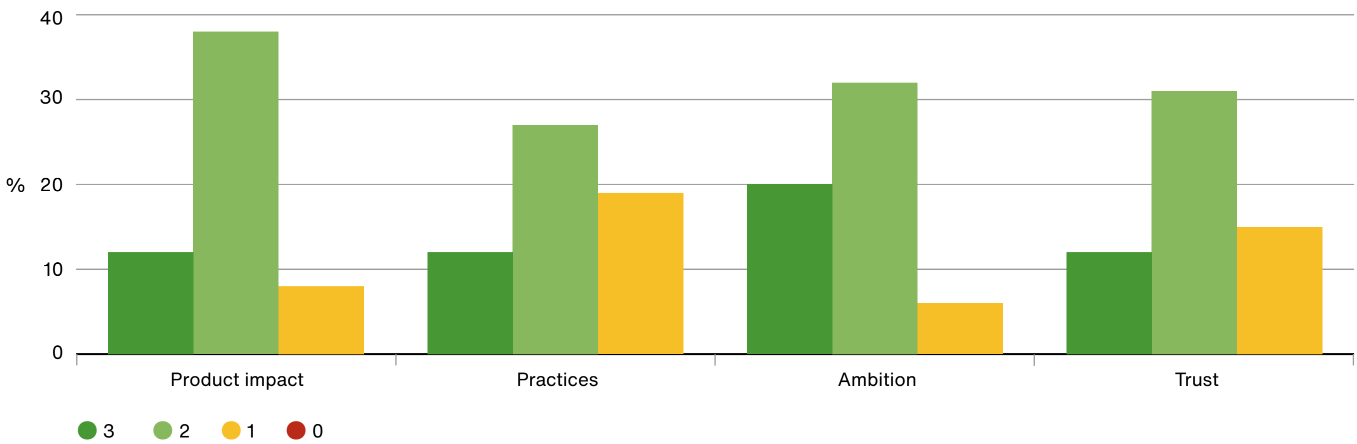
Our nine-question research framework provides a robust and repeatable process for analysing investment opportunities. It facilitates comparison of existing and prospective holdings and ensures consistent standards for what we consider to be a sustainable company.

Given our forward-looking, long-term approach, our analysis is primarily qualitative in nature. However, to ensure a high bar for inclusion, each member of the team scores the company on four key sustainability criteria. The questions we ask and the criteria for scoring are detailed overleaf. For a company to make the grade for the Sustainable Growth portfolio, it must score an average of at least two on products and/or practices, and not score a zero in any of the four categories.

Scores

Products	**Will the core products and services create value for society over the next decade?**	3	**Impactful:** core products/services have a meaningful contribution to addressing a key global challenge
		2	**Influential:** core products have the potential to improve on the status quo, and/or non-core products meet above criteria.
		1	**Neutral:** minimal impact
		0	**Harmful:** core products cause harm to society
Practices	**Does the company show leadership in its business practices?**	3	**Leader:** business practices address material issues in a way that sets the industry standard, and actively seeks to influence competitors, suppliers and others
		2	**Role model:** business practices address a material issue in a way that, if every company followed their example, societal outcomes would be better
		1	**Also ran:** business practices largely aligned with industry
		0	**Bad actor:** business practices cause harm to one or more material stakeholders
Ambition	**What is the company's purpose, and how ambitious are they?**	3	**Change-maker:** clear ambition to drive change within its industry, and to benefit society
		2	**Promoter:** acting as a leader in their industry, making tangible commitments
		1	**Follower:** follows others, and is reactive to pressure from stakeholders
		0	**Laggard:** in denial about significant challenges or externalities
Trust	**Should we trust the company with our clients' capital?**	3	**Full trust:** formal and informal institutions underpin future success; purpose-led organisation
		2	**Good:** governance is robust; good corporate citizen
		1	**Neutral:** limited track record and/or questions over governance and culture
		0	**Broken:** poor governance, myopic mangement team, in denial about challenges to business or negative externalities

Scoring of existing holdings



As at 30 June 2024.

We've reviewed many companies – both existing and prospective – using this framework. Given these names were proposed by a team member or one of our scouts, it's unsurprising that most scored well. However, this year there was one company which was awarded a zero on one dimension of our framework, resulting in automatic exclusion from the portfolio: Progyny, where our trust in management and the board was undermined.

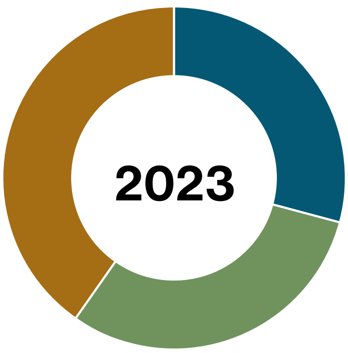
No firm has scored higher than MercadoLibre, the Latin American ecommerce and fintech platform, which has both impactful products and influential practices. The company takes a thoughtful approach to the climate challenges of its business model, experimenting with non-electrified solutions for logistics, such as biofuels, in a region where electric vehicle (EV) charging infrastructure is lacking.

Our standard of sustainability is high. Less than a third of the companies reviewed achieved our top score for products or practices. This makes sense – there are relatively few companies making a truly material and additional impact on a global challenge. And not every company can show true leadership in its business practices, actively seeking to influence peers. However, many of our holdings offer products or services which are *beneficial* for society – they improve on the status quo. And many *role model* the kind of behaviours that, if emulated elsewhere, would improve societal outcomes.

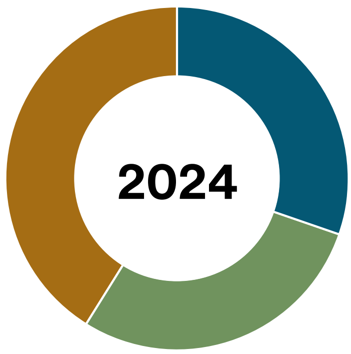
Assigning scores to our analysis helps us articulate how strongly aligned the company's mission is with the global challenge it is facing into. We think of these challenges in three broad categories; the wellbeing of **people**, the protection of our **planet**, and the expansion of **prosperity**. Within these headline categories, we have identified a number of more specific themes, many of which align with the UN's Sustainable Development Goals (SDGs).

Exposure to these themes is an output of our bottom-up stock-picking approach, rather than any top-down target. Given our low turnover, we would not expect to see major changes from year-to-year. As such, we can see only small movements since we reported on these themes in 2023. Our weightings in People and Prosperity have remained roughly the same, while our allocation to Planet has dropped slightly.

Portfolio exposures to sustainability themes



Percentage of portfolio	
People	29
Planet	31
Prosperity	40



Percentage of portfolio	
People	30
Planet	29
Prosperity	41

All data is as at 30 June. Totals may not sum due to rounding.

Idea generation in this category has been strong, resulting in five new names in the year. However, we have also seen competition intensify amongst many climate solutions providers, resulting in more sales than purchases. Our decision to sell Tesla as competition emerged from China is one example. Waning government support has also been a factor for many firms. ITM Power, a UK company manufacturing electrolysers for green hydrogen production, has an exciting but nascent technology. We sold because its reliance on subsidies meant it did not have the resilience we seek.

The following sections give more detail on these themes and we delve deeper into some of the newer names in the portfolio. We're proud of the value these companies are creating for the societies in which they operate, and we hope clients will be too after reading this report.

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People

The challenges facing our growing and ageing population are multi-faceted, complex, and vary by region. The World Health Organisation forecasts that the number of **people aged over 60 globally will double by 2050. The number over 80 will triple**. It will come as no surprise that we need more healthcare as we age. For example, a 90-year-old Brit costs the health system almost ten times as much as someone half their age.

We therefore need innovative healthcare solutions and as much emphasis on prevention as cure. One example is Exact Sciences. It focuses on early cancer detection and prevention, which is crucial for ageing populations at higher risk of cancer. Its core product – Cologuard – offers a non-invasive colorectal cancer screening option for adults aged 45 or over. It provides a convenient, at-home screening method making this far more accessible.

Elsewhere, in much of Asia ageing is happening alongside rapid urbanisation and population growth. This results in a growing burden on nascent healthcare systems, resulting in long waiting times and inequality of care. Insurer AIA is actively addressing these issues in relatively immature markets such as China and India. Along with a broad range of life insurance and retirement products, AIA also offers innovative healthcare solutions. A significant part of this is its joint venture with Discovery, Amplify Health, which focuses on integrating technology and large data pools to improve health outcomes.

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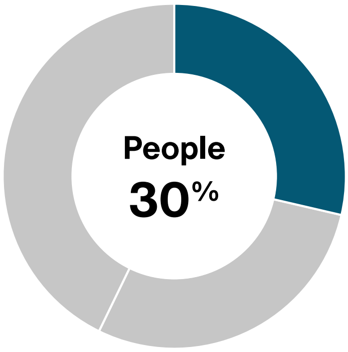


Company	Portfolio %
UnitedHealth Group	2.9
Illumina	2.7
Mastercard	2.6
Experian	2.0
New York Times Co	1.9
Prudential	1.9
Eurofins	1.6
Kubota	1.6
adidas	1.4
HDFC Life Insurance	1.4
AIA	1.3
Sartorius Stedim Biotech	1.1
Waters	1.1
Wise	1.1
Raia Drogasil	1.0
STAAR Surgical	0.9
Centre Testing International	0.8
Moderna	0.8
Denali Therapeutics	0.7
Inspire Medical Systems	0.7
Exact Sciences	0.6
Total	**29.8**

Financial inclusion is a global challenge, but it is most acute in emerging markets. Global bank account penetration has increased from 51% in 2011 to around 70% in 2022, yet **1.4 billion people remain unbanked**. This is largely due to geographic constraints in countries with poor infrastructure, low incomes, and/or insufficient documentation. Mastercard is a globally recognised brand, with total transaction volume of payments in 2023 reaching over $9tn. Less well recognised, however, is its contribution to improving financial inclusion. It has a target of bringing 1bn people into the financial system by 2025 (870m have been connected to the digital economy already), with a focus on small businesses, underserved communities and women.

To feed a growing and more prosperous population, we must produce **at least 70% more food by 2050**. However agriculture is already a major contributor to global emissions and deforestation, and climate change will endanger food supplies through extreme heat, droughts, and floods. Kubota sells equipment vital to our food ecosystem, such as tractors, rice planters, and engines. It has a strong footprint in emerging Asia, where it is enabling farmers to increase yields and incomes. Kubota is also innovating in next-generation farming technology including the application of AI, robotics, and automation to increase productivity while managing the environmental impact of farming.

All of these companies are reliant on strong and stable institutions that provide the backdrop for economic and social development. The New York Times is a well-known publication with **over 10 million subscribers**. A free press plays a vital role in democratic society, and the Times stands out for its commitment to ethical and truthful reporting, enshrined in its widely-emulated editorial standards. Through its investigative research, it has exposed injustices and spoken truth to power, leading to systemic change such as the #MeToo movement. Its influence extends well beyond the paper's readership, demonstrating its value in society.

This is a broad summary of the types of societal contribution that can be found within our People category. Overleaf we cover two new holdings in more detail.

Case study: Inspire Medical

People, products, extending healthy life expectancy

Inspire Medical ('Inspire') offers a revolutionary way of addressing obstructive sleep apnoea ('OSA'). Its primary market is the US where **an estimated 20 million people are suffering from moderate/ severe cases – translating into over 15 instances of suffocation per hour**.

OSA is a surprisingly common and life-altering condition, characterised by repeated episodes of complete or partial upper airway collapse during sleep, leading to pauses in breathing, oxygen desaturation, and fragmented sleep. It is associated with a higher risk of various physical and psychological diseases, along with meaningfully reduced life expectancy.

It is estimated that **nearly a billion adults aged between 30–69 years old globally suffer with OSA**, around half of which are severe enough to require treatment. Today, OSA is massively underdiagnosed as it requires assessment in a specialist sleep clinic, but this may be changing with the advent of wearable technologies. OSA has a huge cost to the economy due to lost productivity, vehicle accidents and comorbidities.

Over the last 40 years, the main treatment has been Continuous Positive Airway Pressure (CPAP). This is a machine which gently blows air through a mask worn while the individual sleeps, helping to keep airways open. Despite this being an effective treatment, compliance rates are low due to the bulky and intrusive nature of the machine. This is a key signal evidencing that **there is a significant unmet need for an alternative treatment**.

Inspire's implant stimulates a nerve which pushes the tongue forward to help clear the throat. It boasts an impressive safety record and high patient satisfaction. The product has been proven safe and effective with over 50,000 patients treated. The company also continues to innovate and improve, reducing the implant's size, complexity/length of surgery, and connectivity. As a result, it has achieved reimbursement from all major public and private payors and has a first-mover advantage as an alternative to the current standard of care.

Inspire's purpose is to '**enhance the quality of life for patients struggling with OSA**'. From our research and engagement with management, we know that the patient is very much at the heart of all the firm's decision-making. While this is a company in the earlier stages of its development, we believe success will be determined by its ability to provide effective treatment to a growing number of sufferers.

Case study: RD Saúde

People, practices, extending healthy life expectancy

RD Saúde, Brazil's leading pharmacy chain, was formed from the 2011 merger of two long-standing family firms, Raia and Drogasil. Today, it operates a vast network of drugstores across Brazil, offering a wide range of products and services including pharmaceuticals, over-the-counter items, and cosmetics.

Brazil's population exceeds 200 million people, and its ageing demographic is an emerging problem. The impact of this growth will be felt most acutely in the healthcare sector, which is expected to quadruple in size over the next 15 years. **Pharmacies provide an accessible and low-cost channel for the provision of primary care, reducing the pressure on hospitals and doctors' surgeries**.

RD boasts a 15% market share, with 3,000 stores at the time of writing and plans to open nearly 300 new ones each year. This means the company occupies a privileged position in the Brazilian healthcare system, setting the standard for the 'health hubs' that are at the front line of care provision. It also leads the way in industry innovation, through its 'safepill' dispensing solutions, telehealth consultations and in-office clinics for top-tier companies like MercadoLibre.

While prescription drugs remain its largest category, it is expanding its service offering. For example, doubling the number of vaccines offered in store over the past decade to more than 400 today. **This makes RD the go-to provider of protection against dengue fever and shingles, for example**. We see a virtuous circle arising from RD's role as a de facto primary care provider, which will drive greater loyalty and footfall in its stores.

This is a company that is enhancing access to healthcare for millions: its **stores are visited by over 20% of Brazil's population annually** and 2/3rds of those stores offer services that focus on preventative and primary care, alleviating the burden on an increasingly stretched healthcare system. RD's scale, leading position, ambition, and edge in customer analysis, put it in a position where it can set the standard. Its long history of innovation in customer care has driven share gains and an exceptional net promoter score, which is evidence of the value its customers derive from these services.

RD's mission is to '**contribute the most towards a healthier society in Brazil'**. As it grows, we are confident it will increasingly fulfil this aim.

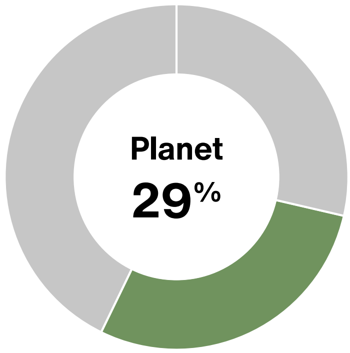
Planet

Achieving net zero emissions by 2050 requires more than just a shift away from fossil fuels as our primary energy source. It involves a broad spectrum of industries, from innovative financial products to fossil-free goods. This offers us the chance to identify the forward-thinking companies from those lagging behind using our sustainability framework. We expect investments in companies aiding this transition to deliver sustained growth in earnings, driving good returns for clients.

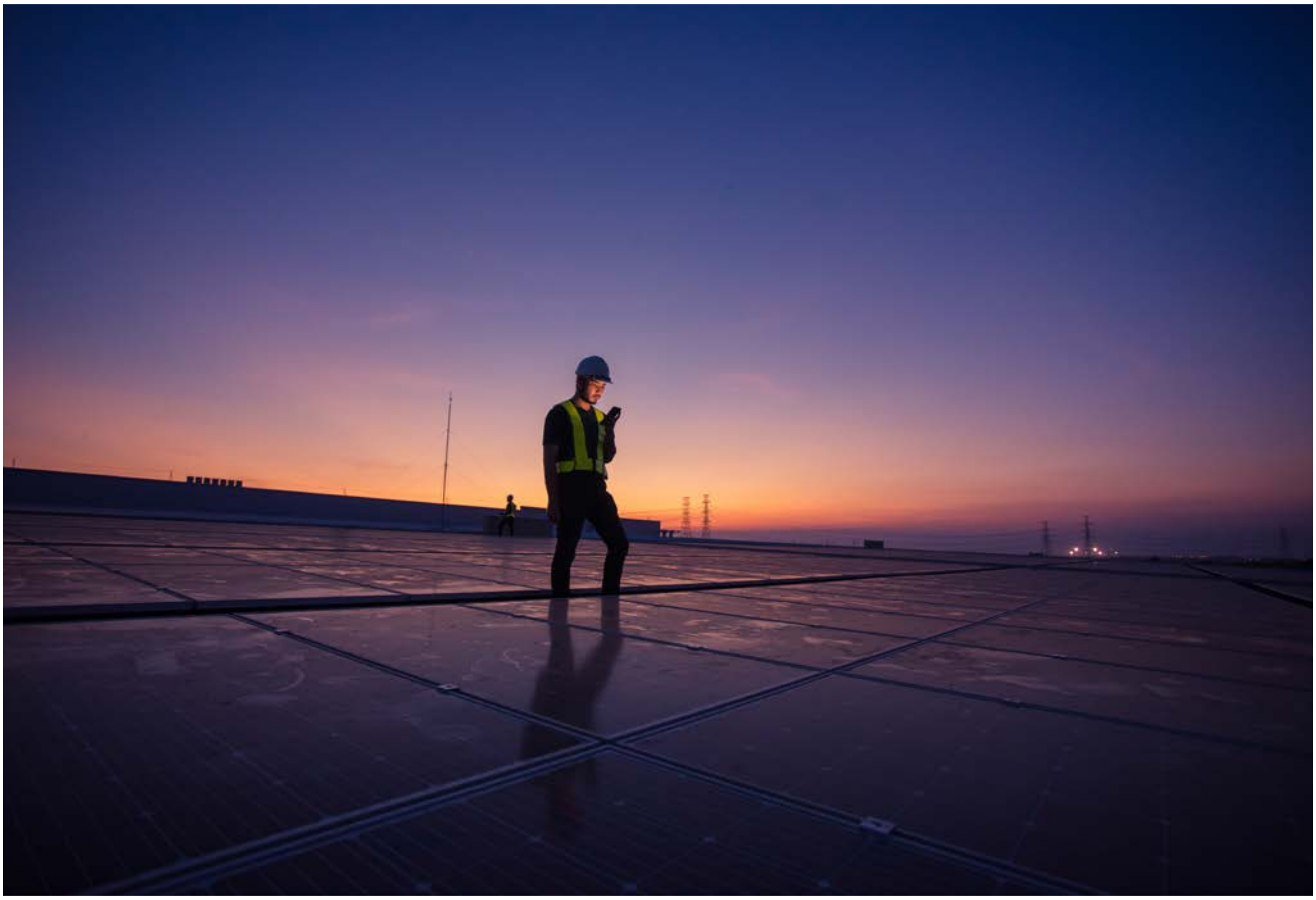
However, at the heart of this substantial global challenge still lies an energy transition. As we have observed recently, the need for a relatively stable, continuous supply of primary energy at a reasonable price impacts all sectors of the economy. **Every company has a potential role to play in managing its energy exposure through what is likely to become a disorderly transition**.

Earlier this year, we spent time working with the Deep Transitions project, based at the Universities of Sussex and Utrecht. They helped us consider the possible outcomes of various climate transition scenarios and how each might impact the companies in your portfolio. We considered a range of scenarios; from climate-related uncertainty derived from a delayed transition in a 'hot house' world, to the increasingly improbable orderly transition aligned to the goals of the Paris Agreement, as well as a combination of these two extremes.

Every company has a potential role to play in managing its energy exposure through what is likely to become a disorderly transition



Company	Portfolio %
Beijer, G & L AB	3.4
Atlas Copco	3.0
Watsco	2.5
L'Oréal	2.2
Wabtec	2.1
Advanced Drainage Systems	1.9
DSV	1.9
IMCD	1.6
Bridgestone	1.4
Metso	1.4
Carlisle Companies	1.3
Schneider Electric	1.3
Spirax-Sarco	1.3
Dassault Systemes	1.1
Epiroc	1.0
YETI Holdings	0.8
Savers Value Village	0.4
Total	**28.5**



We then explored which companies might benefit and which might struggle through these differing scenarios – and where the second-order effects might lie. This approach provides context, depth and a more holistic understanding of climate-related risks and opportunities than a purely model-based analysis. One reflection from the exercise was that most of these scenarios involve stronger policy action to combat climate change at some point, with the key question being the timing of this shift.

There are many ways in which a favourable policy environment would support our companies. For instance, an acceleration in the transition towards a greener grid would necessitate greater demand for mining and processing equipment given the need for raw materials such as copper, aluminium and lithium. This would support companies like Metso and Epiroc. The rapid introduction of a material carbon tax could accelerate capital investment in energy-efficient equipment, supporting your investments in manufacturers and distributors such as Spirax Group, Atlas Copco and Beijer Ref.

Increased regulatory pressure to decarbonise materially emitting industries such as ocean freight and rail transportation would provide an additional growth avenue for your holdings in the freight forwarder DSV and the global manufacturer of locomotives, Wabtec. The former helps customers to reduce their supply chain emissions intensity, whilst the latter is developing full battery electric alternatives alongside their more efficient range of diesel locomotives.

While the portfolio contains companies that are addressing climate change mitigation by prioritising near-term emissions reductions, our work with Deep Transitions made us more aware of the risks associated with a disorderly or delayed transition. Consequently, we are spending more time analysing climate-related physical risks across the portfolio, as well as potential investment opportunities in climate-related adaptation. Overleaf we consider two holdings which are clear enablers of the very necessary energy transition we imminently face.

Case study: Epiroc

© Epiroc

Planet, products, doing more with less

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

The global mining and mineral processing industry has historically been enormously energy intensive, drawing upon an estimated 12 EJ (exajoules[2]) of energy annually or **c.4% of final global energy consumption**. For most companies operating in this sector, energy usage is the largest component of their operating costs, so reducing energy consumption makes economic and environmental sense.

One of the most important ways of achieving this is to purchase equipment from manufacturers who focus their research and development efforts on continuously improving energy efficiency. Recognising this, Epiroc has woven energy efficiency into the very fabric of its operations, championing a shift towards more sustainable practices through innovation in automation, digitalisation and electrification. This commitment positions Epiroc as a **critical enabler in the industry's transition towards a greener future**.

In practical terms, this transition is substantial. For instance, in 2023, Rio Tinto, a leading name in the sector, reported the consumption of over 1.5 billion litres of diesel. Epiroc's introduction of electrified mining equipment enables not only a significant reduction in emissions but also operational enhancements including lower noise pollution and cost savings through improved energy efficiency. This is akin to the difference between cooking on an induction hob versus a gas stove: electric mining equipment uses less energy for the same output, offering up to 75% higher tank-to-wheel energy efficiency.

While the journey towards electrification comes with its own set of challenges, notably higher initial capital costs, the long-term benefits are clear. Lower maintenance costs, reduced energy demand and decreased ventilation needs in underground operations contribute to a substantial decrease in total cost of ownership.

Looking ahead, Epiroc estimates that approximately **42% of the company's existing product portfolio has an emissions-free option available**. By 2030, the company has a goal to offer a fossil-free alternative for every model in its fleet. With this goal, the company has also committed to a validated science-based target to reduce the emissions from machines sold by 50% (relative to a 2019 baseline), which aligns with a 1.5-degree pathway. Given Epiroc's scale, this is one of the most ambitious targets set by any Sustainable Growth holding.

All data is as at 30 June 2024. Totals may not sum due to rounding.

Case study: Schneider

© Schneider

Planet, Practices, enabling the energy transition

Schneider Electric specialises in digital automation and energy management. It focuses on providing technologies and solutions that enhance electricity distribution and energy efficiency across a variety of sectors such as healthcare, food and beverages, automotives, and banking and finance. It has three core areas of business:

- **Energy management:** products and systems for low and medium voltage, and critical power applications including electrical distribution systems, solar energy solutions, and energy storage
- **Automation solutions:** automation and control products that integrate digital technologies to improve operational efficiency in areas such as manufacturing, infrastructure and data centres
- **Sustainability services:** providing services aimed at reducing carbon footprint and promoting efficient energy use

Demand for its products is supported by secular tailwinds which we believe will only strengthen over the next decade as we seek to meet climate targets. We expect Schneider to benefit from the increase in electrical grid complexity and upgrade cycles derived from renewables and rising energy demand.

Schneider's products are helping build the infrastructure necessary for a greener future. However, we particularly admire the company for its leadership in business practices due to its long-standing commitment and ambition to decarbonising its own operations.

Schneider has pledged to reach net zero emissions by 2030 without the use of offsets. **It has an even more ambitious goal to be carbon neutral in its entire value chain by 2040**. Key to achieving this goal is its Zero Carbon Project, which aims to significantly reduce carbon emissions from its top suppliers over a much shorter time frame. Indeed, logistics provider DSV, another portfolio holding, cite Schneider as an example of a customer that is particularly ambitious in approaching decarbonisation within its supply chain.

- Zero Carbon Project The primary goal is to achieve a 50% reduction in carbon emissions from top suppliers by 2025.

  It focuses on Schneider's top 1,000 suppliers.

  As at the end of 2023, carbon emissions from these top suppliers have fallen by 27% demonstrating the substantial progress achieved
- We are also impressed by Schneider's CO_2 Impact Methodology, which aims to quantify and track the carbon emissions saved and avoided through their products and solutions. It covers a wide range of products including electrification, digitalisation and automation solutions.
- In 2023, Schneider solutions helped customers save and avoid 112 million tonnes of carbon emissions, roughly the same amount of annual emissions generated by Germany

This impressive level of transparency around its own approach to climate, as well as how its products are helping customers, underpins our conviction in the long-term investment case for the company.

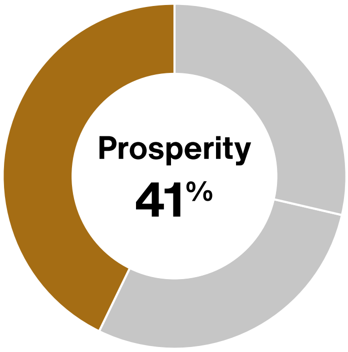
Prosperity

Many are familiar with the World Bank's original definition of extreme poverty, an income threshold of just over $2 per day in today's terms. Few realise the bank set a second threshold in the 2010s, above which an individual's lifestyle can be considered prosperous. At just $25 a day – perhaps enough for a bag of groceries at the supermarket – this will still be low by many reader's standards. Yet less than a third of the world's population meets this threshold[3]. Still, we are making progress: the number of people considered 'prosperous' is increasing by around 85 million a year, that's three people every second.

If 'people' and 'planet' sit at the base of Maslow's famous hierarchy of needs, then 'prosperity' sits further up, satisfying a requirement beyond the basic needs for shelter and safety. This category contains those companies that are facilitating economic growth to lift these millions out of poverty and helping them live fulfilling lives. It is about thriving, not just surviving.

In emerging markets, this may mean lowering the barriers to entrepreneurship or simply providing access to fair and decent work. For example, Latin American ecommerce platform MercadoLibre estimates that nearly two million families depend on its platform as their main source of income.

Yet broadening prosperity is not just the concern of emerging markets. In developed economies, new infrastructure is emerging which underpins technological progress, accelerating our journey to a more prosperous world. Alphabet's largely free tools have revolutionised access to information in a way not seen since Gutenberg's printing press, allowing smaller businesses to scale faster.



Company	Portfolio %
TSMC	4.5
MercadoLibre	3.8
Alphabet	3.4
Recruit Holdings	3.4
Texas Instruments	2.9
Spotify	2.4
NVIDIA	2.2
Workday	2.2
Amazon.com	2.0
The Trade Desk	2.0
MSA Safety	1.8
Cognex Corp	1.7
MarketAxess	1.7
Shopify	1.7
Starbucks Corp	1.4
Warby Parker	1.2
Nintendo	1.1
Rakuten	0.9
Meituan	0.6
JD.com	0.4
Total	**41.2**

3 https://www.weforum.org/agenda/2024/05/world-prosperity-4-key-data-points-you-need-to-understand/#:~:text=World%20Bank%20established%20a%20%2425%20a%20day%20threshold

These firms stand to benefit from the integration of AI features, which we believe will drive a huge leap forward in productivity in the coming years. Amazon's cloud computing infrastructure can help companies and governments speed up innovation cycles while lowering costs and improving reliability.

In this category more than the others, companies tend to be of a scale that attracts scrutiny, and regulatory or reputational risks go along with this. During this year, one prominent topic has been how companies such as Tesla, Amazon and Starbucks have responded to employee demands for collective bargaining.

To provide context for our engagement with these companies, we reviewed the academic evidence around the costs and benefits of unionisation to both firms and their employees during the year.

Working with our firmwide human rights principles and leveraging expert contacts in academia we've developed a framework for considering company responses to unionisation drives. This includes a set of red flags to watch for (for example a company closing multiple unionised work sites). More detail on our engagement efforts can be found later in this report.

With large companies there can be a tension between the value they can create for society through their innovative products and the strain that innovation and rapid growth places on the workforce. As sustainable investors, it's up to us to understand the complexities of these businesses and ensure business practice standards keep pace with product innovation. Overleaf we explore two recent purchases in the prosperity category.

Case study: MSA Safety

Prosperity, products, fair and decent work

8 DECENT WORK AND ECONOMIC GROWTH

A new holding this year, MSA is a purposeful company that exists to protect workers in the most hazardous environments. The company was founded over 100 years ago by the son of a mine superintendent who had witnessed the dangers of mining firsthand. One of its first products was a battery-powered headlamp, which replaced the open flame and canary combination that preceded it, greatly reducing the number of explosions and saving thousands of lives.

Today the firm is famous for its **V-Gard hard hat** which can be seen on the heads of US firefighters among others. This is a product that dominates the industry, **selling over 10 million units per year**. Despite its 100-year heritage, the company remains very innovative. Around a third of sales are from products launched in the last five years, including breathing apparatus designed for the London Fire Brigade, a new contract that represents a foothold in the European market. More recently, it has been adding connectivity to its products which will improve safety, as well as margins.

MSA supplies kit that is bespoke for its purpose, often adding features at the request of specific customers before rolling them out more widely. Key areas of innovation are ergonomics and connectivity. Firefighters wear around 40lb (18kg) of kit so ease of movement with minimal physical strain is important, as is the ability to track and monitor their location and vital signs. Connected gear enables firefighters to find each other in the field and can also improve efficiency by enabling predictive maintenance and reducing downtime. These devices literally set the standard within the industries in which they are used, with regulatory boards frequently calling on the experience of MSA representatives.

In the US, **more than 60 firefighters die each year, and more than 60,000 are injured**. Elsewhere, falls are the number one cause of workplace death for construction professionals. MSA's work is important here; however, standards of protection are much lower in emerging markets. This is where MSA can make the biggest difference. It is also where its growth opportunity is most pronounced.

Protecting an estimated 40 million workers worldwide is a mission followed by employees who are strong advocates of the company. This feeds a virtuous circle that ensures the firm benefits from a highly motivated workforce and remains innovative.

Portfolio Manager, Katherine Davidson, wearing a ceremonial helmet on a visit to MSA headquarters.

Case study: Spotify

© Shutterstock/TY Lim

Prosperity, practices, lowering barriers to entrepreneurship

Spotify's mission is twofold. For artists, it aims to enable a fairer, more equitable music industry, allowing performers of all backgrounds the opportunity to 'live off their art'. For fans, the platform allows streamers to enjoy a wide selection of content, with recommendation algorithms flexible enough to enable content discovery. At the time of writing, the platform served more than **600 million users, and hosted more than 100 million tracks and 6 million podcasts**.

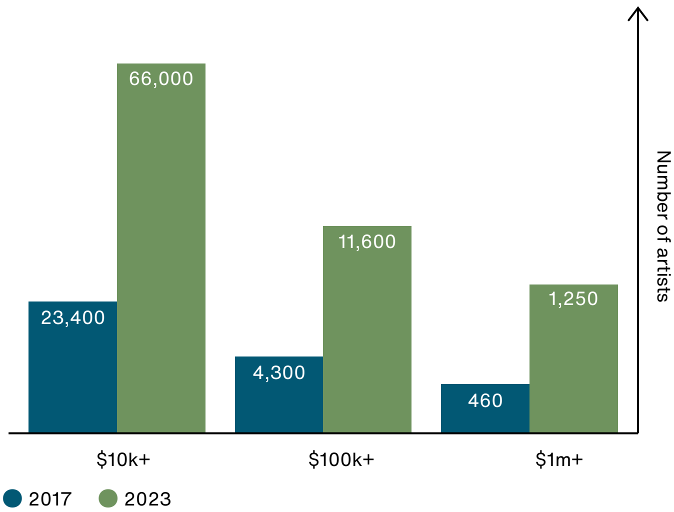
Royalty payments have been a source of contention in the past, with musicians' unions quoting infinitesimally small per-stream figures. However, Spotify has expanded total royalty payments significantly. **In 2023, it paid out a record-breaking $9 billion to the music industry, nearly half of which was generated by independent artists**.

But, like professional sports, few musicians make the leap from hobby to career. This is why the company focuses on the ~200,000 artists who rely on the platform for a substantial portion of their income, rather than the ~10 million who have uploaded at least one track. It has been very successful in improving outcomes for these creatives, with the number of artists making $10,000, $100,000, and $1 million each nearly tripling since 2017.

Upon launch in 2008, Spotify entered an industry ravaged by piracy. Revenues had nearly halved in the preceding decade. Since Spotify's emergence – offering a service so good it was worth paying for – revenues have surpassed their previous peak. Publishers and songwriters are now earning twice what they were in the era of the compact disc.

Spotify has certainly grown the overall pie, but it has also made the individual servings fairer. **While a radio station spins the top 40 tracks and a record store might stock a few thousand titles, on Spotify 50,000 artists generated at least $16,500 in 2023**. Half of those artists were from countries where the first language is not English. In the past, these acts might have struggled to break through and find an audience, but today they have a medium, and the music we listen to is more diverse and representative of the world we live in as a result.

Daniel Ek, founder and CEO, is on record saying that, while they're proud of what they've achieved for artists, there's always more they can do and the company will continue to strive towards its two missions. It is this artist-focussed approach that fuels the virtuous circle we think will see the company expand towards its billion-user target.



The number of artists generating at least $1m, $100k and $10k, has **nearly tripled** since 2017

Source: https://loudandclear.byspotify.com/

Towards net zero: our climate commitment

We believe a successful transition that keeps global temperature increases to well below 2C, and ideally to 1.5C this century, offers our clients a better opportunity for strong long-term investment returns than a failed transition.

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

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

- By 2030, all Sustainable Growth's 'climate-material' holdings will be aligned with net zero. New buys will have an extra 2 years to meet this alignment. If this is not the case, we will explain why this is consistent with our commitment to investing in a way that is aligned with net zero.
- Between now and 2030, on an annual basis, we will assess the portfolio and report to clients on the progress of our holdings in aligning with net zero and our climate-related engagement with portfolio holdings.

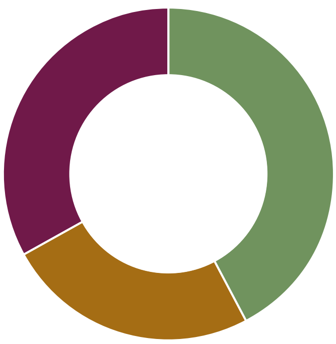
We define 'climate-material' holdings using GHG emissions within a company's entire supply chain and are guided by the 'High Impact Material Sectors' as articulated within the **Net Zero Investment Framework** (dated June 2024) from The Institutional Investors Group on Climate Change.

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

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

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

Target assessment



Percentage of portfolio	
Leading	**41**
Preparing	**24**
Lagging	**32**

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

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

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

Figures may not some due to rounding. 2% of total AUM with targets not assessed. Source: Baillie Gifford and Co. As at 30 June 2024.

Potential transition role	Lagging	Preparing	Leading
Solution innovator Key enabler of decarbonisation			Schneider Electric SE
Potential influencer Carbon light with an opportunity to be part of the solution	Abiomed CVR Line, Centre Testing 'A' – Local, Cognex Corp, Denali Therapeutics, Exact Sciences, HDFC Life Insurance Co Ltd, MarketAxess Holdings, MSA Safety, Nintendo, Staar Surgical, The Trade Desk, Warby Parker Inc, Waters	AIA Group, Eurofins, Experian, Moderna Inc, New York Times Co, Rakuten Inc, United Health, YETI Holdings	Alphabet Inc Class A, Beijer Ref, Dassault Systemes, Illumia, Loréal, Mastercard Inc-Class A, Prudential, Recruit Holdings, Sartorius Stedim Biotech, Spirax-Sarco, Spotify Technology SA, Wise Plc, Workday Inc
Potential evolver Environmentally challenged with opportunity to be part of the solution	IMCD Group NV, JD.com, Meituan, MercadoLibre, Raia Drougasil, Texas Instruments, TSMC, Watsco Inc	Advanced Drainage Systems, Bridgestone, Kubota, Metso Corp, NVIDIA, Shopify 'A', Wabtec	adidas Group, Amazon.Com, Atlas Copco B, DSV B, Epiroc B, Starbucks Corp
Materially challenged Environmentally challenged with limited scope for adapting			

Emissions reduction goals and performance

Emissions data: portfolio carbon footprint and intensity

Measurements of the intensity of GHGs generally comprise two metrics: direct and indirect. The former is a measure of emissions directly resulting from a firm's operations. It is further split into scope 1, which relates to the combustion of fuels or from industrial processes, and scope 2, relating to purchased energy. The latter, indirect emissions (also known as scope 3), consider the prevalence of GHGs across the entire value chain of a company. For example, they may occur 'upstream' during product sourcing or 'downstream' in the use and disposal of purchased goods.

For ease of comparison across business types, we provide the emissions data that follows on an enterprise value basis (total value of debt, equity and cash). Footprint data is per million dollars invested, and intensity statistics are per million dollars of company revenues.

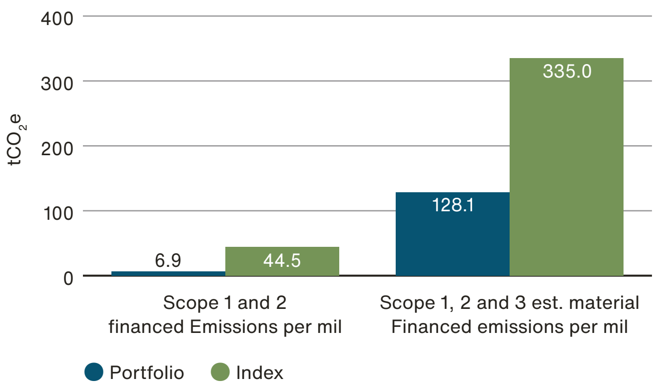
On that basis, the carbon footprint* of Sustainable Growth is roughly a quarter of its comparative index, the MSCI ACWI. We do hold a small number of more GHG-intensive companies. Our top three holdings by direct emissions intensity are TSMC and Texas Instruments in semiconductor fabrication, and Carlisle, a US commercial roofing company. We also own some large emitters in absolute terms, with ecommerce giant Amazon the most significant contributor. All three are embracing the necessary changes and taking leadership within their respective industries to minimise the impact of their operations.

Our opportunity-focused approach also sees us gain exposure to several solutions providers. **We class more than half of the portfolio by weight as climate 'innovators' or 'influencers'**. Heating, ventilation and air conditioning distributor Beijer is an example of an influencer, while manufacturer of electrical equipment, Schneider is an example of an innovator. Both are contributing solutions to the vast challenge that is the climate crisis, albeit in slightly different ways.

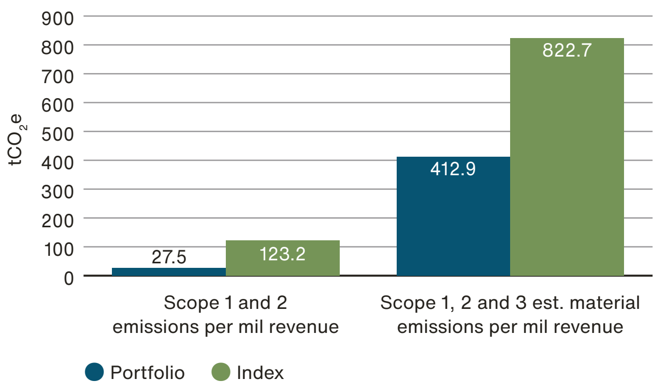
We class more than half of the portfolio by weight as climate 'innovators' or 'influencers'

*defined as weighted average carbon intensity, Scope 1 and 2

Carbon footprint



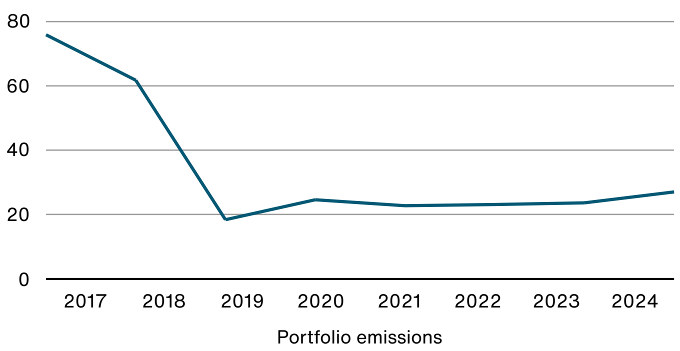
Weighted average carbon intensity



Source: Baillie Gifford, MSCI, FactSet. Carbon Footprint (tCO_2e)/$m: Normalised measure of a portfolio's contribution to climate change that enables comparison with a benchmark, between portfolios and between individual investments. Metric is Total Carbon Emissions expressed in tCO_2e per million currency invested. Weighted Average Carbon Intensity by Revenue (tCO_2e/$m revenue) – The aggregate GHG emissions of a company scaled by some measure of their size (revenue, EVIC). Data is fact-checked by our ESG analysts and is considered correct at the time of publishing.

Portfolio carbon intensity trend

Portfolio emissions (WACI = tCO_2e/$m revenues)



Weighted Average Carbon Intensity (WACI).
Source: Baillie Gifford, MSCI, FactSet. As at 30 June 2024.

Engagement and ownership priorities

Our approach to engagement reflects our ambition to invest in companies that positively contribute to society through either their products (what a company does) or their practices (how it does it). For the majority of your portfolio, our role as actively engaged, supportive shareholders is to thoughtfully participate in the company's AGM (annual general meeting), responding to a range of proposals typically from directors and occasionally from fellow shareholders. For controversial proposals, we often meet with the company in advance of submitting our AGM response to constructively discuss the company's voting recommendation.

However, for a small number of companies, we focus our engagement on additional factors that we believe have the potential for material investment outcomes over our holding period – either negatively or positively. The Sustainable Growth team manages a list of these engagement opportunities, prioritised according to where the most material issues lie and how much influence we have over the company in question.

We believe that to materially influence behavioural outcomes, it is important to develop constructive relationships with the companies that we seek to influence. Given our initial expectation to invest in a company for a decade or more, our engagement pathway involves a gradual escalation. We initially listen and learn as we gather perspectives that sit behind a company's various disclosures and publications. Following further analysis, we collectively assess whether the opportunity warrants further action and, if so, we seek to influence the company's behaviour through direct engagement. At this point, we also take the opportunity to articulate our concern, our expectations for a response and propose a suitable timeframe to the company.

If sufficient progress on the stated issue is not observed over a reasonable time frame, it could undermine our conviction in the investment case. Consequently, further escalation could include direct voting action against relevant company directors at the AGM. Ultimately, we will consider divestment if a company continually fails to engage with us or demonstrates minimal ambition to address our concerns.

Whilst we do not disclose the details of our current priority list, given the sensitivity of some engagements, it currently contains 10 companies. We continue to prioritise engagement on climate for 4 of these, given the materiality of their overall carbon emissions footprint. Human rights and employee welfare questions are the priority for 4 others and governance questions exist for a further 3.

We provide an update on our engagement activity in our quarterly client reports, and we have also articulated our controversy management process, which sets out our response to material adverse changes for your portfolio investments in the appendix of this document. Examples of some recent engagements follow.

Case study: DSV

People, products, doing more with less

DSV is one of the world's largest buyers of freight and is committed to using this scale to help reduce the carbon intensity of its customers' logistics networks, with a significant influence on its customers and their shippers.

Issue

During the year the company announced a $2.5 billion joint venture to build logistics infrastructure for the mega-city Neom in Saudi Arabia. This project has raised human rights concerns, due in part to the high risk of forced labour in the construction industry in the Middle East. As a global company, and one with significant influence on supply chains, DSV has a moral responsibility to ensure human rights are upheld in its supply chain.

Engagement

We met with DSV to understand its approach to managing human rights risks. While its policies are comprehensive, we sought more details on implementation, including independent audits and followed up with a written letter seeking further clarification. We also expressed concerns about potential conflicts between DSV and its joint venture partner, the Saudi government.

In response to the letter, we later had a meeting with DSV's chairman who assured us that the potential labour risks had been fully considered, and that robust safeguards in place. These include both structural protections, and internal and external audits.

We were pleased that at their AGM the company then recommended a vote in favour of a shareholder proposal to request transparent and robust human and labour rights reporting.

Outcome

While we are encouraged by DSV's response, it must continue to demonstrate a strong commitment to upholding international human and labour rights standards. We will monitor its progress closely, as the project ramps up from 2025.

Case study: Amazon

© Amazon

Prosperity, products, supporting innovation for growth

Amazon Web Services (AWS) is the largest source of profit for Amazon, and the biggest driver of growth. It plays a critical role in helping companies and governments realise the benefits of moving their technology to the cloud, which includes faster innovation cycles, lower costs, and better reliability.

Issue

Amazon has positioned itself as a climate leader by setting ambitious decarbonisation targets in 2019 and establishing The Climate Pledge to accelerate climate action by the world's top companies. However, recent developments indicate challenges in delivering on its climate strategy. With one of the largest value chains in the world, Amazon's sustainability initiatives mitigate risk of supply chain disruptions, support its brand and reputation, and contribute to operational efficiencies and long-term cost savings.

Engagement

We spoke with Amazon's head of ESG engagement to discuss the company's decision to step back from its Science-Based Targets initiative (SBTi) commitment. Amazon referred to methodological differences with the SBTi and the company is looking at alternative organisations to validate its emissions targets. We also repeated our encouragement for Amazon to broaden the scope of its targets to include upstream emissions from first-party and third-party sellers on its platform. Given the company's systemic importance, we believe this would be an important catalyst for decarbonisation across the value chain.

Outcome

We remain supportive of Amazon's long-term aspiration to be net zero by 2040 and understand that decarbonisation is a complex process. We have continued to encourage greater transparency in how Amazon plans to achieve its objectives and have outlined our belief that external validation of its targets is important to ensure accountability beyond its immediate emissions boundary. We will continue to monitor the company's progress in this area. In particular, we hope that its new supply chain standards report (due this year) will provide more insight into how the company is progressing climate action.

Case study: Illumina

People, products, extending healthy life expectancy

Illumina is the global leader in gene sequencing, occupying a privileged position in the genomics value chain and has clear potential to make a difference by enabling scientific and medical advances.

Issue

In last year's Sustainability Report, we wrote about recent engagement activity with the company which focused on concerns around leadership and decision-making, alongside questions on innovation and growth in the core business. In particular, our conversations centred around the impact that the then-CEO, Francis deSouza, was having and concerns around his decision to go ahead with the acquisition of early-cancer detection company, GRAIL.

Not long after various meetings in the first half of the year, deSouza's resignation was announced and we sought to engage with his successor, Jacob Thaysen. In addition to speaking to Thaysen, we also engaged with the new Chair and four independent non-executive board directors (two of which were newly appointed).

Engagement

We specifically wanted to understand the search process for deSouza's successor and the board's involvement. The board was unanimous in appointing Thaysen, citing his grounding in R&D and previous experience as a Chief Technology Officer. His enthusiasm and ideas for the future direction of the company were also admired.

On a follow-up call with him, we discussed his motivation for joining Illumina and where he thinks improvements can be made. We were reassured that his main priority is to focus on the core business, specifically bringing costs down and solving problems for customers.

Outcome

We left these engagements confident that Illumina's management and board had made necessary and welcome improvements, addressing the challenges that the company had faced the year prior, and that Thaysen's customer-centric approach should help to revive growth.

Appendix

List of holdings

Company	Products/ practices	Theme	Sub theme	Sustainable development goal	Hypothesis in a nutshell
adidas Group	Practices	People	Extending healthy life expectancy	3.4	Adidas plays an important role in encouraging its consumers to exercise more and improving equality of access to sports.
Advanced Drainage Systems	Products	Planet	Adapting to climate change	13.1	ADS's recycled plastic pipes improve the quality and quantity of stormwater systems in the US, which will become increasingly essential as the frequency and severity of urban flooding increases.
AIA Group	Products	People	Enhancing access to healthcare	3.8	AIA provides life and health insurance mostly in emerging Asia, helping customers manage risks related to illness or death and offering security where social safety nets are limited.
Alphabet Inc Class A	Products	Prosperity	Supporting innovation for growth	9.C	Alphabet's largely free tools have helped revolutionise access to information and learning, and allowed smaller businesses to scale fast. Today the company is at the forefront of innovations in fields such as artificial intelligence, and we believe they have a catalysing effect on innovation in many realms.
Amazon.Com	Products	Prosperity	Supporting innovation for growth	9.5	Amazon Web Services is the largest source of profit for Amazon, and the biggest driver of growth. AWS plays a critical role in helping companies and governments realise the benefits of moving their technology to the cloud, which include faster innovation cycles, lower costs, and better reliability.
Atlas Copco B	Products	Planet	Doing more with less	9.4	Atlas Copco helps its customers to reduce the energy intensity of their operations, through providing more efficient compressors and tools – and it is increasingly helping them to switch away from the use of fossil fuels.
Beijer Ref	Practices	Planet	Enabling the energy transition	7.3	Buildings account for 40% of global emissions. As the only global distributor of air conditioners and heat pumps, Beijer has the opportunity and ambition to steer both customers and manufacturers towards more energy efficient units.
Bridgestone	Practices	Planet	Doing more with Less	9.4	Tyres are an essential product, especially when it comes to heavy, high-torque electric vehicles. Bridgestone is focused on reducing the environmental impact of the industry by investing in sustainable materials and recycling.
Carlisle	Products	Planet	Doing more with less	9.4	Investment in developing market leading products will help reduce the thermal needs of our buildings
Centre Testing	Practices	People	Extending healthy life expectancy	3.9	CTI's role is to improve the trust between organisations and the public, and companies and their counterparties. Over the next 5-10 years they will establish themselves as equivalently trustworthy to the International players, growing their sales >3x in the process. They will do this by obsessing over quality, and helping to raise the standards of the entire Chinese TIC industry.
Cognex Corp	Products	Prosperity	Supporting innovation for growth	9.5	Cognex is a leader in technology for machine vision, which enables greater automation in a wider range of industries and tasks. In particular, Cognex's products reduce waste and improving quality control in manufacturing.

Company	Products/ practices	Theme	Sub theme	Sustainable development goal	Hypothesis in a nutshell
Dassault Systemes	Products	Planet	Doing more with less	9.4	Dassault provides industry-leading software that helps design, build, and manage products more efficiently, reducing resource use and waste while accelerating innovation.
Denali Therapeutics	Products	People	Extending healthy life expectancy	3.4	Through pioneering next-generation treatments for neurodegenerative diseases, Denali Therapeutics has the potential to revolutionise healthcare for one of the most significant medical challenges of our time.
DSV B	Practices	Planet	Doing more with less	9.4	DSV is one of the world's largest buyers of freight, and is committed to using this scale to help reduce the carbon intensity of its customers' logistics networks, with a significant influence on both their customers and the shippers.
Epiroc	Products	Planet	Doing more with less	9.4	Epiroc makes mining equipment with a focus on electrification and automation, contributing to the partial decarbonisation of some of the worst world emitters and the reduction of health & safety risks in one of the most dangerous environments.
Eurofins	Products	People	Extending healthy life expectancy	3.9	Eurofins plays a critical role in society through the provision of analytical testing services, the benefits of which range from facilitating food safety, to measuring environmental impact, to supporting drug testing and development, and advancing medical research.
Exact Sciences	Products	People	Extending healthy life expectancy	3.4	Colorectal cancer is the 2nd leading cause of cancer deaths in the US, despite the fact that 80% of cases are treatable if caught early. Exact's Cologuard is quickly becoming the industry standard screening test for colorectal cancer and has the potential to save thousands of lives.
Experian	Practices	People	Deepening Financial Inclusion	8.10	Experian's core role is to make it easier to issue credit by ensuring lenders have accurate data. They are using their position of influence as the largest credit bureau to try and promote financial inclusion, by giving consumers more insight and control over the data that lenders use.
HDFC Life Insurance Co Ltd	Products	People	Deepening financial inclusion	1.3	HDFC Life provides life insurance and savings products in the Indian market, which help bridge the protection gap and are particularly impactful for customers close to the poverty line.
Illumina	Products	People	Extending healthy life expectancy	3.4	As the global leader in gene sequencing, Illumina occupies a privileged position in the genomics value chain and has clear potential to make a difference by enabling scientific and medical advances.
IMCD Group NV	Practices	Planet	Doing more with less	12.2	IMCD's expertise in specialty chemicals and formulations helps their customers to reduce the environmental footprint of their products, without compromising on performance. They are a particularly important enabler for small and medium sized customers, and actively spread best practice across industries and geographies.

Company	Products/ practices	Theme	Sub theme	Sustainable development goal	Hypothesis in a nutshell
Inspire	Products	People	Extending healthy life expectancy	3.4	Inspire's success depends on their ability to provide effective treatment for sleep apnoea, a condition that affects millions of people at a cost of billions of dollars to the healthcare system and wider economy.
JD.com	Products	Prosperity	Supply chains with integrity	9.1	JD.com's heavy investments in their platform and infrastructure help allow consumers in rural China to access to affordable, safe and authentic products, and smaller merchants to reach a wider audience.
Kubota	Products	People	Improving food security	2.4	Through its provision of durable, quality agricultural machinery, Kubota is contributing to food security for a growing, ageing and urbanising population, especially in emerging mkts (India, SE Asia).
L'Oreal	Practices	Planet	Preserving natural capital	12.4	L'Oréal is using its position as the largest global cosmetics company to improve environmental standards across the industry. It has ambitious goals to reduce the climate and biodiversity impact of its products and supply chain, enabled by world-leading life-cycle analysis.
MarketAxess Holdings	**Products**	**Prosperity**	Encouraging fair and transparent markets	10.5	MarketAxess's platform dramatically reduces the costs and improves the transparency with which bonds are traded, with subtle but far-reaching benefits for investors (such as pensioners) and bond issuers (such as governments). Penetration of electronic trading today is only ~40%, and regulators are determined to increase this to promote transparency.
Mastercard Inc-Class A	**Practices**	**People**	Deepening financial inclusion	1.4	Mastercard has ambitious goals for financial inclusion, partnering with the World Bank and other NGOs to bring 1 billion individuals into the financial system by 2025, with a focus on unbanked communities and women.
Meituan	**Products**	**Prosperity**	Lowering barriers to entrepreneurship	9.3	Meituan's platform reduces barriers to entrepreneurship by giving merchants access to millions of customers and implementing initiatives that proactively support the growth of SMEs.
MercadoLibre	**Products**	**Prosperity**	Lowering barriers to entrepreneurship	9.3	MercadoLibre has expanded from an e-commerce platform to a major provider of logistics infrastructure and financial services in Latin America, playing an important role in lowering barriers to entrepreneurship and promoting financial inclusion.
Metso Corp	**Products**	**Planet**	Doing more with less	8.4	Metso provides key equipment and support to the metal and mineral processing industries worldwide, with a focus on energy efficiency. It will benefit from the increasing metal demand driven by electrification, while helping reduce mining emissions.
Moderna Inc	**Products**	**People**	Extending healthy life expectancy	3.4	Moderna's vaccine saved millions of lives during the COVID pandemic, and it has reinvested the profits in heavy R&D. Its strong pipeline of vaccines for everything from flu to HIV could be gamechanging for public health.
MSA Safety	Products	Prosperity	Fair and decent work	8.8	MSA is a mission-driven organisation, manufacturing products that protect workers in hazardous environments.

Company	Products/ practices	Theme	Sub theme	Sustainable development goal	Hypothesis in a nutshell
New York Times Co	Practices	People	Promoting strong institutions	16.10	New York Times is one of few news organisations to have consistently invested in its journalism and product offering in a period of intense disruption of media. This high quality journalism, with a strong focus on ethical and truthful reporting, plays a vital – and increasingly unique – role in holding institutions to account.
Nintendo	**Practices**	**Prosperity**	Safer lives online	n/a	Nintendo distinguishes itself by creating family-friendly, accessible, inclusive, and educational gaming content that promotes positive values and enables parental control of content and usage.
NVIDIA	**Products**	**Prosperity**	Supporting innovation for growth	9.5	Through its high-end chips and wider ecosystem, NVIDIA is providing the 'picks and shovels' for innovation and technological progress – notably in AI.
Prudential	**Products**	**People**	Enhancing access to healthcare	3.8	Prudential is now focused on providing life and health insurance in Asia, helping customers manage risks related to illness or death and offering security where social safety nets are limited. Their growth will be increasingly driven by helping people meet their healthcare needs.
RD Saúde	**Practices**	**People**	Enhancing access to healthcare	3.8	As Brazil's leading pharmacy chain, RD boasts a long track record for share gains and profitable growth under the stewardship of the founding families. Its future financial success and societal contribution both depend on its value proposition to customers, which increasingly goes beyond access to medicine. Expanding the service offering strengthens its differentiation and drives footfall, while fulfilling an important role in the under-resourced Brazilian healthcare system.
Rakuten Inc.	**Practices**	**Prosperity**	Supporting innovation for growth	9.C	Japanese ecommerce giant Rakuten is in the process of disrupting the incumbent telecom oligopoly, accelerating innovation and benefitting its millions of customers.
Recruit Holdings	**Practices**	**Prosperity**	Fair and decent work	8.5	Recruit's recruitment platforms and matching technology improve transparency and efficiency in the labour market, reducing economic hardship from frictional unemployment. The company seeks to go further by proactively working with employers to reduce discrimination and help marginalised groups find work.
Sartorius Stedim Biotech	**Products**	**People**	Extending healthy life expectancy	3.4	Through its comprehensive portfolio of innovative manufacturing equipment, Sartorius SB enables biologic advancement, development, and production efficiencies, thereby contributing (albeit indirectly) to better health, for more people, worldwide.
Savers Value Village	**Practices**	**Planet**	Doing more with less	12.5	SVV is the only listed thrift store chain, and its unique business model takes 'sharing economics' to the next level. Its ambitious expansion plans are supported by strong structural tailwinds and the runway for growth is long at current scale. It relies on the local community for both demand and supply, and in turn its growth reduces textile waste and supports charity partners.

Company	Products/ practices	Theme	Sub theme	Sustainable development goal	Hypothesis in a nutshell
Schneider Electric SE	**Practices**	**Planet**	Enabling the energy transition	7.3	As a manufacturer of electrical equipment, Schneider is enabling the energy transition while showing leadership in their holding themselves to high environmental standards, while inspiring suppliers and competitors to follow suit.
Shopify 'A'	**Products**	**Prosperity**	Lowering barriers to entrepreneurship	9.3	Shopify provides the infrastructure that enables merchants of any size to sell online – via their own websites and on their own terms. It's growing suite of products, from payments to advertising, levels the playing field for small businesses.
Spirax-Sarco	**Practices**	**Planet**	Doing more with less	9.4	Spirax Sarco provides niche industrial components for heat transfer and fluid dynamics. It partners with customers to identify opportunities to improve their operational efficiency and reduce their environmental footprint.
Spotify Technology SA	**Practices**	**Prosperity**	Lowering barriers to entrepreneurship	9.3	Through its music streaming platform and wider ecosystem, Spotify is contributing significantly to the growth of the creative economy and democratising access to income opportunities for artists and creators.
Staar Surgical	**Products**	**People**	Extending healthy life expectancy	n/a	Staar's implantable lens enables long-lasting vision correction without the need for invasive surgery. Its low-risk procedure is a meaningful improvement on the status quo, and is suitable for a wider range of patients including those with severe myopia where the quality of life improvement is most significant.
Starbucks Corp	**Practices**	**Prosperity**	Supply chains with integrity	12.6	Starbucks have pioneered a stakeholder-centric approach to running their business since they were founded. They have extended this approach through to their coffee supply chain, where they are using their influence as one of the largest buyers in the world to help promote more sustainable farming practices, and raise transparency in the industry, including developing the industry's first ethical sourcing standards.
Texas Instruments	**Practices**	**Prosperity**	Supporting innovation for growth	9.5	Texas Instruments designs and manufactures analog semiconductors, providing customised chips to over 100,000 customers for use in products from wind turbines to traffic lights.
The Trade Desk	**Practices**	**Prosperity**	Safer lives online	16.10	Trade Desk is a critical gatekeeper in the digital advertising industry, enabling targeted advertising in a way that protects consumers and maximises transparency over how data is used, with strong ethical guidelines that influence many other actors in the system.
TSMC	**Products**	**Prosperity**	Supporting innovation for growth	9.5	As the world's largest – and most sophisticated – independent foundry, TSMC occupies a critical position in the semiconductor industry. By enabling chip designers to outsource manufacturing, TSMC enables faster and more capital-efficient innovation across a wide range of industries.

Company	Products/ practices	Theme	Sub theme	Sustainable development goal	Hypothesis in a nutshell
UnitedHealth	**Practices**	**People**	Extending healthy life expectancy	3.4	As the largest healthcare management organisation in the US, UNH plays a crucial role in allocating scarce resources, improving patient outcomes, and containing costs. As the population ages, they are leading the industry in a shift to more integrated care.
Wabtec	**Products**	**Planet**	Doing more with less	9.4	Wabtec is the dominant manufacturer of locomotives and related parts in the US. Through their leading investment in emissions reduction technology, Wabtec will play a significant role in supporting carbon emissions reductions within the rail industry – which is already the most environmentally way to transport goods or passengers.
Warby Parker Inc	**Practices**	**Prosperity**	Fair and decent work	10.3	Warby Parker is a small eyewear company with the potential to have a disproportionate influence via its progressive approach to issues such as racial equality in the workforce. As well as acting as a role model for other (larger) companies, this is an integral component of the company's brand and their proposition to employees.
Waters	**Products**	**People**	Extending healthy life expectancy	3.4	Waters is the industry leader in high-end lab equipment and consumables for liquid chromatography, enabling innovation in healthcare, industry and academia.
Watsco Inc	**Practices**	**Planet**	Enabling the energy transition	7.3	Buildings account for 40% of global emissions. As the largest distributor of air conditioning systems in the US, Watsco is helping educate a huge fragmented base of installers and contractors on the benefits of more energy efficient units.
Wise plc	**Practices**	**People**	Deepening financial inclusion	10.C	Wise is a mission-driven company focused on providing low-cost, transparent, and efficient cross-border transactions for individuals and SMEs. By reducing remittance costs and easing the financial burden of living across borders, the company fosters greater financial inclusion.
Workday Inc	**Practices**	**Prosperity**	Fair and decent work	8.2	Workday is best known for its cloud-based HR software, which improves the efficacy of human capital management within large enterprises. Workday partners with its customers to promote Fair and decent work by sharing best practice in areas such as diversity and inclusion.
Yeti	**Practices**	**Planet**	Doing more with less	12.5	Yeti's strong culture of sustainability and community focused marketing approach helps strengthen its strong brand and maintain its loyal customer base.

Appendix

Controversy management process

Whilst we are committed to investing in sustainable companies, we also understand that no company is perfect. As long-term investors, we are prepared to support our holdings through both their successes and challenges. It is inevitable that some companies may face material adverse changes (MAC) due to unforeseen circumstances or errors in judgment. These moments of scrutiny are critical, not just for the companies involved but for us as investors, as they test our investment philosophy and the resilience of these companies.

To manage such situations without resorting to hasty decisions, we have developed a comprehensive engagement process:

01. **Quarantine**: Initially, we refrain from making any immediate selling decisions. This period allows us to gather complete and accurate information about the incident, ensuring our actions are well-informed.
02. **Evaluate**: We thoroughly investigate the issue, considering all available information and, when possible, engaging directly with the company and its stakeholders. This helps us determine whether the MAC is an isolated event or indicative of deeper issues within the company.
03. **Engage**: Depending on our evaluation, we either monitor the company's response to the controversy or develop a detailed engagement plan. This plan outlines clear expectations for the company to address and rectify the underlying issues, including specific milestones and timeframes.
04. **Monitor**: We maintain ongoing dialogue with the company, tracking their progress towards the milestones set in our engagement plan.

> By supporting companies through difficult times, we often gain greater access and influence, benefiting our investment strategy in the long run

At any time after the formulation of an engagement plan, the portfolio managers may propose to re-score the company on our sustainability criteria to capture any changes in opinion across the team. If it still meets our threshold, the quarantine is lifted. If, however, the result is a downgrade to zero on any metric, we will look to exit our position in a reasonable timeframe. This may be repeated as often as necessary as the situation develops.

05. **Disclose**: We believe in transparency and will report our engagement activities and responses to MACs in our Sustainability Report and, where appropriate, in our quarterly letters.

This approach not only allows us to make informed decisions but also strengthens our relationships with company management. By supporting companies through difficult times, we often gain greater access and influence, benefiting our investment strategy in the long run.

We are here to ensure that our investments continue to create value for society without causing harm, even when faced with challenges.

Appendix
Proxy voting

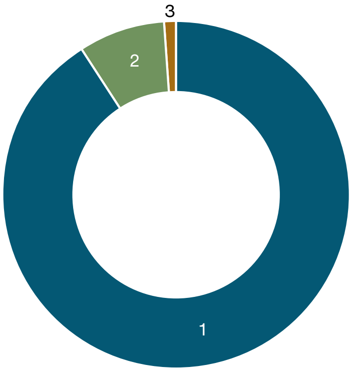
Proxy voting is central to our engagement strategy: it enables us to support, influence, or challenge the management teams of the companies we invest in. We aim to vote on behalf of our clients for all shares worldwide wherever feasible, ensuring their voice is heard in corporate decision-making. In consultation with other investment teams, we carefully assess proposals, focusing on what we think will best serve our clients' long-term interests. Should we choose to vote against management, we aim to ensure that we discuss our concerns and inform them of our decision before submitting our vote.

During the past year, we voted on 840 resolutions. 92% of votes (760) were cast in line with management's recommendation, 8% (64) were cast against, and on 1% (4) there was no management recommendation.

This stance of overwhelming support is to be expected. One of the core elements of our sustainable investment framework is to assess companies on trust. Essentially, this explores whether the company's culture is that of a responsible business and if the management team is well-aligned with external shareholders. That is not to say, however, that we have not challenged management nor supported shareholder resolutions that we thought were worthwhile. We supported around a quarter of shareholder proposals tabled in the period.

Proxy voting record

Year to 30 June 2024



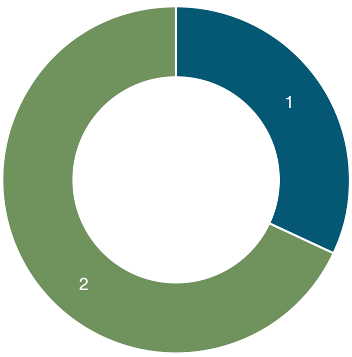
1	For	**92% (760)**
2	Against	**8% (64)**
3	Abstain	**1% (4)**

Total votes 840

Source: Baillie Gifford and Co. As at 30 June 2024.

Shareholder resolutions

Year to 30 June 2024



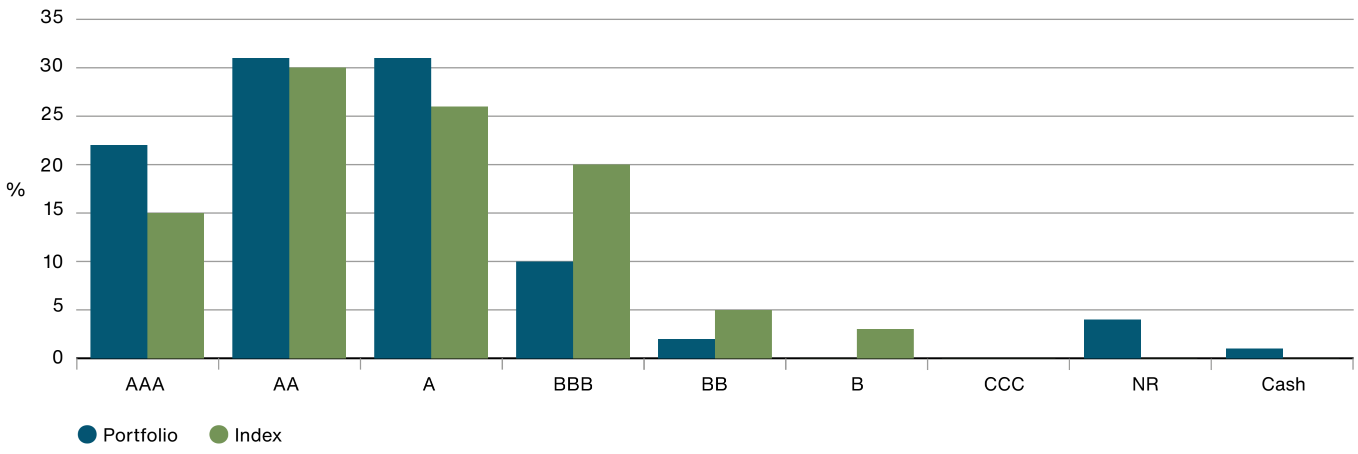
1	For	**32% (15)**
2	Against	**68% (32)**

Total votes 61

Source: Baillie Gifford and Co. As at 30 June 2024.

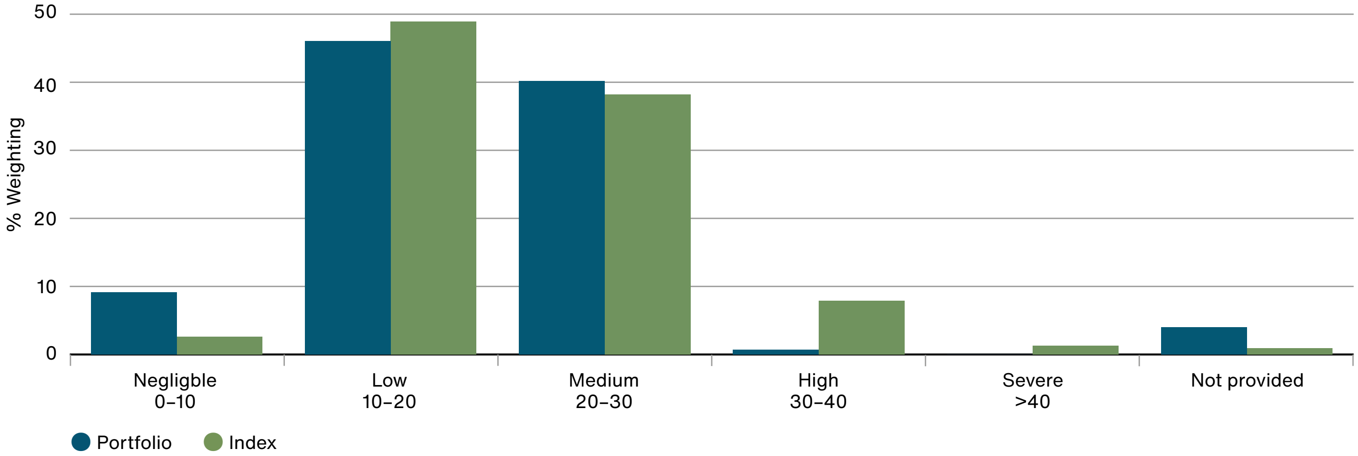
Appendix
Independent ESG scores

MSCI scores



MSCI ESG Ratings aim to measure a company's management of financially relevant ESG risks and opportunities. They use a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. These ratings range from leader (AAA, AA), average (A, BBB, BB) to laggard (B, CCC).

Sustainalytics scores



Morningstar Sustainalytics' ESG Risk Ratings provide a consistent measure of material ESG risks. These ratings are based on an assessment of a company's exposure to risk and how well it manages those risks, resulting in a single score that indicates the company's overall ESG risk level. They are categorised into five severity levels based on a scale of 0–100, with 0 being the lowest risk and 100 being the highest.

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