

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this financial product have a sustainable investment objective?



**Yes**



It will make a minimum of **sustainable investments with an environmental objective: \_\_\_%**



in economic activities that qualify as environmentally sustainable under the EU Taxonomy



in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy



It will make a minimum of **sustainable investments with a social objective: \_\_\_%**



**No**



It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of \_\_\_% of sustainable investments



with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy



with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy



with a social objective



It promotes E/S characteristics, but **will not make any sustainable investments**



## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the following environmental and/or social characteristics:

1. Responsible business practices in accordance with the United Nations Global Compact Principles for Business.
2. Minimum environmental and/or social standards achieved through the exclusion of business activities that the Investment Manager has deemed to be harmful to the environment and society respectively.
3. Active consideration of environmental and/or social issues through proxy voting applied in line with the Investment Manager's ESG Principles and Guidelines document – website link detailed below.
4. Managed greenhouse gas emissions intensity as measured by the Fund's Weighted Average Carbon Intensity ('WACI') and an aim for this to be lower is lower than S&P 500 Index (the 'Index')

While the Fund aims to have a WACI lower than the Index, this Index is not used as a reference index to attain the promoted environmental and/or social characteristics as the Fund does not align its environmental and/or social characteristics with that of the Index.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

### ● ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The following sustainability indicators are used to measure the attainment of the promoted environmental and/or social characteristics:

1. The % of investments that comply with the Investment Manager's policy on assessing breaches of United Nations Global Compact Principles for Business.
2. The % of investments that comply with the business activity-based exclusions.
3. The % of holdings voted.
4. The Fund's WACI is lower than the Index.

### ● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

Not applicable. The Fund does not commit to investing in sustainable investments as defined under the SFDR.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

● **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

Not applicable.

*How have the indicators for adverse impacts on sustainability factors been taken into account?*

Not applicable. The Fund does not commit to investing in sustainable investments as defined under the SFDR.

*How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

Not applicable. The Fund does not commit to investing in sustainable investments as defined under the SFDR.

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



**Does this financial product consider principal adverse impacts on sustainability factors?**

- Yes, the Fund has opted to consider principal adverse impacts on a qualitative basis primarily through (a) business activity-based exclusions outlined in the investment strategy that are aimed at mitigating principal adverse impacts, some of which are associated with principal adverse impact indicators in Table 1 of Annex I of SFDR Regulatory Technical Standards, and (b) managed greenhouse gas emissions intensity with an aim of this to be lower than the Index. These measures are supplemented by controversies monitoring, voting and engagement policies. Consideration of principal adverse impacts on sustainability factors will be addressed as part of the periodic reporting to be appended to the annual report.
- No



## What investment strategy does this financial product follow?

The Fund is actively managed and invests primarily in equity securities which are listed on U.S. markets with the aim of providing above average returns comprising capital growth and dividend income over the long term. The assessment of sustainability factors is integrated into the Investment Manager's stock research framework in which the Investment Manager will consider management and stakeholder alignment and the company's broader contribution to society. This includes an assessment of the key positive and negative implications of future growth on relevant stakeholders. The Fund uses norms-based evaluation, business activity-based exclusion and active ownership to support the attainment of the promoted environmental and/or social characteristics and these are implemented on a continuous basis through ongoing compliance with, and monitoring of, the binding commitments outlined in the next section.

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

- ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The Fund will comply with the Investment Manager's policy on assessing breaches of the United Nations Global Compact Principles for Business as outlined in the Investment Manager's ESG Principles and Guidelines document and will exclude companies that derive more than 10% of annual revenues from: (a) the production and/or distribution of armaments; (b) more than 30% of annual revenues from the production or distribution of thermal coal; and (c) more than 5% of annual revenues from the production of tobacco.

The Fund's WACI will be measured against the Index, with an overall aim to have a WACI that is lower than the Index. Details of the measurement of the Fund's WACI against that of the Index will be provided in the annual report and will include an explanation should this aim not be achieved.

The Investment Manager exerts the right to vote by voting according to its Voting Policy, unless impediments occur (e.g. share blocking). The Investment Manager's Voting Policy is available publicly in its ESG Principles and Guidelines document at the website link detailed below.

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

Not applicable. The Fund does not commit to a minimum rate of reduction in the scope of the investments considered prior to the application of the investment strategy.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● ***What is the policy to assess good governance practices of the investee companies?***

SFDR requires that products promoting environmental and/or social characteristics do not invest in companies which do not follow good governance practices. As such, the Investment Manager has adopted a policy to apply good governance tests on areas covering sound management structures, employee relations, remuneration of staff and tax compliance. Companies that do not pass these tests will not be held in the Fund.

The Investment Manager believes that good governance works best when there are diverse skillsets and perspectives, paired with an inclusive culture and strong independent representation which should assist, advise and constructively challenge the thinking of management. However, the Investment Manager also believes that there is no fixed formula to create a constructive and purposeful board but it expects that boards have the resources, information, diversity of thought and experience needed to fulfil their responsibilities. More detail on the Investment Manager's policy to assess good governance practices of investee companies can be found in its ESG Principles and Guidelines document at the website link detailed below.



## What is the asset allocation planned for this financial product?

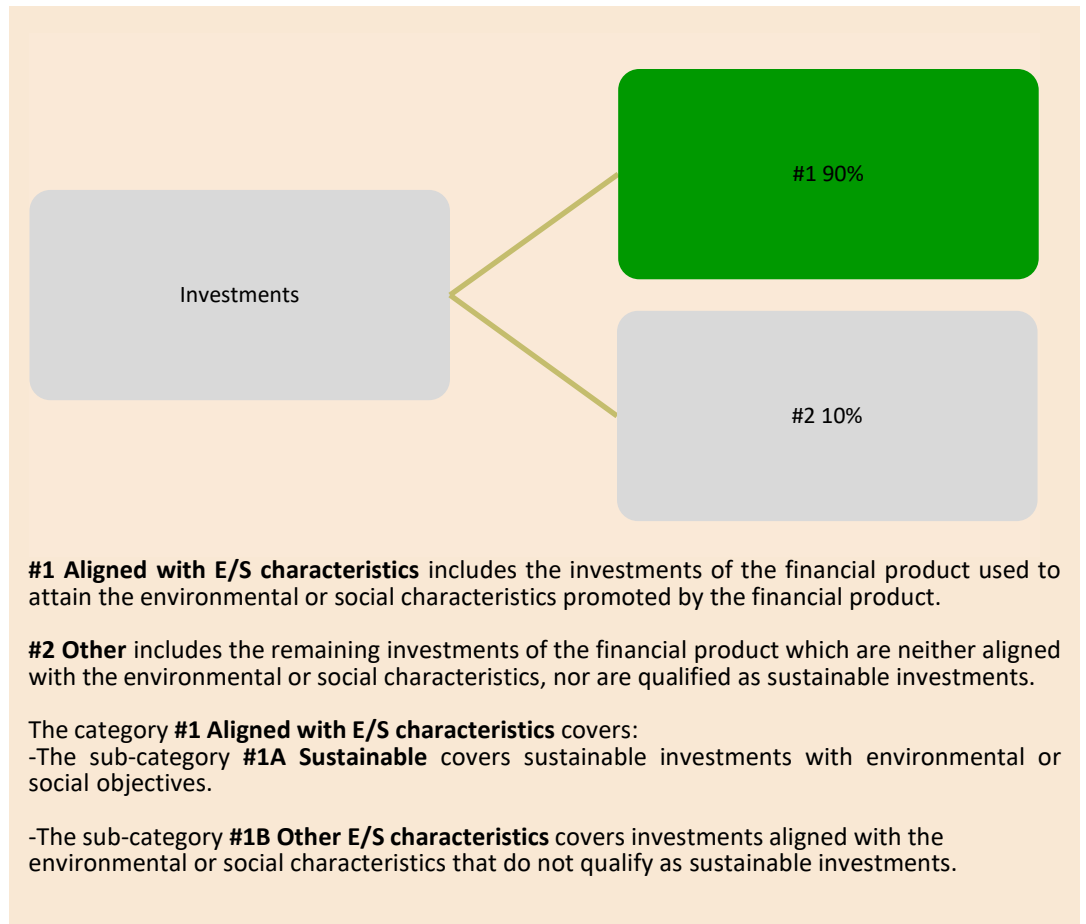
In order to meet the environmental and/or social characteristics promoted by the Fund, it will invest primarily in equity securities (directly although it may also invest indirectly through eligible collective investment schemes) that are aligned with the same characteristics. The remaining proportion of the investments will be used for liquidity and/or efficient portfolio management purposes and will not incorporate any of the environmental and/or social characteristics promoted by the Fund. Any minimum environmental and/or social safeguards regarding the remaining proportion of the investments is covered in a specific section below.

### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



### ● *How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?*

Not applicable.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

0% as the Fund does not intend to allocate a minimum level of sustainable investments in the portfolio with an environmental objective aligned with the EU Taxonomy. If at the end of the accounting period, investments are made in companies/businesses whose economic activities contribute to an environmental objective aligned with the EU Taxonomy, those investments' compliance with the requirements laid down under the EU Taxonomy will not be subject to an assurance or review provided by an auditor or third party.

### Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?

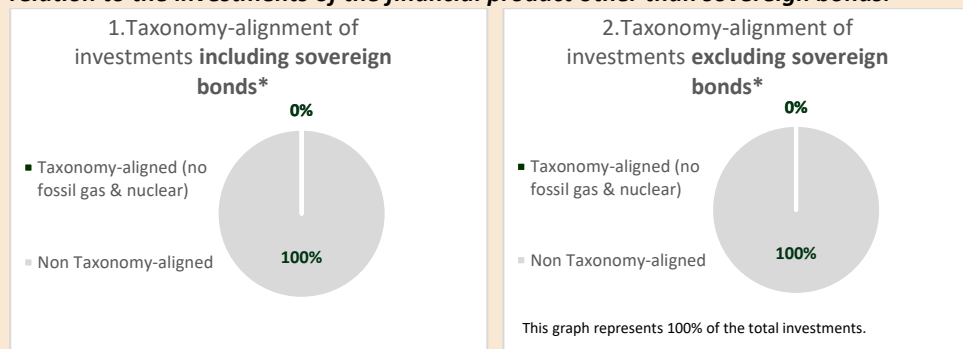
Yes

In fossil gas

In nuclear energy

No

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy-alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy-alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

### What is the minimum share of investments in transitional and enabling activities?

Not applicable.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

Not applicable.



**What is the minimum share of socially sustainable investments?**

Not applicable.



**What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

The investments included under #2 Other are primarily cash and cash equivalents for liquidity purposes but may also include investments used for efficient portfolio management purposes (e.g. currency forwards to reduce currency risk) and as such the investments do not affect the promoted environmental and/or social characteristics of the Fund. The assessment of counterparties and issuers for cash management (including cash and cash equivalents) focuses on creditworthiness of these parties which can be impacted by sustainability risks.



**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

No. While the Fund aims to have a WACI lower than the Index, this Index is not used as a reference index to attain the promoted environmental and/or social characteristics as the Fund does not align its environmental and/or social characteristics with that of the Index.

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

● ***How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?***

Not applicable.

● ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***

Not applicable.

● ***How does the designated index differ from a relevant broad market index?***

Not applicable.

● ***Where can the methodology used for the calculation of the designated index be found?***

Not applicable.





## **Where can I find more product-specific information online?**

**More product-specific information can be found on the website:**

ESG Principles and Guidelines document: [Our Stewardship Approach: ESG Principles and Guidelines \(baillieghifford.com\)](https://www.baillieghifford.com/our-stewardship-approach-esg-principles-and-guidelines)

Sustainability-related disclosure: [Worldwide US Equity Growth Fund Financial Product Website Disclosure \(baillieghifford.com\)](https://www.baillieghifford.com/worldwide-us-equity-growth-fund-financial-product-website-disclosure)